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PREFACE

In 1937, the Assembly of the League of Nations decided that an "international study" should be made "of the methods employed in various countries for improving housing conditions, with special reference to the cost involved and the results obtained, granted the objects in view".

The enquiry was entrusted to M. B. HELGER, of the Swedish Social Board, who has had special opportunities to familiarise himself with the problems of housing finance.

Housing conditions were again discussed in 1938 by the Assembly, which expressed the hope that, in the preparation of the report, it would be possible to devote special attention to the financial aspects of town-planning.

M. Helger has accordingly expanded the chapters dealing with the housing policies of various Governments in order to cover this subject. Since the enquiry is mainly concerned with financial issues, an exhaustive survey has not been attempted. Certain countries, the majority of which M. Helger was able to visit personally, were selected as affording evidence concerning the type of problem involved in Government efforts to improve housing conditions.

A. LOVEDAY,
Director of the Financial Section
and Economic Intelligence Service.

Geneva, July 1939.

INTRODUCTION

A. Subject of the Present Report: The Development of Housing Policy

In accordance with the Assembly's resolution, the present study will deal with " the methods employed in various countries for improving housing conditions, with special reference to the cost involved and results obtained, granted the objects in view ".

Even before the war, housing conditions among the lower income categories were a matter of concern to public opinion and the public authorities in many countries. Official action, however, scarcely went beyond the introduction of laws and administrative regulations regarding the safety of buildings, sanitary conditions and town-planning. Financial support was forthcoming in certain forms, though usually on a limited scale; in some countries, there were mortgage credit institutions guaranteed by the State, and certain other facilities were available—loans from State funds, tax exemption and, in some cases, direct grants to philanthropic undertakings, housing co-operative societies and other societies recognised as being " of public utility " for the building of cheap houses.

Housing policy underwent a far-reaching change after the war. During the war itself and the first post-war years, the building trade was largely idle, and the public authorities were thus almost everywhere obliged to embark upon measures to mitigate the effects of a housing shortage. At first, their action was largely of a negative character (laws for the protection of tenants and restrictions to prevent an excessive rise in rents), which further helped to check private enterprise. As a result, the authorities were soon compelled to take action to promote building, mainly by means of subsidies to local authorities and public utility bodies and to some extent to private enterprise.

These developments seem to have led to a change in the prevailing conception of the duties of the public authorities in housing matters. Public action is no longer devoted solely to making good a temporary shortage in private building. Even in countries in which the housing shortage has been substantially reduced, the authorities have made or are making great efforts to bring about a more or less general improvement in housing conditions. Thus, vast schemes have been set on foot for slum-clearance, for abatement of overcrowding, for scientific research into housing hygiene and the application of the new principles established to public health regulations and town-planning, and the extension of housing policy to rural areas which before the war were more or less neglected.

With a view to the execution of these building schemes, minimum standards have been established as regards the demolition, repair and building of houses. But it is not enough to lay down minimum housing standards; steps must also be taken to ensure that dwellings in accordance with such standards should actually be built and placed within the reach of the poorer families.

Furthermore, during the last economic depression, in certain countries where the authorities were obliged to take action to reduce unemployment it was largely through public works by means of the building and reconditioning of houses or special building schemes that an attempt was made to create employment.

Before proceeding to analyse the various measures adopted, it may be appropriate to outline the problem of housing in general.

B. General Aspects of the Housing Problem: Division of the Problem

In these days, most families in urban areas, and even many living in the country, are compelled to rent or buy houses, while house-building, and to a large extent the management of house property, are profit-making activities in private hands and form an outlet for capital investment. Even when a private person wants to have a house built for himself, he generally has to go to a building contractor and, in most cases, to meet part of the building costs by obtaining a mortgage loan.

Hence, the housing problem in its economic and financial aspect at once becomes one of supply and demand.

Generally, there are two different aspects of the housing problem: (1) shortage of housing; (2) the unsatisfactory character of existing housing accommodation as regards hygiene and public health.

The outstanding feature of a housing shortage is that the number of dwellings available is definitely less than the number of families wanting them. This dearth of dwellings is due to the inelasticity of the demand. If supply is less than demand, some families have to share a dwelling with another family, or to find what accommodation they can in furnished rooms, in premises not intended for habitation, in home-made shacks on waste ground, such as are often to be found on the outskirts of towns, etc.

As long as the interplay between supply and demand functions normally, every family that can pay the cost price of a dwelling, however modest, should be able to find one. So, if there is a shortage of dwellings, it must be ascertained how far this phenomenon is due to impediments to the interplay between the supply and demand.

The other aspect of the problem relates to the quality and utilisation of existing dwellings. It is determined by the

acceptance of certain minimum standards regarding internal and external equipment, sanitary arrangements, density of occupation, etc. Naturally, the greater the shortage, the more overcrowding will there be and the more defective dwellings will have to be used. But—and this is why the questions of the quality of housing are better treated separately—even if the demand for housing as it manifests itself in the market is completely satisfied, serious overcrowding and insanitary conditions may still prevail. The ideas of public authorities as to minimum standards are such that it seems impossible to solve the housing problem merely by the operation of supply and demand, partly because the income of a great many families is inadequate to enable them to obtain housing with the minimum conditions of health and comfort, and partly because many families fail to appreciate the importance of these conditions and consequently make no effort to obtain suitable housing even when they can afford to pay the rent for it.

C. Housing Shortage and its Causes

The Need for Housing.

During the past few decades, the need for housing has greatly increased. In most countries, it has increased at a higher rate than the total population. This is mainly due to the changes in the age distribution, the proportion of people of marrying age and setting up separate households tending steadily to increase. Because of the migration of rural populations towards industrial and commercial centres, urban areas have been specially affected by this increased demand; but it has made itself felt in rural areas too.

Another consideration is the effect of the improved standard of living among the humbler classes, which have learnt to appreciate the advantages of a good dwelling, and where their means permit try to obtain one. Consequently, the number of cases of two or more families living in the same dwelling is reduced and the total demand for dwellings automatically increased. Moreover, progress in the internal and external equipment and arrangement of dwellings leads families which can afford to pay for such conveniences to prefer new houses.

The Supply of Dwellings.

As a matter of fact, house-building largely depends on builders' estimates of profits from the sale of the property and on investors' calculations of rents obtainable as compared with the yield from other investments.

Since, in most cases, it cannot be exactly known either for how much the house will sell or what it will cost to build, the decision of an entrepreneur to start building will not be taken unless the

expected profit is high enough to cover the risks.[1] Similar considerations determine to what extent and in what conditions financial institutions or private persons are prepared to finance the entrepreneur. The margin deemed necessary varies from one enterprise to another and according to the market; but, so long as there is no official intervention in the building industry, it is the actual and anticipated profits that determine the amount of building at any given time.

Influence of Rent.

It is mainly through rents and their influence on the selling-price of house property that the demand for new housing affects the building industry.

Generally, when discussing the price, seller and buyer will take into account, not only present rents, but also, to some extent, their expectations of future yields. As a general rule, any increase in the demand for dwelling-houses in relation to supply gives rise to an increase, or the expectation of an increase, in rents and house property values. When builders' profits increase, a greater number of houses will generally be built. On the other hand, any decline in demand in relation to supply tends to reduce both rents and prices of house property, as well as the expected profits of builders, and there will be a reduction in the number of houses built. Consequently, it may be assumed that, in the long run, supply must adapt itself to demand.

But the working of this machinery is far from perfect. Where strong migratory movements have set in, either towards the towns or from one area to another, housing shortage has frequently occurred. Though housing shortages have usually been relatively brief, they have occasionally lasted for several years.

On the other hand, periods have been known when the supply of dwellings has largely exceeded the demand. A situation of this kind necessarily involves losses to owners and a fall in rents. Though this may be of advantage to tenants, and though a certain improvement in housing conditions may ensue, the result of such conditions will be to discourage entrepreneurs and investors and to decrease building.

What is the cause of these differences between supply and demand?

Temporary Variations in Demand.

In actual fact, an increase in demand does not come about uniformly. The establishment of new households depends to some extent on business conditions, since marriages and the setting-up of new households are generally more frequent during periods of prosperity than during depressions. The movement of population from country to town also generally varies with the trade cycles. Furthermore, many households,

[1] This may be true as a rule, though in most countries, especially during boom periods, a good deal of speculative building is started on very loose considerations.

enjoying higher incomes during periods of prosperity, then try to get better dwellings. Periods of prosperity are thus charac, terised by a strongly increased demand for houses in urban areas-especially in large towns. On the other hand, during economic depressions, unemployment and shrinking incomes tend to slow up the increase in demand or even to reduce the demand.

Temporary Variations in Supply.

Building activity is subject to exceptionally large variations, which do not always coincide with variations in demand. To some considerable extent, building is influenced by the condition of the capital market, not only through the short-term credits which builders are usually obliged to obtain, but also through the rates on mortgage loans. Given the actual and estimated yield of a piece of house property, the amount a purchaser will invest, and consequently the price he is prepared to pay, will be in inverse ratio to the interest he might obtain by buying shares, for example, or bonds. Furthermore, when calculating his price, he will take into account the rate of interest he will have to pay for first mortgages, and even that for second mortgages. The lower the rate of interest, the higher is the value of house property, and *vice versa.* This is just another example of the general rule that the capitalised value of future yields varies in inverse proportion to the rate of interest.

In view of the wide fluctuations in the rates of interest charged on short-term loans, those rates influence property values, building costs and, consequently, the profits earned by builders of house property to a by no means negligible extent. It would seem, however, that the rates of interest charged on long-term loans and, more particularly, the real yield from securities, exercise an influence on building activity that is still greater, and indeed frequently decisive. Thus, a rise in the price of securities (*i.e.*, a fall in real yield) leads often to a flow of capital to the building market, a fall in mortgage rates and a rise in property values. When the value of securities falls, the contrary happens.

Fluctuations in the Building Trade in the Course of the General Business Cycle.

Hence there is usually a fairly close connection between temporary variations in the building industry and the movement of the general business cycle, although there is often no actual coincidence between the different phases of these variations.[1] The most favourable time for building would seem to be the low point of the cycle and the early phase of recovery when rates of interest are still at their lowest level and before the prices of materials have begun to rise to any marked degree. Residential

[1] The reasoning in this and some of the following paragraphs applies to the usual pattern of the business cycle, ignoring occasional deviations such as those which occurred, for example, during the last world depression.

building is often one of the first industries to revive after a depression, and it frequently reaches its culminating point some time before the others. The special conditions existing in some towns may of course, at certain moments, give rise to more or less marked irregularities in the fluctuations shown by the building industry as a whole.

Thus residential building activity often slackens at the time of greatest prosperity; but it is in this phase of the general cycle that the increase in the demand for dwellings is generally greatest. Indeed, at that moment, a shortage of houses often makes itself felt, accompanied by an increase in rents; and, if building activity in the preceding years has not created a considerable reserve supply of vacant dwellings, there may even be an absolute shortage.

Fluctuations due to the Speculative Character of Private Building.

The occasional wide gaps between supply and demand are to be accounted for also in part by the speculative character of the building industry. During the first phase of an economic revival, building is usually carried on in anticipation of a return of prosperity and sometimes even in anticipation of a rise in rents resulting from an increased demand. If conditions prove particularly favourable, a building boom may occur, during which the profit expectations on the part of builders, owners of building ground and investors in house property may tend to push building activity considerably in excess of current demand. If the general business revival is delayed, however, or does not come up to expectations, there will inevitably be a fall in rents and in property values and, consequently, a slump in urban property and in the building industry. So long as the market remains glutted, and sometimes for long after, the amount of building undertaken is, in general, fairly small. Unfavourable effects upon the activity of the building industry may even be felt at the time of the next general revival in economic activity, even though by that time—as often happens—the surplus supply of houses resulting from the boom may have been absorbed.[1] That is how many of the housing shortages appear to have arisen. They seem to have been most serious when economic prosperity has been greatest and when the former collapse of the building industry had been most serious.

It is based mainly on Arthur SPIETHOFF : *Boden und Wohnung*; Jena, 1934; and Bengt HELGER : *Prisbildningen på hyresmarknaden, Stadskollegiets utlåtanden och memorial*; Stockholm, 1935.

[1] The building cycle sometimes tends to overbridge two consecutive waves of the general cycles. This seems to be the rule in the United States, where activity in the building trade would appear to be subject to fluctuations of a much greater duration than that of the general trade cycle.

Obstacles to the Restoration of Equilibrium.

One of the chief reasons why supply is slow in adapting itself to demand after a slump in building is that financial institutions, anxious to preserve the value of their mortgage securities, and fearing that an over-production of dwellings may lower rents and property values, tend to restrict advances to builders. The credit institutions may further be influenced by the fact that a considerable part of their assets is in ageing buildings that are likely to be amongst the first to be affected by a fall in rents, and to suffer heavy depreciation. So long as the erection of new house property proves to be profitable, contractors may of course find money elsewhere, by applying, for instance, to private individuals in a position to make them the advances they need. In most cases, however, the commissions and rates of interest they have to pay in such circumstances are much higher, so that some builders find it impossible to carry out their plans.

A shortage of houses may also be prolonged when, after a lengthy period of stagnation in building, during which skilled workers have not been taken on in the normal way, the supply of labour is not sufficient to meet the demand. Building calls for specialised workers—masons, carpenters, etc.—who have to pass through a prolonged apprenticeship. This state of affairs frequently results in a rise in hourly wage rates and an increase in building costs. Similar effects may of course be produced as the result of a shortage of building materials, particularly in cases where the existence of local monopolies makes it possible to restrict the supply.

Finally, the adaptation of supply to demand may also be hampered by a shortage of building land. In urban districts, the development of building land is generally subject to the establishment of a town-planning scheme and frequently also to the construction of roads and the laying of water and gas pipes, etc. These duties fall in varying degrees, according to the customs of different countries, on the public authorities. Hence, the supply of building land does not adapt itself automatically to the demand for such land, but is determined to a large extent by the arrangements made by the authorities. This point is particularly important when the State or the municipalities hold large areas of land suitable for building. On the other hand, in some countries, the municipalities have been able to give effective encouragement to the erection of new houses by selling, often at reduced prices, parcels of land from the area they own. Town planning and the development of land belonging to the public authorities call for far-sightedness on the part of such authorities in order to ensure that building development is not handicapped by a shortage of building land at a time when there is a great increase in the demand for housing.

Special Features of the Post-war Shortage.

The housing crisis which arose immediately after the war was due to the special economic conditions then prevailing in all countries, whether belligerents or not. After the war, there was everywhere, even in neutral countries, a great increase in the demand for housing, owing more particularly to the large number of marriages that had been postponed until then. At the same time, immigration to the towns received fresh impetus from the resumption of peace-time production. Building, which had almost ceased in the very first years of the war, was, however, little affected by this increase in demand. This may to some extent be attributed to measures restricting rents to a level that was far below the general level of prices and, in particular, below the level of building costs. It is conceivable, however, that the shortage of capital would in any case have impeded the resumption of building activity during the years immediately following the war. Since there was general anticipation of a fall in wages, in the prices of materials and in rates of interest, as a result of a return to more normal conditions, it is not certain that builders would have considered the moment favourable for starting work on new houses.

At a later stage, while a rapid recovery took place in most other branches of industry, rent restrictions undoubtedly constituted a serious obstacle. Even in cases where the restrictions were limited in one way or another, more particularly by the exemptions allowed in respect of new houses, they seem to have retarded building so long as a large proportion of the existing houses was still subject to them. This was doubtless one of the reasons why the housing shortage lasted so long in many countries.

D. Questions connected with the Standard of Housing

Fundamental Conceptions.

Nowadays, it is generally recognised that the provision of a number of dwellings sufficient to meet any likely demand is not enough; the dwellings provided must satisfy certain minimum conditions as regards habitable space, ventilation and lighting, sanitation, absence of overcrowding, privacy, and so forth. It is impossible to leave every family to find whatever shelter it can; all families, even the poorest, must be housed in accordance with certain principles which will safeguard their physical and moral well-being.

Although, in many countries, little progress has yet been made in this direction, housing policy in these days holds an important place in the social activities of most States.

Housing Progress in Recent Decades.

That, before the war, the efforts of public authorities to improve the standard of housing were generally somewhat limited in scope does not mean that as a rule the importance of the problem was underestimated; but it was felt that the matter might be left to what was held to be the automatic nature of social progress. For instance, it was often asserted that the growth of individual incomes in comparison with the cost of living would gradually bring about a general improvement in housing conditions, as in general well-being. Nowadays, there is perhaps less inclination to look upon social progress as automatic.

During the past few decades, housing conditions have much improved, partly as the result of technical advances, and partly owing to the rise in real incomes and the steady growth of the demand for hygienic conditions. The success obtained among the poorer classes, in a number of countries, by co-operative cheap-housing societies and by the movement to encourage the purchase of small single houses by relatively poor people, seems plainly to show that families belonging to those classes are taking an increasing interest in the improvement of their dwellings, and are also in a better financial position to obtain it. Indeed, housing statistics furnish evidence of such an improvement, inasmuch as they reveal, for example, a decrease in the density of occupation of dwellings and a steady increase in the number of such hygienic necessities as bathrooms, water-closets and the like.

Notwithstanding this progress, housing conditions still leave much to be desired. Recent investigations in a number of countries reveal that overcrowding still frequently occurs, and that, even in towns that have the reputation of being up to date, a considerable number of dwellings are defective, lacking even the most essential sanitary conveniences. In every country, a large proportion of the urban population lives in unhealthy dwellings, many of which should properly be called slums. So far as accurate information is available about rural conditions, they seem to be similar, or even worse. The housing problem, therefore, is far from being solved.

Moreover, it would seem that housing progress in recent decades, as illustrated by statistics, is due at least in part to population changes. Overcrowding has diminished, not only on account of a tendency to build more spacious dwellings, but also, and principally, owing to the decline in the size of households. This latter phenomenon is doubtless due in a certain degree to the decline in the habit of sub-letting or taking in boarders, but mainly to the decrease in the birth rate and in the number of children per household. Since, in the nature of things, large families are the most likely to suffer from overcrowding, the frequency of that condition is bound to decrease as large families

become less common. In regard to the fitting-up of dwellings, it must further be borne in mind that the cost of modern conveniences seems to have been met to some extent out of economies incidental to smaller families.

Possibility of reducing the Cost of Housing.

Although these population changes produce certain favourable effects, the situation remains unsatisfactory. The imperfections of present conditions seem to be due to two main causes. In the first place, there are, in every country, a number of households which cannot afford satisfactory housing, because their incomes are too small. Secondly, there must be a fairly large number of families which can afford to pay for a decent dwelling but choose to live in a bad one, because they cannot appreciate the advantages of space and hygiene. To a large extent, however, housing progress obviously depends on the possibility of reducing rents and purchase prices of family dwellings.

The relative importance of the different factors involved in the cost of building, upkeep and management can be calculated by the following formula :

$$y = x\,(lz' + mz'' + nz''')\,(1-k) + k,$$

where y represents the gross rental of the building, x the rate of interest and amortisation applicable to the total capital invested, z' the price of the land, z'' labour costs, and z''' the cost of materials (all these quantities being expressed as functions of certain initial values); l, m, and n are the proportions of the original cost of the building represented respectively by the price of the land and the costs of labour and materials, $l + m + n$ being equal to unity; and k is the expenditure on upkeep and management (excluding interest and amortisation), which is assumed to be constant and is expressed as a fraction of the initial gross rental.

If the price of the land represents approximately 20 % of the total cost, the cost of labour about 40 %, and the cost of materials also 40 % while taxes and expenditure on maintenance, cleaning, heating, etc., amount to 20 % of the gross rental, the above formula becomes :

$$y = x\,(0.2z' + 0.4z'' + 0.4z''')\,(1 - 0.2) + 0.2.$$

It is easy to see that if capital charges are reduced by 10 % the gross rental will be reduced by 8 %; a reduction of 10 % applied to each of the factors in the initial cost of the building (price of land, labour costs, and cost of materials) involves a reduction of rents by 1.6, 3.2, and 3.2 % respectively, making 8 % in all. It can also be calculated that a 10 % reduction in the cost of upkeep and management is equivalent to a 2 %

reduction in rent.[1] Further, it is particularly interesting to note that the relative importance of the capital charges alone is equal to that of the entire initial cost of the building.[2]

What prospect is there of a reduction in the various components of the total cost of building and upkeep? Are there any natural forces which tend to reduce that cost and thereby make it easier for poor families to afford spacious and hygienic dwellings? In this respect, of course, temporary fluctuations in the cost of building and upkeep within the general business cycle are of purely secondary importance. What really matters is the long-term trend.

Cost of Labour.

A considerable reduction in the cost of labour seems unlikely, as building workers' wages usually correspond fairly closely to the general wage level. In some countries, the building industry has powerful trade unions, which, as the industry supplies protected local markets and requires fairly skilled labour, have succeeded in maintaining building wages at a relatively high level, particularly in the case of hourly rates and actual earnings on piece work. Nevertheless, as building workers often become unemployed as a result of the seasonal and cyclical fluctuations in the building trade, their annual income probably does not, as a rule, exceed the normal income of skilled workers in other industries, except perhaps during prolonged periods of intense activity. In such countries, therefore, the question of the cost of labour is mainly bound up with that of reducing the seasonal and cyclical fluctuations in building.

Cost of Materials.

In view of the multiplicity of materials used and of their variation from one country to another, it is not easy to indicate the general price trend of building materials. Many local materials are used (bricks, tiles, stone), the cost of which is determined by the conditions prevailing in the region concerned. Others—particularly iron, wood and cement—are important articles in international trade. In the case of these materials, the influence of cartels and trusts and of the regulation of imports, etc., must be taken into account. The protective Customs regimes, the rigidity of costs of transport and the price control exercised by local monopolies and selling cartels obviously constitute strong impediments to reductions in the cost of the various materials. Probably, however, a decline in the seasonal and cyclical fluctuations of the building industry

[1] The constants and the method employed are taken from a survey made by the City of Stockholm Real Estate Committee.

[2] This is true, of course, only if the calculation of the interest to be paid (or the return to be obtained) is applied to the entire amount of capital invested—which seems to be the most suitable method, especially in the case of buildings put up as a speculative investment.

might prove beneficial in this respect by enabling the manufacturers of building materials to spread out their work more evenly over a period.

Technical Progress.

During the recent few decades, technical progress has been made in certain directions, leading to reductions in the cost price of new house property —*e.g.*, the use of iron supports, as a result of which the thickness of walls and foundations can be reduced and economies effected in materials and, to some extent, in labour. In recent years (far later than in most other industries of the same importance), the building industry has begun to make use of modern methods for the extension of the working surface and the introduction of mass production, standardisation, the assembling of standardised parts by experts, strict time-tables, etc. It would seem that, in such directions, costs may still be considerably reduced. The introduction of such methods is, however, very frequently opposed by the building industry itself, which, notwithstanding the large amount of capital invested in it, still consists for the greater part of small undertakings.

Cost of Land.

In towns in process of development, the cost of land is increasing. The high cost of housing, and overcrowding in urban dwellings, are to a large extent due to congestion in towns and the scarcity of building land. The extent of this scarcity cannot always be assessed merely by considering the fraction of the cost of recently built houses required for the purchase of land. In many cases, new building land is only available at some distance from the industrial, commercial and social centres of the town. Thus, the keenness of competition between new houses and the older buildings is more or less reduced, as, owing to their situation, the latter are in greater demand among important groups of the population. Thus, the older buildings in some ways constitute a special market of their own and, even though they gradually become old-fashioned, their prices tend to remain at a relatively high level and may sometimes even be considerably increased.

Town-planning.

The scarcity of building land has to some extent been counteracted by the building of blocks of flats of several stories. It is certain, however, that, before the war, insufficient attention was devoted to the need of providing such tenement houses with light and air. Modern town-planning principles do not in general condemn the building of dwellings of several stories. On the contrary, they permit the number of stories to be increased in certain cases by the use of new building methods (steel frameworks). They require first and foremost, however, that sufficient space should be left between houses for dwellings to have sufficient air and light, and for the neighbourhood to provide facilities for rest

and recreation. There are therefore certain natural limits to attempts to economise land by building houses of several stories. In some countries, it has been found that the social disadvantages of large buildings, in particular the lack of privacy, are so great that, in principle, the construction of small family houses or of houses consisting at most of four or five flats is preferred. Improvements in transport often enable new areas to be opened up for residential purposes. Technical developments in this field have done much to reduce the ill-effects of overcrowding in urban areas. Public authorities have endeavoured to make greater use of such progress by co-ordinating, in a rational way, residential districts, industrial and commercial centres, communications and transport, and public services. This has sometimes been combined with municipal land policy, with the aim of providing sufficient building land to meet demand. Though such activities often prevent a rise in rents and the price of land, it seems doubtful whether they will bring about a general reduction in the cost of housing.

Rate of Interest.

The yield required of capital invested in house property depends, in the first place, on the conditions prevailing in the capital market. As these vary considerably in different countries according to their economic and social development, saving facilities, the monetary and financial policy, etc., the cost of financing the building of new buildings differs considerably from one country to another. The various obstacles which the international flow of capital is at present encountering are instrumental in maintaining the rates of interest at different levels. That is why the outlook for future developments in housing and the basic conditions of housing policy varies widely in different countries.

In view of the importance of the rate of interest for the cost of housing, efforts have for a long time been made in many countries to improve the organisation of real-estate credit. Such efforts, which are often an essential factor in housing policy, seem to have led to the reduction of the cost of financing the building of house property, in particular as regards second mortgage loans. In some countries, there would appear to be room for further progress in this direction.

Amortisation of the Capital invested in House Property.

The repayment rate for mortgages is often fairly high, entailing some saving on the part of the mortgagor. In the case of blocks of flats let for profit, however, amortisation in many cases does not take the form of repayments of loans. Practice varies from one country to another. Generally speaking, the amortisation of capital invested in house property is naturally bound up with the depreciation of its rentable value, which depends much more on the rate of technical progress than on the wear of the building. Undoubtedly, therefore,

nothing would be gained by attempting to reduce the cost of housing by reducing the standard of new dwellings, as houses would have to be paid off far more rapidly. This applies more particularly to urban planning and to the lay-out of flats or rooms. Nothing depreciates the rental value of house property more than undesirable surroundings or an out-of-date plan.

Extent of Possible Reductions in Cost.

Although certain important factors in the cost of construction—in particular, the cost of labour—are very rigid, a reduction might be effected by the adoption of new methods in the building industry and perhaps also by the use of new building materials. Appropriate measures may often be taken, too, to reduce the costs of exploitation, more especially the interest on real-estate loans.

Whatever the method by which a reduction in the cost of housing is achieved, the results will be more or less determined by the action of the State and municipal authorities. All the measures mentioned above already form part of housing policy. It remains to be seen whether they are sufficient to lead, within a reasonable period of time, to a solution of the housing problem. In point of fact, in many countries where the question has been examined, the conclusion reached has been that they are not sufficient. The disproportion between the actual cost of houses satisfying modern hygienic requirements and the income of certain more or less important sections of the population appears to be far too great. Even families which are, strictly speaking, not poor, and which spend a reasonable proportion of their income on accommodation, only obtain a dwelling falling far short of the minimum requirements laid down by the competent authorities. That is why, in a large number of countries, the authorities have thought it essential to subsidise the building of cheap dwellings.

The Slum Problem.

The question of improving housing conditions is closely related to that of the abolition of slums. It has often been found insufficient to build spacious and hygienic dwellings and then invite poor families to live in them at a modest rental. As long as cheaper dwellings exist they will always be occupied, however unsatisfactory they may be from the hygienic point of view. The problem is not merely economic; it is also one of taste and habits. Uncultured people become accustomed to living in defective dwellings and sometimes even lose all interest in keeping them tidy and clean. Everywhere, but particularly in large towns, families are found which prefer to remain in the inferior environment to which they have been accustomed rather than pay a little more for a dwelling which can be termed decent. The houses in which such families live are often used long after they ought to have been pulled down as being incompatible with modern conceptions of the proper standard for human dwellings. Sometimes the blighted areas of

large towns are well situated near the working centres—a fact which further explains why many people prefer to remain there, even when they could find good dwellings elsewhere at a reasonable rental.

Old buildings cannot be expected to disappear, whatever their condition may be, as long as their owner derives from them a return which is greater than that of a new construction. It is often only when new arteries are pierced that blighted areas arc partly pulled down. In such cases, private enterprise regularly intervenes to erect office buildings along the new streets, on the sites of former slums. Often, a few yards away, houses and quarters are left unchanged. Private owners and entrepreneurs, as long as they are guided by motives of gain, seldom find it profitable to clear away old quarters in order to erect new dwelling-houses in them. To begin with, it is not certain that their profits will be increased, in spite of the investment of new capital, as the number of dwellings may often have to be reduced. Furthermore, owing to the cramped and congested lay-out of such property and also the uncongenial nature of the surroundings, it is useless to rebuild each house separately, regardless of what may happen to the rest. On the other hand, the difficulties and cost of joining together sufficiently large areas to be able to build economically have often proved prohibitive, in spitc of the legislative provisions introduced in certain countries to promote the reorganisation of urban property. That is why, in many countries, the conclusion has been reached that private enterprise for profit is incapable of clearing away blighted areas and that such work should primarily be financed and undertaken by the public authorities.

E. Financial Questions connected with Housing Policy

Diversity of Aims and Methods.

In view of the considerable differences in national economic and financial developments affecting the housing situation since the war, the basic conditions of housing policy differ from one country to another. It is therefore difficult to give a comprehensive view of the various measures adopted for the improvement of housing conditions. Furthermore, such measures are not always the outcome of rational schcmes directed towards a clearly conceived goal. They are more often the result of a compromise between various interests and various political views. Nevertheless, an endeavour will be made in this section to deduce certain common prineiples, which appear to have guided the public authorities in their activitics, and certain common experiences which have served to modify such activities.

Influence of the Monetary and Financial Policy of Governments on Building.

A study of the fluctuations in residential building since the war shows that building activity is, to a large extent, dependent on the finaneial and monetary policy of Governments. The currency stabilisation effected in various countries in the course of the first ten years after the war promoted economic and financial recovery and a general lowering of interest rates and led to a revival in private building activity. This revival was most marked in countries where rents were not controlled or rent control was abolished at an early date.

During the economic depression which began in 1929, the course of building activity varied a great deal from one country to another. In those European countries which, by abandoning the gold standard, were able to check monetary deflation at an early stage and soon afterwards adopted a cheap money policy, building underwent only a temporary setback, followed by a resumption of activity greater than before. This was particularly the case in the United Kingdom and Sweden. Developments in the countries which remained on the gold standard and which, for that reason, had to adopt a policy of deflation, were entirely different. At first, lower building costs seem to have stimulated the erection of new dwellings, particularly in the Netherlands.[1] But continued deflation, increased unemployment and the shrinkage of incomes ultimately led to a falling-off in the demand for new dwellings; rents fell, real-estate crises developed and building came to a stop. Despite the monetary devaluations and the more liberal financial policies subsequently adopted by these countries, there has so far been only a relatively slight building revival. The cause of this fact would seem to lie in the considerable rise in building costs which these measures have entailed.

In the United States and Canada, the unemployment and general skrinkage of incomes which accompanied the slump of 1929/30 led to a sudden drop in rentals and to a serious real-estate crisis. The building industry became almost completely idle and has been slow in recovering, notwithstanding the cheap money policy and—as regards the United States—the reflationary measures adopted.

Organisation of Real-estate Credit.

In most of the countries, a considerable proportion of mortgage credit consists of loans made by private agreement between individuals. Furthermore, as the first mortgages on urban properties are generally very safe investments, they are in great demand among certain financial organisations for which

[1] At a later stage of the economic depression in that country, it would seem that fear of currency devaluation led to large landed property investments, resulting in a temporary increase in building activity.

safety is of primary importance—*e.g.*, savings banks, pensions funds, insurance societies, etc. In every country, there are also private organisations which have specialised in this kind of operation. Their organisation differs considerably from one country to another; they are sometimes of a semi-public character. As regards the countries dealt with in this study, the following classes may be distinguished.

1. *Private mortgage banks*, generally founded in the form of limited liability companies and guided esssentially by private business considerations. They obtain capital by issuing bonds and accepting deposits and are found especially in the Netherlands and Belgium. The Canadian loan corporations are similar organisations.

2. *The Crédit foncier de France*, which, in view of the privileges granted to it by the State and the close supervision which the State exercises over its activities, must be considered a semi-public organisation. Funds are obtained by the issue of bonds and to some extent by the acceptance of deposits made by the public. To cover its administrative costs, the Crédit foncier is authorised to charge a fixed rate of commission on loans.

3. *The co-operative mortgage societies* which have developed in the Scandinavian countries and Finland. They consist of associations of owner-borrowers; their operations are supervised by the State, which partly guarantees them. Funds are obtained by the sale of bonds, guaranteed not only by mortgages held by the associations, but also, in varying degree, by the joint responsibility of the members. The societies do not operate for profit; the borrowers only pay a contribution for the cost of administration, in addition to the interest paid to the bondholders.

4. *Building societies* in the United Kingdom, to which are closely akin the *savings and loan associations* of the United States of America. Their object is to promote saving and the building or acquisition of small homes by the members. The funds are derived from members' shares and deposits by the members or the public. The rapid disencumbrance of the mortgaged properties by the repayment of the loans is one of the essential principles of these organisations. The rates of interest are fixed on a commercial basis.[1]

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[1] See chapter on the United Kingdom. Though the aims of the *Bausparkassen* founded after the war in Germany and certain other continental countries are similar, their organisation is entirely different. At first, they only accepted the savings of their members. The latter undertake to make regular payments in return for a promise that they will later obtain, together with their capital, a redeemable loan enabling them to build or purchase a house. As the amount of the fund gradually increases with the contributions paid into it, it is utilised for such loans, the order in which the members benefit being determined according to the amount of the individual deposits, by the drawing of lots, or by other means. At first, no interest was paid on loans or deposits. All that was payable was a contribution for the costs of

State Intervention in the Organisation of Real-estate Credit.

In some countries, the State has intervened to set up an organisation capable of " mobilising " mortgage loans and regularising the rate of interest on such loans. The Crédit foncier de France, already referred to, was founded with this object in the middle of the last century, and has since served as a model for a large number of private mortgage banks in various countries. In Sweden and Finland, the State has collaborated in the creation of semi-public institutions issuing mortgage bonds; for the organisation of these institutions, the co-operative principles have been adopted which have already been applied for a long time in Denmark with excellent results.[1]

Owing to the guarantees with which they are provided, the bonds issued by the above institutions are first-class investments. By means of judicious issue operations, it is usually possible to obtain funds in the best possible circumstances, having regard to the conditions prevailing on the financial market, and to fix a rate of interest for mortgage loans which only slightly exceeds the actual yield of State bonds. In this respect, these organisations present certain advantages as compared with the building societies, which have sometimes shown a tendency to withdraw from the financial market in order to safeguard the interests of small savings.[2]

In the United States, the home mortgage market has recently been organised on somewhat different lines. The Federal Govern-

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administration. These organisations began by expanding very rapidly, and the growing membership made it possible to grant loans at frequent intervals. Later on, as the number of new members declined, the " waiting period ", whether actual or assessed, before the members were able to obtain loans was sometimes as long as ten or fifteen years. It became evident that the members who had to wait so long lost a great deal of interest as compared with those who had obtained their loans after a short period. These factors checked the development of such funds. At present, endeavours are being made to limit the waiting period by obtaining supplementary funds from the public or from other financial institutions. Since co-operation has been established between the *Bausparkassen* and certain institutions specialising in first-class mortgages, the activities of the former are now limited to the granting of second-mortgage loans. Furthermore, payment of interest on both loans and deposits has been introduced. This reorganisation is being effected under the supervision of the public authorities in virtue of new legislation (Germany, Switzerland).

[1] A new method of " mobilising " real-estate loans has recently been experimented with in Denmark by private housing companies, which try to obtain the requisite funds for the building or purchase of house property by the sale of shares and bonds without having recourse to mortgage loans.

[2] Thus, the restrictions which the *building societies* in the United Kingdom recently applied to the amounts deposited with them and the members' shares must be regarded as " a real effort to save this channel of investment for the classes of people for whom such ' friendly societies ' were originally intended " (see article by Sir Josiah STAMP (now Lord Stamp) in *The Times*, Building Societies Number, May 31st, 1938).

ment has contributed towards the creation of a national reserve fund administered by the Federal Home Loan Bank System, from which the various private institutions supplying home mortgage loans, while continuing their activities on the same basis as before, will be able to obtain supplementary short-or long-term advances. The fund is supplied by the issue of debentures. On the other hand, certain types of long-term mortgages are insured by the Federal Housing Administration and efforts are made to create a market for insured mortgages by means of national mortgage societies, which will buy such assets and, in order to raise funds, may issue their own debentures.[1]

While the building societies in the United Kingdom generally grant first-mortgage loans on the value of the property, up to 75 % (or even 90 % under the "builders' pool" system), the private or semi-public organisations of other countries usually grant only 40 %, 50 % or 60 % on a first mortgage. But the assessed value often amounts to only 80 % or 90 % of the actual cost of new buildings, so that first-mortgage loans cover less than half the cost. As builders and purchasers of dwelling-houses very often do not possess the additional capital, they must seek for a second, or even a third, mortgage. In many countries, it is very difficult to obtain such loans. Usually, they can only be obtained subject to an additional guarantee signed by one or more persons, and the rates of interest are very high. In several countries, private builders obtain loans from landowners, future tenants, architects, dealers in building materials and even workers, so as to increase the funds at their disposal.

In some countries, the State has intervened to increase the proportion of the marketable value of property on which the mortgage institutions normally grant loans. This is the case in the United States, where, for the past few years, the insurance system applied by the Federal Housing Administration enables loans to be granted equivalent to 80% and even 90% of the value of the property. In Sweden, the State has collaborated in setting up a special institution on a co-operative basis for the granting of second-mortgage loans covering the amount between 50% and 75% of the value of the property.[2] It has been possible to fix a very reasonable rate of interest on such loans.

In most of the other countries, it is very difficult to obtain second-mortgage loans.[2] Usually, such loans can only be obtained

[1] Other measures, less permanent in character, were intended to combat the real-estate crisis which reigned a few years ago. See chapter on the United States. Measures similar in scope have been taken in Belgium and France.

[2] In Denmark, co-operative credit societies specialising in this kind of business have existed for a long time. As assessments of the value of real property are very cautious, however, second-mortgage loans, when added to the first-mortgage loans, generally cover only about 60% of the cost price of new properties.

subject to an additional guarantee signed by one or more persons, and the rates of interest are very high. In several countries, private builders obtain loans from future tenants, architects, contractors and even workers, so as to secure the funds they require.

In order to promote the building of workers' and middle-class dwellings, the public authorities have often guaranteed second-mortgage loans. In every country, this is one of the commonest ways in which the municipalities participate in housing policy. Such a guarantee sometimes covers additional credits as well, so that the cost price of the new property may be secured up to 90 % by the mortgage loans. The municipal guarantee often enables a considerable reduction of the interest payable by the building company to be made. Furthermore, second- or third-mortgage loans are sometimes granted by the State and the municipalities to the building organisations.

Post-war Trend in Housing Policy.

Long before the war, some countries had established systems under which loans were granted on favourable terms from State funds or from funds administered by public authorities, to promote the building of cheap dwellings. In France and Belgium, this activity reached noteworthy proportions, and the experience acquired has greatly influenced the methods adopted after the war. During the war and the early post-war years, when tight conditions prevailed on the capital market, most countries, in order to mitigate the housing shortage, embarked upon a similar policy, generally combined with more or less generous subsidies. Sometimes the State or the local authorities undertook to build themselves, but most frequently the loans and subsidies were granted to public utility societies for the purpose of large-scale housing or to individuals who desired to build a home of their own.

In countries like Sweden and the Netherlands, where the private building industry revived at an early stage because of, *inter alia*, the abolition of rent control, direct State intervention was subsequently reduced—in Sweden, it ceased almost completely. Municipal authorities in these countries continued, however, at least in the large towns, to guarantee private loans to public utility societies and to sell or let building-ground on favourable terms, with a view to providing low rental housing and to counteracting the rise in the general rent level. A similar development took place in the other Scandinavian countries and Finland.

Where private building was not remunerative owing to the maintenance of public rent regulation, Governments were obliged, even after the financial situation had improved, to lend considerable support in the form of loans and subsidies. This was the case especially in the United Kingdom and France, where private enterprise was practically excluded from the field of working-class dwellings as a result of the maintenance of rentals

for old dwellings at a very low level in proportion to the general rise in prices.

In France, the public authorities were compelled by the financial crisis to restrict drastically, as from 1933, their advances to cheap housing undertakings, but considerable support to constructions of all kind has been forthcoming in recent years mainly in the form of tax exemption, as a result of special measures intended to restore private building activity.

In the United Kingdom, it was thought, in 1933, that the fall in costs of construction, and still more the substantial reduction in interest rates which took place at this time, would enable private enterprise to enter the field of working-class housing. Consequently, the loans and subsidies for general housing purposes were discontinued as from that year. Housing policy has since been directed almost exclusively towards the abolition of slums and overcrowding. For such purposes, both State loans and subsidies are granted to local authorities and housing associations.

In Sweden and Denmark, State intervention in housing was resumed in 1933 as a measure to create new employment. As far as Sweden is concerned, financial aid was given mainly for the purpose of improving old dwellings and alleviating the conditions of large and poor families. Such objects have recently been included in the Danish Government's programme to provide cheap housing generally. Although in Sweden, under the present boom conditions, there seems to be no need for special measures to stimulate building activity and create additional employment, the Government's action has been continued as part of a long-term policy to improve housing conditions among the poorer members of the community.

In the United States of America and Canada, Government loans and subsidies for housing purposes are of a fairly recent date. This action was started very much as an emergency measure—among others—with a view to restoring economic life. Thorough investigations of the housing situation have revealed that the actual need for improvement is in itself sufficient to justify State intervention, and recent legislation is clearly marked by this idea. Slum clearance and improvement of existing accommodation will form a considerable part of the housing policy in these countries, although at present the housing authorities are often obliged to postpone this part of the programme and to lend their support mainly to the erection of new dwellings for low income-earners.

Bodies initiating Building Work.

In most countries, private or semi-official organisations take part in the carrying-out of housing policy. Such organisations (foundations, philanthropic associations, limited dividend companies or co-operative societies), which trade for no profit or

only a limited profit, are in Europe generally known as "public utility societies". In some countries, their statutes are subject to the Government's approval, especially as regards the objects of their activity and the maximum return on their capital (France, Belgium, Netherlands) or to registration as charitable societies (United Kingdom), before they can have the benefit of State loans or subsidies. Local authorities sometimes contribute to their capital; in the Netherlands, very often the whole of it; in Belgium, according to specific rules. In the Scandinavian countries, the autonomous action of municipal authorities as well as State intervention are most frequently carried out by sueh societies, some of which are founded by the municipalities themselves. There exist no definite rules as to their organisation. In fact, many of these bodies act like municipal agencies.

The experience with regard to the effectiveness of private societies participating in housing policy seems to vary a great deal. In the United Kingdom, although "housing associations" play a considerable rôle, most work is done by the local authorities themselves with regard to demolition, reconditioning and construction [1], as well as management of houses. But the Government seems to be in favour of measures to increase the housing associations' share. In Norway, the municipality of Oslo formerly erected and managed cheap dwellings through organisations of its own, but this work has recently been taken over by a public utility society organised on a co-operative basis. On the other hand, it was found in France, as early as 1912, that the activity of limited dividend companies, as well as of charitable societies, was not giving entire satisfaction, so new legislation was passed with a view to creating departmental and municipal cheap housing offices. After the war, such offices were instituted all over the country, and the major part of post-war housing policy has been carried out by these public agencies. In the United States, the Federal Government is not entitled to make direct grants to private housing undertakings. The provision for profit, even though limited, has also prevented the rents in such projects from being fixed at a sufficiently low level. Recent legislation therefore provides that the United States housing authority shall co-operate with State or local housing agencies instituted for this purpose.

Because of the difficulty of preventing abusive speculation, public loans and subsidies are seldom granted to private persons, except in connection with measures to promote home-ownership. In France and Belgium, credit societies of the public utility type have been instituted to serve as intermediaries for mortgage

[1] The actual execution of such operations may naturally be entrusted to private contractors.

loans to home purchasers or home builders, while the ordinary cheap housing organisations may construct, or assist in constructing, small family houses for sale. In Sweden, a similar programme is carried out by some municipalities on the basis of special low cost schemes. (As regards the action taken in rural areas, see below.)

Public Building Loans.

In certain countries, it is usual, particularly in the case of houses to let, to leave to the building organisations (local authorities or public utility societies) the responsibility of securing a first mortgage through the ordinary channels, loans made by the Government being secured by a second mortgage. This method is used most frequently in the Scandinavian countries and to some extent it has been applied also in the Netherlands.

In France and Belgium, public loans are secured by a first mortgage and may amount to 70 % or 75 % of the total cost price of houses (in France, if a municipal guarantee is provided, it may amount to 90 % of this price). In the Netherlands, the State advanees generally cover the total cost price. In the United Kingdom, the local authorities have to raise the capital they require by applying to the Public Works Loan Board or to other public or private credit institutions.

In general, the State loans are granted at a rate of interest corresponding to or slightly exceeding that paid by the State itself—*e.g.*, the loans made in the United Kingdom by the Public Works Loan Board to local authorities. Such loans are generally cheaper than those which can be obtained on the private capital market. They also generally present the advantage of a relatively long redemption period. In France and Belgium, public loans to promote cheap housing yield a lower rate of interest than that paid by the State. Such loans therefore include a direet subsidy for the building of dwellings for workers and low-salaried employees.

Post-war Policy of Subsidies.

Immediately after the war, most countries were granting more or less generous subsidies in the form of capital grants, contributions to current expenditures or low interest on loans, etc., for the building of cheap dwellings generally.

In many countries, it became apparent, however, once the problem was no longer one of reducing the general scarcity of dwellings or of dealing with a building crisis, that the method of subsidies—besides involving heavy and increasing charges on the State budget—gave rise to special difficulties.

Despite the large credits allocated for such subsidies, they generally benefited only a fairly small number of families, and not always the most necessitous. It often proved impossible to reduce the rents of new dwellings (or the purchase price of family

houses) sufficiently for them to correspond to the paying capacity of the families which were most in need of assistance to acquire a roomy and sanitary home. On the other hand, it sometimes happened that relatively well-to-do families occupied dwellings constructed or subsidised by the public authorities. Such abuses have occurred even in cases where the subsidies had been granted, on the condition that they should be used only for the housing of poor families, as the local bodies and public utility organisations carrying out the building programmes and the administration of the properties do not always appear to have been very competent.

It is evident that, when the subsidies are distributed among families not in need of them, they do little or nothing to improve housing conditions, while private building undertakings lose an active market for new dwellings. Owing to misgivings on such grounds, Governments of certain countries limited or abandoned this form of assistance to housing as soon as the most urgent post-war requirements had been met. Another reason frequently mentioned is the rise in building costs caused by the efforts to promote building by means of general subsidies, which have sometimes considerably reduced the social scope of State assistance.

At the same time, it was recognised that the actual cost of dwellings which conform to the minimum standards laid down by the authorities themselves was far beyond the paying capacity of a great many families. In favour of such families, State subsidies have been continued and in some cases increased.

Thus, in accordance with a principle which is being observed more and more, direct subsidies are no longer granted except in the case of families whose income does not enable them to meet the actual cost of a dwelling corresponding to the minimum requirements. The aim is now to leave the building of dwellings for families which are capable of paying a rent yielding a profit on the capital invested to private enterprise unassisted by the State. This development also means that primary importance is attached to the quality and object rather than to the number of dwellings. In some countries, the efforts of the public authorities have been directed mainly towards such objects as the improvement of defective dwellings and the abolition of slums and overcrowding.

The development just described has been particularly marked in the United Kingdom, but it is also apparent in the Scandinavian countries, the Netherlands and Belgium. Recent legislation in the United States and Canada is clearly influenced by European experience in these respects.

As a consequence, a tendency has developed in certain countries of subsidising individual families, according to their income, by reducing their rents to the amounts they are able to pay,

instead of granting fixed subsidies to certain types of dwellings or properties.

The chief advantage of this method is that it renders the assistance given to needy families really effective and, at the same time, prevents abuse of public money by persons who can afford to pay a rent corresponding to the real cost of the dwellings they require and whose demand for new dwellings should not be withdrawn from private building enterprise.

The granting of graduated individual subsidies clearly necessitates the adoption of certain standards according to which the pecuniary needs of the families concerned may be assessed. The methods adopted for this purpose in the various countries vary considerably. In the United Kingdom, where the system of differentiating rents has been applied on a large scale, local authorities even enjoy almost complete freedom of action in this respect. Generally speaking, however, the amount of the subsidy is determined, not only by the family income, but also by the number of dependent children. This is due to the fact that the more children in the family, the more family income has to be spent on food and clothing, so that the amount left over is often insufficient to enable a suitable dwelling to be rented. The building of dwellings intended in the first place for large and needy families, and the granting of graded subsidies according to the number of children, constitute, in several countries, an essential factor in modern population policy. While, in general, there is not very much hope that such assistance can prove sufficient to raise the birth rate or even to check its decline, it is nevertheless considered to be a means of providing children with favourable surroundings for their upbringing.

Slum-clearance and Abatement of Over-crowding.

Long before the war, local authorities were empowered, and even obliged, to prohibit the use of dwellings the defective state of which clearly constituted a danger to the health of their inmates. In all countries, little use has been made of this prerogative until the past few years, owing to the difficulties everywhere experienced in finding other dwellings for the persons who had occupied such condemned houses, and sometimes also out of consideration for the owners.[1]

In many cases, only the most necessary repairs have been made, and dwellings here and there (sometimes a whole house) have been condemned; but hardly any attempt has been made to improve quarters which, owing to faulty lay-out of houses and streets, lack air and light. For a long time, it was hoped that

[1] It was realised that the owners of insanitary houses were not always big capitalists, but often small investors who had sunk all their savings in such property.

the measures taken to promote cheap dwellings would lead to a sort of filtering process, whereby slum-dwellers would gradually move into the less old and defective dwellings abandoned by the families which had benefited directly from the measures in question. In the same way, it was apparently thought that a more abundant supply of dwellings with low rents would in itself suffice gradually to eliminate overcrowding. The experience acquired, particularly after the war, shows that the progress achieved has been fairly small and usually far too slow. A disproportionate increase in supply tends rather to lead to a building crisis and consequently to give rise to new difficulties, whereas, once the shortage of dwellings has been remedied, subsequent progress may be achieved in a more certain manner by a policy aiming directly at slum-clearance and the abatement of overcrowding.[1]

The first step to be made in applying such a policy is to fix certain minimum requirements relating to physical conditions, planning, sanitary installations and the area per head, and to decide not to allow dwellings falling below that standard. This policy has been adopted in the United Kingdom. In some ways, these requirements must necessarily be less strict in practice than those applied to new houses being built. The next step is to make the inspection of dwellings more stringent. While the public supervision of housing conditions was formerly carried out only or mainly in the case of tenement houses and dwellings placed at the disposal of certain workers and officials by their employers, the tendency to-day is to extend supervision to dwellings occupied by the owners themselves. This is relatively easy to accomplish if the supervision is confined to the sanitary installations. In the United Kingdom, it has been found necessary to go a step further and prohibit large families from deliberately overcrowding in inadequate dwellings, even though they own their dwellings.

In so far as such measures affect families which are unable to pay rent for a suitable dwelling, the public authorities are obliged to provide them with such dwellings at a rent they can afford. In a few countries only, where special measures have been adopted to re-house persons living in slums and overcrowded dwellings, has it been possible to carry out an effective improvement of blighted areas and to cope successfully with overcrowding. In some countries, too, it was found necessary to give financial support, in the form of public loans or subsidies, to owners of

[1] In some countries, improvements in housing have undoubtedly been hampered to the highest degree by the official regulation of rents. Artificial methods have been applied to maintain the rents of old, defective and even insanitary dwellings at a very low level—a fact which has certainly encouraged a large population to remain in them.

small family houses, so as to enable them to carry out certain repairs and enlargements. The latter measures often apply particularly to rural dwellings. The owners of leased houses have sometimes benefited from a similar form of assistance.

The increased strictness with which housing is inspected obliges families not in indigent circumstances who live in inadequate dwellings to look for more satisfactory accommodation, for which, in fact, they can afford to pay. This leads to an increase in demand on the private market. It has been noted in Sweden,[1] for example, that such families constitute a very considerable proportion of badly housed families; such an increase is therefore far from negligible. It has even been recommended that the inspection of dwellings should be made more stringent, so as to encourage private initiative during a housing crisis.

On the other hand, slum-clearance work has often been recommended as an appropriate means of combating unemployment during an economic depression. The work of this kind actually performed during the last depression, however, was in most countries fairly limited—in some countries, such undertakings were even suspended for financial reasons; while in others, they were not sufficiently prepared to be started at the right moment. According to proposals which are at present being discussed in Sweden, the authorities entrusted with house inspection should keep a register of defective dwellings and properties. While it may be inadvisable to undertake the enforcement of housing standards on a large scale in periods of economic prosperity, such a register could serve as a guide for the starting of improvement and clearance work in the case of an economic crisis.

Improvement of Blighted Areas.

It would seem that the method usually adopted in most countries to do away with slums and blighted areas is to pull down certain buildings when new traffic arteries are pierced. While such a method is not systematic and often not very effective, it does not present undue financial difficulties, as the expenditure may be debited to the road-building operations, which are not usually expected to yield cash profits. On the other hand, such improvement work is often expected to be remunerative. This has sometimes been achieved, particularly when the areas to be replanned were central, where the building sites could be used for the erection of offices, the indigent slum

[1] According to the enquiries made in Sweden, most families living in overcrowded dwellings, although not indigent, have adolescent or adult children who, in many cases, are earning incomes themselves. It may be assumed that these young people often prefer to spend their money for themselves, and do not contribute enough to the common expenses of the family to enable it to obtain a suitable dwelling.

dwellers being rehoused on cheap land on the outskirts of towns. In such cases, when the areas to be improved are not too large, it may be possible to proceed by agreement with the owners to their redevelopment on a considered plan. Such town-planning is successfully carried out in many countries. In the United Kingdom, it forms part of ordinary slum-clearance work, and there are definite rules as to the procedure. Such rules have quite recently been laid down in the Building Law of 1939 for Copenhagen, which stipulates, *inter alia*, that property owners, according to the profit they derive from the new regulation, should pay contributions to a common fund, from which indemnities are paid when required. It should be noted, however, that undertakings of this kind are very much facilitated if the public authorities are entitled to make compulsory purchases when necessary. Both English legislation and the last-named building law for Copenhagen contain such provisions.

The difficulties are much greater when, as is often the case, the replanned area has still to be used for housing purposes, particularly if dwellings have to be erected for the poor population which lived in the former slums. Such a situation often arises in large towns where this population cannot be removed because it would then be situated too far from the centres of industrial and commercial activity on which it is dependent for its livelihood.

The main obstacle to improvement schemes is the very high price generally asked by the owners for their properties. In most countries, the law allows public authorities to expropriate single properties and even whole areas for public purposes, with a view to improving them as soon as the competent authorities have decided that the houses are unfit to live in. In most countries, however, the procedure to be adopted and the methods provided for fixing the compensation payable to the owners have been such as to safeguard private interests as much as possible and to reduce public intervention to the strict minimum. In practice, juries have sometimes assessed expropriated properties at fancy prices. The efforts of the administrative authorities to improve blighted areas have often been hampered and even paralysed by abuses of this kind. That is why, since the war, the legislation on expropriation for public purposes has been amended in many countries in such a way as to simplify procedure and establish precise rules for the assessment of compensation. This has been the case in the United Kingdom, France and Denmark.

Even when the properties included in an improvement scheme may be acquired at reasonable prices, the cost of centrally situated land occupied by insanitary houses is often very high, and their replanning generally entails additional financial sacrifices. In the United Kingdom, for example, the Government has been obliged to grant higher subsidies for the clearance of the

central districts of large towns. It would appear, however, that, in towns in England, the problem is to a certain extent simplified by the fact that old buildings generally consist only of a ground floor or at the most of one story. If four- or five-story buildings are erected, it is generally possible to house all the former inhabitants of a quarter and to provide free spaces in addition. In continental towns, however, where slum conditions are often found in houses with several stories, a larger area has to be used than that which has been cleared, entailing an appreciable increase in costs. It is clear, however, that the favourable effect which must result from the point of view of the health and moral conditions of slum dwellers are sufficient justification for great financial sacrifices for the reconditioning of dwellings and improvement of blighted areas. In the United States, in particular, public and private organisations interested in this problem have endeavoured to show that the economies effected by such measures in respect of public expenditure on health services, the police, social insurance, etc., are great enough more than to compensate for such sacrifices, even from a financial point of view.

F. Observations on the Rural Housing Question

Rural Housing Conditions.

In nearly every country, increasing interest has been taken during recent years in rural housing, and special surveys of rural housing conditions have been made. From a quantitative standpoint, the problem is obviously less serious in rural than in urban areas, owing to the exodus to the towns and industrial centres. Nevertheless, this problem exists in some countries—for instance, in the United Kingdom—where young people who wish to marry and make a home find it difficult to get a house. In spite of the drift to the towns, the number of households is increasing more rapidly than the total population, owing to the changes in the composition of the rural population of such countries from the point of view of age. The phenomenon is essentially the same as in the towns, although it is less pronounced.

Housing standards in rural areas have been found to be definitely lower than in urban areas. Not only do most of the dwellings lack modern sanitation, but also a large number are defective, dilapidated or even insanitary. In some countries, as for instance in Sweden, the problem of slums in rural districts is just as acute, if not more so, than in the towns. In Sweden also, overcrowding is as common in the country as in the towns. It is true that rural dwellings are usually a little more spacious and have more rooms; but on the other hand families and households are generally larger. Similar conditions have been observed in other countries.

Why Rural Dwellings are Unsatisfactory.

The unsatisfactory state of rural dwellings appears to be due to several causes. In the first place, most of them are fairly old. Moreover, new dwellings have not as a rule been required to conform to the strict regulations drawn up by the public authorities for urban dwellings. In many cases, rural dwellings are too scattered to enable common services of the utmost importance from the point of view of hygiene, such as water-pipes, drains, electric light, etc., to be installed on an economic basis.

Nevertheless, as a rule, the present state of rural housing appears to be mainly due to the low wage-level of a large proportion of the rural population. In this respect, the position of agrieultural labourers is particularly unfavourable. In districts where they are usually obliged to live, rents have always been at a level whieh is fairly low and more or less proportionate to their capacity of payment, but at the same time such as to make it impossible for the landlords to build new dwellings or even to improve old ones without losing money. The position of labourers who are housed by their employers is no better. For a long time, the agricultural depression prevented any definite improvement, although, in some few cases, employers built new dwellings for their labourers in order to keep them. In many countries, unmarried farm labourers are recognised to be, as a rule, worse housed than any other group of the population.

The housing conditions of small farmers, whether they own or rent their farms, do not differ to any marked extent from those of labourers.[1] During the agricultural depression, the upkeep of houses was often neglected.

Measures for the Improvement of Rural Housing.

During the past few decades, rural housing has benefited greatly by technical progress and especially from the electrification ofr ural districts. Rural planning operations for the supply of drinking-water to a village or an entire area, which are often carried out with the help of State subsidies, have also improved hygienic conditions in regions where the population is not too scattered. A piped water-supply system has often been installed in isolated farms, in places where spring water is available in the vicinity. Nevertheless, a great deal remains to be done in this respect. In many districts, conditions are still very primitive in every way.

In many countries, housing policy in the proper sense of the term is bound up with the problem of internal settlement, as, for instance, in the Scandinavian countries and Finland, where the State makes loans and grants for the establishment, enlargement

[1] In many cases, no hard-and-fast line can be drawn, from an economic and social standpoint, between small farmers and labourers.

or improvement of small-holdings either on freshly-cleared land or on estates which are divided up for this purpose. This policy was inaugurated long before the war. In Norway, it has been pursued since 1902; and in Sweden, since 1904. In the latter country, the chief aim was to check overseas emigration. Loans have been granted, not only for the establishment of small farms, but also for the sole purpose of building small one-family dwellings.

In France, individual long-term loans are granted by the agricultural credit institutions against special credits advanced by the State to enable agricultural labourers and small farmers to acquire, equip or reconstruct small farms. Similar legislation has been in force in the Netherlands since 1918. A National Small Land-owner's Society has recently been established in Belgium for similar purposes, with the help of State funds.

In some countries, State action to improve housing conditions applies to both rural and urban areas. This is the case in France (where a considerable portion of the loans and subsidies granted under the Loucheur Law of 1928 has been allocated to rural improvement works), the Netherlands, Belgium and, to some extent, the United Kingdom. In most of these countries, however, only a small proportion of the loans and subsidies appears to have been allocated to rural areas, although in some cases, especially in the United Kingdom, more generous subsidies have been granted to agricultural districts. In view of the steady exodus of the rural population to the towns, and the shortage of farm labour, it has been found more and more necessary, during the past ten years, to take special action to improve rural conditions.

In the Netherlands, measures of this kind, entailing a very large subsidy for the abolition of rural slums, were adopted in 1927. In the Scandinavian countries, since 1933, large credits have been granted by the State, in the form of loans and subsidies, to the owners of one-family dwellings in country districts, to enable them to recondition or enlarge them, or even to build new ones where the dwellings are unsatisfactory. In Sweden, these credits represented one of the chief means adopted by the Government at the outset to combat the economic depression. In the United Kingdom, legislation dealing with this question, which has been in force since 1926, was strengthened considerably in 1938. In France, also in 1938, large credits were voted for the same purpose.

A number of measures have been adopted in various countries during recent years for the special purpose of improving the position of agricultural labourers. In Sweden and Denmark, new forms of public loans have been established on specially favourable terms, to enable agricultural labourers to obtain a small one-family house and a piece of land. In France, regulations have been enacted relating to the ventilation, lighting, sleeping accommodation, etc., of dwellings provided by employers for their

workers. In France and Sweden, for some years past, special credits have been available for farmers desirous of improving the dwellings of their labourers; but very little use has been made of these credits. In Sweden, the terms on which such loans are granted have therefore been made still more favourable and have been supplemented by fairly large subsidies.

URBAN AND RURAL HOUSING

BELGIUM

A. URBAN HOUSING

The Extent of the Need

The Housing Shortage.

In addition to the deficiency due to war damage, there was a shortage of about 100,000 dwellings after the war. Yet although demand increased at a greater rate than population,[1] the housing shortage had been considerably reduced by 1930. The economic depression put a temporary stop to the increase in demand, but building continued. For a while, there was a surplus of dwellings, but since then the balance seems to have been restored. The supply of dwellings within the reach of poor households still remains inadequate, however.

Size and Nature of Dwellings.

In the four main urban areas,[2] which in 1930 accounted for a quarter of all the dwellings in the country, more than two-thirds of the dwellings contain less than five rooms each. About two-fifths are fairly equally divided between two-room and three-room dwellings, while one-sixth consists of four-room and one-tenth of single-room dwellings. In 1930, in just over 2% the density of occupation was greater than two persons per room. On this basis, the number of overcrowded dwellings in the whole country has been estimated at about 70,000.

New dwellings for the middle classes are generally equipped with modern comforts, and new working-class dwellings are equipped with all essential sanitary installations : nevertheless, many workers' dwellings, even of recent construction, have no bathroom.

Although some 7,000 slums have been cleared in the last ten years, there are still about 30,000 which cannot be reconditioned, including, not only century-old hovels, but also wooden huts, a relic of the war and post-war years.

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[1] Between the years 1920 and 1930, the number of households increased by 391,000, or about 20%, while population increased by barely 10%.

[2] Brussels, Antwerp, Ghent and Liége districts.

Building Trade and Housing Finance

Organisation and Activity of the Building Industry.

The net increase in the number of dwelling-houses between 1920 and 1930 was 268,000, of which about 40,000 were built by cheap housing societies, with financial assistance from the State.[1] Most new houses have been built by private enterprise, especially since 1930, the cheap housing societies having considerably reduced their activity from 1932 onwards.

Since the war, private building has been carried on to a large extent by housing companies, founded by entrepreneurs and comprising the future tenants, the architects, the suppliers, etc., whose contributions have provided up to 20% or 30% of the building costs.

The following table gives the very brief data available on the subject of building activity :

Building Permits issued in Urban Areas.

Year	Dwellings built (thousands)	Dwellings reconstructed and adapted (thousands)	Year	Dwellings built (thousands)	Dwellings reconstructed and adapted (thousands)
1927	9.5	16.9	1933.....	10.9	17.3
1928	13.7	18.5	1934.....	7.0	16.4
1929	12.4	18.7	1935.....	13.0	17.3
1930	9.1	17.7	1936.....	9.9	18.3
1931	10.6	17.9	1937.....	8.2	18.0
1932	12.8	15.6	1938.....	8.6	16.4

Source : *Bulletin d'information et de documentation* of the Bank of Belgium.

These figures show the great expansion in building after the return to the gold standard in 1926. The 1930 depression had little effect on building, which actually increased in 1931 and 1932 as a result of the fall in building costs and the fact that many people who mistrusted other forms of investment had put their money into building to safeguard their capital. But since this development coincided with a falling-off in the demand for new dwellings, the result was a slump in the house-property market. Between 1930 and 1934, housing values fell on an average by 25%; but in 1935, devaluation revived economic activity and raised prices, including the price of housing property,

[1] *Cf.* page 7.

and so gave a fresh impetus to building. During the past few years, there has been a fresh falling-off in activity.

Organisation of Housing Credit.

A number of private institutions lend on first mortgage. The chief are the *Caisse hypothécaire anversoise* (Antwerp Mortgage Bank) and the *Crédit foncier de Belgique* (Land Credit Bank of Belgium), which are limited liability companies issuing mortgage bonds. It is exceptional for loans to exceed 60% of the market value of the security. The most usual forms of contract are as follows : loans redeemable by equal annual instalments over five to twenty years; fixed term loans for five years; loans at simple interest, the capital being redeemable by equal annual instalments. Redeemable loans are generally combined with life assurance policies which free the heirs from all liability in the event of the borrower's death. A Decree was issued on January 7th, 1936, laying down regulations regarding mortgage loans and organising the supervision of institutions making such loans.

There is no organised market for second-mortgage credit.

Even before the war, the State provided assistance in housing credit operations to promote the construction of cheap houses, utilising for this purpose the resources of the *Caisse générale d'Epargne et de Retraite* (General Savings and Pensions Bank), an autonomous body operating under State guarantee.[1] A special organisation has been set up for this purpose and its activity will be described later.[2]

Interest Rates.

Fluctuations in interest rates between the years 1925 and 1938 are shown in the following table :

Yearly average	Official discount rate	Net yield of Government 3% bonds	Yearly average	Official discount rate	Net yield of Government 3% bonds
1925	5.70	5.90	1932.....	3.47	4.51
1926	7.06	6.47	1933.....	3.50	4.54
1927	5.41	4.98	1934.....	2.93	4.08
1928	4.25	4.58	1935.....	2.19	3.90
1929	4.35	4.52	1936.....	2.00	3.72
1930	2.96	3.94	1937.....	2.00	3.33
1931	2.50	3.98	1938.....	2.61	4.06

SOURCE : *Statistical Year-Book of the League of Nations.*

The rate of interest on first mortgages seems generally to have been about $1\frac{1}{2}$% higher than the net yield on Government bonds. In 1938, it varied from 5.25% to 5.50%.

[1] Its administration is in the hands of the Banque Nationale.

[2] See page 8. As regards the central mortgage credit office set up in 1936, see the following page.

In 1934, the Government introduced a series of measures designed to put an end to the house property crisis. By a Decree dated August 22nd, 1934, all debtors in respect of money loans contracted prior to its promulgation were authorised, until July 1st, 1936, to repay their debts before the date on which repayment was due, notwithstanding any clause to the contrary. Borrowing house-owners were thus able, by a renewal of their loans, to take advantage of the fall in money rates. The interest on current mortgage claims was reduced by Royal Decree dated February 28th, 1935, to 6% and 7% for fixed term loans of the first rank and subsequent ranks respectively. As regards loans repayable by annual instalments, the total annual instalment may not exceed a rate calculated on the basis of 7.14% for a loan of ten years, 6.89% for a loan of twenty years, and 6.65% for a loan of thirty years. As regards the future, however, the rate of interest was left free.

An *Office central de crédit hypothécaire* (Central Mortgage Credit Office) was set up by a Royal Decree dated January 7th, 1936. This is an autonomous public body acting under State guarantee, and is intended to promote the mobilisation of mortgage claims and the regularisation of the rate of interest. It may issue redeemable notes and bonds; it receives from the State an initial expenditure fund of 50 million francs. It is authorised to make mortgage loans, to acquire by transfer all mortgage claims and to pay all mortgage claims in the debtor's place, thereby acquiring the creditor's rights and rank.[1]

Building Costs.

Building costs have been very sensitive to monetary instability. Between 1926 and 1930, hourly wage rates doubled, while building material prices increased by more than 50%. Between 1930 and 1935, building material prices returned to their 1926 level, while at the same time wage rates fell by nearly 40%. Finally, since the 1935 devaluation, there has been a rise of some 13% in both materials and wage costs.

At the present time, a family house in the Brussels neighbourhood, built by private enterprise and offering a fair standard of comfort, costs from 250 to 300 francs per cubic metre, exclusive of site cost. A small five-room house costs in all about 90,000 francs, and a five-room flat in the town sells for about 100,000 francs. The gross annual rental of dwellings built by private enterprise comes to 9% or 10% of the total cost. In 1937, modern flats of two to five rooms with bathroom (generally

[1] The purpose of the Office is not to take the place of existing organisations, but only to exercise a regulating influence by taking the place of lenders who may refuse to reduce the rate for current operations to a level more in keeping with new conditions.

without fittings) and central heating were letting for 7,000-12,000 francs per annum. Such dwellings, though by no means luxurious, are hardly within the means of working-class families.

The Housing Policy

Rent Restriction.

The automatic extension of leases and restriction of rents were legally enacted in 1919, and this legislation was subsequently renewed till 1927. From 1928 onwards, there was a gradual return to normal conditions under ordinary law, beginning with the most expensive dwellings. Rents were gradually increased to bring them into line with the general price-level;[1] but in 1934 a decree was issued, and was later extended to the end of 1937, ordering some reduction in the lower rents to offset the reduction in workers' earnings during the crisis.

Exemptions from Taxation.

Since before the war, any person of modest means buying, building or improving a dwelling for his own occupation has enjoyed certain tax reductions, and other exemptions apply to dwellings built with State assistance. Moreover, since 1928, any newly built house, the rateable value of which does not exceed a certain figure, is exempt for ten years from land tax.

Loans for Cheap Dwellings.

By a Law of 1889, the *Caisse générale d'Épargne et de Retraite* (General Savings and Pensions Bank)[2] is authorised to employ a portion of its funds in granting credits for the erection of workers' houses, either through credit societies which lend to private persons wishing to buy or build dwellings for themselves, or through housing societies which build cheap dwellings to let or sell.[3] The cost of such houses must not exceed a certain limit, which varies according to district. Loans may amount to 60% or 70% of the cost and are guaranteed by a first mortgage and generally also by an assurance policy on the borrower's life. The rate of interest charged, at present 3.75%, is slightly higher than that paid by the central body to its depositors. Loans are redeemable by annual instalments, which may be paid monthly. The redemption period varies according to the age and means of the borrower : generally it is fifteen or twenty years. At the end of 1936, the total amount of such loans was 3,275 million francs, of which 2,600 millions had been granted since 1926.

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[1] In 1929, controlled low rents reached a figure 600% above the 1914 rental, whereas wholesale prices were about 750% above their pre-war level.

[2] *Cf.* page 9.

[3] *Cf.* the following page.

National Society for Cheap Houses and Dwellings.

In order to provide dwellings for families of small means, the public authorities in 1919 established the *Société nationale des habitations et logements à bon marché* (National Society for Cheap Houses and Dwellings), which was made responsible for directing the activity of local building and credit societies and for distributing State advances among them. Since 1927, the National Society has been authorised to issue loans on its own account. It also assists slum-clearance schemes.

The National Society gives its approval to societies established by local authorities, to tenants' (and small owners') co-operatives, to societies established by industrial leaders to provide dwellings for their workers or by philanthropic foundations. The State and public authorities may subscribe the capital of these bodies in a fixed proportion.[1] At the end of 1937, the capital of 289 societies amounted to 308 million francs. Of this sum, the State had provided 13%, the provinces 13%, local authorities 40%, and public assistance committees 6%.

In the beginning, all bodies directed by the National Society were compelled to let their houses; but since 1922, building has been mainly for sale, the proceeds of sales being applied to fresh building. Separate houses built to replace slums, or to accommodate ill-housed large families and aged couples, are, however, not usually for sale. On December 31st, 1937, the number of dwellings built and building was 59,359; of these, 46,414 were single-family houses and 12,945 were flats. About 21,000 of these dwellings have been sold to their occupants.

Financial Resources of the National Society.

At December 31st, 1927, the State had advanced to the National Society 661 million francs, to be lent to the societies in the form of sixty-six-year loans redeemable by annual instalments of 2.75%, of which 2% represents interest. The societies pay an additional charge of 0.2% to cover the National Society's costs.

Between 1928 and 1931, the National Society itself issued 6% stock to the amount of 361 million francs. The rate of interest on loans to societies was first of all 3%, then either 2.5% or 4%, according as the money was applied to slum clearance or to meeting the general shortage of working-class dwellings. The State pays the difference between these rates and what the society itself has to pay. Loans are redeemable over sixty-six years by annual instalments of 3.70%, 3.30% and 4.55% respectively.

Since 1931, the economic crisis has prevented the issue of fur-

[1] Local authorities' contributions often take the form of building-sites.

ther loans by the National Society; but the society has been able to obtain funds from the sale of houses which, by the end of 1937, had brought in 481 million francs. It has also applied a portion of its means to building for intending purchasers.

In 1935, in order to reduce unemployment and continue its slum-clearance campaign, the Government authorised the National Society to build 4,500 small dwellings with the help of a credit of 30 millions promised by the State, and advances from the General Savings and Pensions Bank. By December 31st, 1937, such advances amounted to 150 million francs.[1] From 1935 onwards, the rate of interest was reduced to 2% for advances to local societies for slum clearance and to 3% for other purposes. The period of redemption is sixty years and the annual instalments 2.95% and 3.70% respectively.

The total amount of capital employed by the National Society since its establishment, including certain special credits and advances made direct by certain local authorities to local societies, amounts to 2,018 million francs.

Purchase Bonuses.

By the Royal Decree of 1922 authorising the sale of houses built by the approved societies, a bonus was also granted on certain terms to any person of modest means buying one of these houses for his own use. Apart from certain restrictions between 1932 and 1933 due to the financial crisis, the system of State bonuses has been continued without interruption, and in 1935 was expanded by fresh decrees. At the present time, the amount of the bonus varies, according to locality, from 2,000 to 3,500 francs. An increase of 10% is granted in respect of each of the first two dependent children or descendants of the purchaser, and of 20% for each further dependent child. These bonuses are charged to a fund supplied by borrowings from the National Society. Most of the provinces and certain towns and communes have followed the State's example, though this activity has been slowed up by the crisis.

Between 1922 and 1937, more than 19,000 [2] houses were sold for a total sum of 714 million francs, including State bonuses (60 millions), provincial bonuses (17.6 millions) and communal bonuses (2.1 millions).

Local societies do not grant credit to purchasers of houses, who generally apply to the General Savings Bank through credit or housing soeieties. Additional loans have been made where necessary by the Large Families League.

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[1] At the same date, about 3,800 of the dwellings in question were either finished or in building.

[2] This figure includes 4,000 dwellings built or in building "for intending purchasers".

Rents of Cheap Dwellings.

To cover all charges, rents should amount to from 5% to 7% of the net cost. As a general rule, they are a little below this figure. Urban dwellings of four or five rooms for working-class families let for 150-350 francs a month. This price generally includes running water, gas, electricity, private W.C., sometimes also shower-bath or bathroom (not fitted) and separate central heating. Rather better flats let for 325-450 francs per month.

The statute of the National Society lays down that a certain percentage of dwellings must be adapted for large families. Furthermore, housing reserved for rental must be occupied by families in poor circumstances with at least three dependent children. Actually in 1937 about a quarter of the dwellings let were occupied by such families. The societies are authorised to grant large and necessitous families rent rebates running from 20% for three children to 50% for six. In 1937, more than 7,000 families were benefiting from these rebates, which amounted in all to more than 3 million francs.

The general rent restrictions introduced in 1934[1] compelled most of the societies to make considerable rent reductions, for which, from 1935 onwards, they received compensation in the form of a reduction which might amount to 10 million francs in the annual payment due to the State by the National Society, which, in turn, granted the local societies loans free of interest and redeemable as circumstances permitted. In 1937, such credits amounted to more than 4 million francs.

Slum Clearance.

Slum-clearance schemes were initiated in 1927 and developed great activity in 1935. As mentioned above, the National Society has been authorised to make advances at cheap rates to the local societies for this purpose.[2] Slum dwellings are generally closed by burgomaster's decree,[3] after fifteen months' notice, during which period the societies build houses or apartments for the evicted tenants. The societies may also, with the financial assistance of the National Society, purchase or expropriate insanitary dwellings for conversion or rebuilding, though this method has generally proved too expensive. At the end of 1937, nearly 7,000 slum dwellings and wooden shacks had been closed or demolished for replacement by decent dwellings.

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[1] *Cf.* page 7.

[2] The province of Western Flanders has granted special subsidies to assist the clearance of wooden huts and similar improvised dwellings.

[3] Should the burgomaster refuse to issue a decree, the societies can appeal to the King.

B. RURAL HOUSING

Present State of Rural Housing.

Houses built in the country since the war, including 70,000 to replace war-ruined houses, generally offer a good average standard of comfort. The old dwellings leave a great deal to be desired. The kitchen serves as a common room and often has a bed in it. There may be one, two or—in exceptional cases—three other rooms. Most of these old houses are small, low-roofed and damp, the floor being generally of beaten earth or brick, and the rooms badly ventilated. Agricultural workers are particularly badly housed.

Measures to promote the Establishment of Small Holdings.

The National Society for Cheap Houses and Dwellings has empowered local societies to build rural houses with gardens of from 5 to 6 ares. Until 1935, however, there was no society which specialised in rural building.[1] Since 1935, the *Société nationale de la petite propriété terrienne* (National Small Holdings Society) has been encouraging the establishment of regional societies to purchase building-sites, develop them as small holdings, erect the necessary buildings and let or sell them to families of modest means, where necessary with the aid of a loan from the National Society. For this purpose, the State will grant this new organisation a credit of 300 million francs as and when required. State advances will be repayable by sixty-six annual instalments of 2.08%, based on an interest rate of 1%; the National Society is authorised to ask a slightly higher rate of interest for such loans, in order to cover its management charges.

At the end of 1937, there were forty-nine legally constituted societies and five others were in course of being constituted. All were based on the co-operative principle. In addition to a large number of private individuals and various organisations such as social foundations, workers' and agricultural organisations, etc., the State, the provinces and certain communes all subscribed towards their issued capital, which amounted to 7 million francs in all. State advances up to 55 million francs had been put at the disposal of the National Society, and a fresh advance of 22½ millions was approved for 1938. The Society has assisted about 1,300 families. The cost of building work carried out with the assistance of these loans was 27 million francs, spread over

[1] Mention should, however, be made of the work of the Rural Buildings Service of the Boerenbond, at Louvain, of the Raiffeisen Funds and of the Central Credit Fund of the Boerenbond, which have supplied suitable houses for young agricultural married people. In 1933, they had granted as many as 1,568 loans.

563 rural dwellings with farm buildings for industrial workers, fifty-nine dwellings built to replace demolished slums, eighty-four buildings for small holdings, and forty-six reconditioned old houses. The average cost of buildings with outbuildings amounted to 38,000 francs, and the average loan granted in such cases was 32,000 francs.

UNITED KINGDOM

A. URBAN HOUSING

The Extent of the Need

The Number of Dwellings.

The post-war housing shortage greatly hampered the creation of new private households. According to the census authorities in England and Wales,[1] private households might have been expected to increase during the period 1911-1921 by about 13.7%,[2] while the actual increase was only 10%. After 1923, partly as a result of Government subsidies to local authorities and to private enterprise, there was a revival in building. The 1931 census recorded a net increase of 17.8% in the number of dwellings in England and Wales since the previous census, corresponding with the growth of 17.1% in private households, while the theoretical " normal " rate of increase in the number of private households should have been 12.1% only. For the whole of the period 1911-1931, the actual and the calculated " normal " growth of private households were 28.8% and 27.5% respectively. The concordance of these figures suggests that building during the ten years from 1921 to 1931, outstripping the " normal " growth of private households, had made up for the arrears of family increase relating to the decennium 1911-1921.

It has been claimed, however, that there was still a considerable shortage of dwellings in 1931; in fact, 20% of the households (or nearly 2 millions) lived in dwellings occupied by two or three households. Even if many of these households consisted of only one or two persons, and may have been of the lodger type, the proportion of sharing households had undergone no decrease since 1921, when shortage was at its worst. Various estimates have been made of the number of households seeking a dwelling for

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[1] *Census of England and Wales, 1931,* Vol. " Housing ".

[2] This estimate is based on the number of married women of all ages (as an indication of the growth of married couples), plus the widowed of both sexes under 65, plus 10% of the single of both sexes between the ages of 20 and 45 (in order to allow for the " lodger " and miscellaneous types of family). For 1861-1911, the increase of this " index factor " corresponds fairly well with the growth of " private families " as recorded by the decennial censuses.

themselves whose demand could not be satisfied by the accommodation existing in 1931. The most cautious estimations give the figures 144,000 *(Political and Economic Planning—Industries Group)* and 220,000 *(The Economist)*.

The past fifteen years have seen an unusual increase in private households, not only as a reaction after the war, but also—and mainly—as a result of changes in the age distribution of the population, the proportion of people of marrying age and leaving home tending steadily to increase. Demand for housing has grown more rapidly than the total population. The census authorities estimated in 1935 that, during the period 1931-1941, the total population in England and Wales would rise by 2.6%, and private households by about 9%. Making allowances for lodgers and others not desiring a dwelling of their own, dwellings ought thus to be increased by 771,000 in the ten years 1931-1941, in order that the population should be housed on a scale similar to that of 1931. Making further allowances for the providing of own dwellings for sharing families, the replacement of old dwellings, etc., the authorities concluded that about 1,700,000 new dwellings were likely to be needed during the 1931-1941 decennium.[1]

The demographic evolution helps to explain—from the demand side—the building boom of the past five years. Also, as most of the housing accommodation in the United Kingdom is old,[2] there is a widespread demand for an improved standard. New dwellings were wanted as soon as costs of construction and financial conditions permitted, which happened in 1931-1933. From March 1931 to March 1938, about 2 million new dwellings were built in England and Wales (about 1½ million by private enterprise, without State assistance). As compared with the forecasts for the decennium 1931-1941, these figures suggest that enough dwellings have been provided, not only to meet the demand from new households, but also to make up for the deficiency existing in 1931. The general standard has risen, as the new dwellings presumably have been sufficient in number to replace some of the obsolete ones (including about 200,000 demolished for slum clearance). The net increase in total dwellings during the period 1931-1937 has been estimated at about 1,450,000, or 16%.[3]

In Scotland, progress has been slower. In 1931, there was still a considerable deficiency, about 25,000 family households occupying a sublet portion of a dwelling.[4] This figure, about

[1] This figure includes 300,000 new dwellings needed for slum clearance but does not allow for abatement of overcrowding.

[2] About 50% of all dwellings in England and Wales in 1931 were built before 1881, and about 20% before 1851 (*The Economist*, March 31st, 1934).

[3] Ministry of Health: Report of the *Inter-Departmental Committee on the Rent Restrictions Acts*, December 1937; Chairman, *Viscount Ridley*. (Referred to hereinafter as "*Ridley* Report".)

[4] Report on the *Fourteenth Decennial Census of Scotland*, Vol. II.

2% of all family households, does not include lodgers and boarders, and may thus indicate the cases in which additional housing accommodation was needed. If the rate of family growth for the period 1931-1941 is assumed to be the same as in England and Wales (9%), the number of dwellings needed only to meet this increase should be about 100,000, and the total number of dwellings required, irrespective of slum clearance and abatement of overcrowding, about 125,000. From 132,000 new dwellings built between 1931 and 1937 (only 30,000 by private enterprise, without State assistance), there must be deducted about 60,000 demolished for slum clearance and 10,000 demolished for other purposes, the net increase thus being estimated at about 62,000, or 5.5%.[1]

Working-class Dwellings.

If only the total number of dwellings is taken into account, building during the past few years has been sufficient to meet the requirements arising from family growth and even to make up for arrears—at least in England and Wales. But while supply is gradually overtaking demand as far as larger dwellings of a more expensive type are concerned, there is still in many parts a serious shortage of small and cheap ones. The great mass of low-rented dwellings has increased at a fairly slow rate, as shown by the following table, in which the three-group classification of the Rent Restrictions Acts is employed :[2]

Dwellings belonging to	England and Wales			Scotland		
	Number of dwellings (in thousands)		Percentage increase	Number of dwellings (in thousands)		Percentage increase
	1931	1937		1931	1937	
Class A	1,200	1,250	4.2	71	73	2.8
Class B	2,250	2,950	31.1	260	293	12.7
Class C	5,600	6,300	12.5	792	819	3.4
All dwellings ..	*9,050*	*10,500*	*16.0*	*1,123*	*1,185*	*5.5*

SOURCE : *Ridley* report.

[1] *Ridley* report.

[2] The classification is based in England and Wales on the rateable value (assessed for the purpose of local taxation) and in Scotland on the " annual value ". The limits adopted are as follows :

	England and Wales except London (rateable value)	London (rateable value)	Scotland (yearly value)
Class A	Over £35	Over £45	Over £45
Class B	Over £13-£35	Over £20-£45	Over £26 5*s*.-£45
Class C	£13 or under	£20 or under	£26 5*s*. or under

In 1933, the supply of the more expensive dwellings, falling within Class A, was found sufficient to exempt them from the public rent control exercised since the war. In 1938, the upper ranges of Class B, comprising mainly small houses occupied by artisans and lower paid members of the middle classes, were similarly exempted. As to Class B with a lower rateable value and Class C—*i.e.*, working-class dwellings—the supply was still insufficient to justify discontinuance of rent control.[1]

The present housing shortage seems, however, to be due not so much to an absolute lack of dwellings as to insufficiency of existing accommodation conforming to approved standards; it is caused in the main by deficient purchasing power among the lower paid wage-earners in relation to the cost of dwellings conforming to those standards. Hence the need for housing accommodation should be judged primarily on the basis of the minimum standards adopted.

Slum Clearance and Demolition (or Improvement) of Unfit Dwellings.

Owing to the fact that industrialisation and urbanisation set in earlier in the United Kingdom than elsewhere, congested and blighted areas are perhaps greater there than elsewhere. Several estimates have been made since the war, in order to fix the approximate number of dwellings which ought to be replaced as unfit for human habitation, but only in 1933 was a general survey of housing conditions in this respect obtained.[2] An unhealthy area was then defined (according to the 1930 Housing Act) as one in which " the dwelling-houses are, by reason of disrepair or sanitary defects, unfit for human habitation, or are, by reason of bad arrangement, or the narrowness or bad arrangement of the streets, dangerous or injurious to the health of the inhabitants of the area ". In the main, however, it was left to the local authorities to decide what areas should fall within this definition. The survey resulted in a national programme embracing the clearance of over 280,000 insanitary dwellings and their replacement by nearly 300,000 new ones. By 1938, the programme had been increased to a total of over 430,000 dwellings. In addition, an even greater number of individual dwellings have been found to need repairs or reconditioning. In Scotland, local authorities, in 1933, stated that about 63,000 dwellings were still required to replace unfit accommodation. In 1937, the Department of Health for Scotland estimated that approximately 45,000 dwellings which were still occupied were unfit for human habitation.

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[1] *Cf.* page 30.

[2] A similar survey made some years after the war seems to have been incomplete.

The Problem of Overcrowding.

Demographic evolution during the past decades has reduced the density of occupation. In England and Wales in 1921 there were 4.67 persons per dwelling, while in 1936 there were only 3.64. From 1921 to 1931, the average number of persons per room decreased from 0.91 to 0.83, and there may have been a further reduction since. The proportion of families occupying overcrowded dwellings has also diminished. As measured by the number of families with more than 2 persons per room, overcrowding decreased from 5.70% in 1921 to 3.67% in 1931. This seems not to have resulted from any relative increase in the supply of housing accommodation or in the size of dwellings, but mainly from the decline in the birth rate reducing the average size of families. If families are divided into groups of a given size, comparatively little change is found in the average density of occupation within each size group. In England and Wales, there was only a slight reduction in density per room between 1921 and 1931 in respect of the smallest families of 1 to 3 persons, while among the larger family households (the majority of which consisted of families with many children), conditions were just as bad in 1931 as ten years earlier.

In the United Kingdom, the problem of overcrowding has attracted the attention of the housing authorities to an increasing degree. In 1935, for the first time, a standard was defined by which overcrowding should be measured; and in 1936, a general survey was carried out in different areas.[1] In England and Wales, out of 8.9 million dwellings inspected, more than 340,000 dwellings, or 3.8%, were overcrowded according to the standard defined by law (more than 2 " equivalent persons " per room).[2] On the assumption that 60% of the total number of families concerned would require new dwellings, the number of new dwellings actually required was estimated at about 200,000.

In Scotland, the rate of overcrowding was six times greater than in England and Wales, the number of overcrowded dwellings amounting to about 260,000, or 22.6%, out of 1.1 millions inspected. On the assumption that the fullest possible use would be made of existing fit accommodation, more than 161,000 dwellings were required to put an end to overcrowding.

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[1] *Cf.* Ministry of Health : *Report on the Overcrowding Survey in England and Wales*, 1936.

[2] By the number of " equivalent persons " is meant the number obtained by counting each person over 10 years of age as one unit, and each child between the ages of 1 and 10 years as half a unit. The report on the overcrowding survey also referred to a hypothetical standard under which, in order not to be overcrowded, a dwelling should provide sufficient accommodation for the family without using the living accommodation for sleeping purposes. On this standard, the number of overcrowded families in England and Wales would have been over 853,000.

Building Trade and Housing Finance

The Progress of Private Building.

The outstanding feature of dwelling-house construction in England and Wales during the past fifteen years has been the progress in private building. During the earlier post-war years, private building was handicapped by financial difficulties and high costs of construction, and most of the building was done by the local authorities with the aid of Government subsidies. After 1923, however, as the table on the following page shows, private enterprise considerably increased its output, as a result partly of subsidies to private builders and partly of a gradually improving financial situation.[1] The cutting-down and subsequent withdrawal of the State subsidies to private enterprise (in 1929) caused a temporary setback. In England and Wales, total output in 1931 and 1932 was about 200,000 new dwellings per annum, of which unassisted private enterprise was supplying well over 100,000. Then the building boom brought production up to nearly 350,000 in 1936, mainly by unassisted private enterprise. Taking advantage of a fall in costs and of improved financial conditions, private builders doubled their output, which reached 288,000 in 1934 and has since remained over 250,000 per annum, representing about 80% of the total number of dwellings built. In Scotland, unassisted private building inereased considerably after 1929, but still represented, in 1937, less than 40% of the total output.

Organisation of Private Trade.

Private construction is mainly carried on by speculative builders who buy land for development of new residential areas and sell houses to prospective home-owners or investors. As in other countries, there are a great number of small contractors without sufficient capital of their own who risk bankruptcy even in good times, and who must consequently pay a relatively high rate of interest for borrowed capital. But during recent years, a fairly large number of well-established big firms have specialised, not only in blocks of flats in the principal cities, but also in one-family houses. Such firms often construct up to 2,000 and 3,000 houses a year. They have been able to borrow part of their working capital at a relatively low rate of interest and have realised economies by improved technical

[1] Some of the dwellings recorded in the table on the following page as built by private enterprise were erected by public utility societies (see page 44).

House-building Activities in Great Britain, 1919-1937.

Date [1]	Number of dwellings constructed (in thousands)				
	By private enterprise			By local authorities	Total number of dwellings built
	Total	Without State assistance	With State assistance		
England and Wales : [2]					
1919/20	97.5	53.8	0.1	0.6	252.0
1920/21			13.0	15.6	
1921/22			20.3	80.8	
1922/23			10.3	57.5	
1923/24	71.8	67.5	4.3	14.4	86.2
1924/25	116.3	69.2	47.1	20.6	136.9
1925/26	129.2	66.4	62.8	44.2	173.4
1926/27	143.5	63.8	79.7	74.1	217.6
1927/28	134.9	60.3	74.6	104.0	238.9
1928/29	113.8	64.7	49.1	55.7	169.5
1929/30	141.8	91.7	50.1	60.3	202.1
1930/31	128.0	125.4	2.6	55.8	183.8
1931/32	130.7	128.4	2.3	70.1	200.8
1932/33	144.5	142.0	2.5	56.0	200.5
1933/34	210.8	207.9	2.9	55.8	266.6
1934/35	287.5	286.4	1.1	41.6	329.1
1935/36	272.5	272.3	0.2	52.4	324.9
1936/37	274.3	273.5	0.8	71.7	346.0
1937/38	259.6	257.1	2.5	78.0	337.6
Scotland : [3]					
1920	7.9	5.4	0.1	0.8	29.0
1921			1.2	4.3	
1922			1.0	9.5	
1923			0.2	6.5	
1924	2.9	1.5	1.4	3.0	5.9
1925	5.3	1.9	3.4	4.8	10.1
1926	7.0	1.8	5.2	8.4	15.4
1927	6.6	2.0	4.6	15.8	22.4
1928	5.4	2.1	3.3	14.8	20.2
1929	5.2	1.3	3.9	14.3	19.5
1930	4.6	1.4	3.2	7.9	12.5
1931	4.2	1.8	2.4	8.3	12.5
1932	5.9	1.7	4.2	11.6	17.5
1933	10.8	5.6	5.2	15.8	26.6
1934	9.6	5.9	3.7	15.2	24.8
1935	7.1	7.1	.	18.8	25.9
1936	7.8	7.8	.	16.0	23.8
1937	8.2	8.2	.	13.3	21.5

SOURCES : For England and Wales : Ministry of Health : *Annual Reports*, and *Housing*, half-yearly returns.
For Scotland : Department of Health : *Annual Reports*.

[1] For England and Wales, financial year ending March 31st; for Scotland, calendar year.

[2] This statement does not include 15,365 dwellings built for rehousing purposes in connection with slum-clearance schemes prior to the Housing Act, 1930.

[3] Dwellings constructed by private enterprise without State Assistance include 7,529 dwellings of more than five rooms; the figures for " assisted " constructions include the 2,552 steel houses.

methods, machinery, etc. There is said to be room for progress, however.

Investment in new Dwelling-houses.

Before the war, small capital owners frequently bought a certain number of dwelling-houses for letting. After the war, rent control often precluded economic rents on dwellings erected by private enterprise. Private capital owners abstained from investing in dwelling-houses for letting.[1] The heavy demand for new housing accommodation could therefore only be met, as far as private enterprise was concerned, if the new houses were bought by people who intended to live in them. There has thus been a marked trend during the post-war period towards home ownership.[2] It is mainly among the middle classes, however, and among the better paid members of the working classes, that the habit of owner-occupation has spread, the majority of workers not being in a position to buy a house. Home ownership, among the lower income groups, has, however, been promoted by the public authorities.[3]

The *building societies* provide most prospective home-owners with mortgage loans repayable by instalments. The gradual revival of the private housing industry in England owes much to this financial system, whereby the thrift of small income earners has been organised for financing house purchases.

The Progress of the Building Societies.

Mortgage loans are granted in the United Kingdom by commercial and savings banks, insurance companies and building societies, the latters' being the largest. These private societies collect savings by selling their shares to the members and by receiving deposits from members and non-members, thus acting like savings banks but with a specific purpose as to the utilisation of their funds—namely, to assist their members in procuring dwellings of their own. Just before the war, there were more than 1,500 registered societies with over 600,000 members and total assets of about £65 million. After the war, the number of societies diminished to about 1,000, owing to amalgamations. They have at present well over 3 million members and, at the end of 1938, their assets totalled over £760 million (more than three-quarters of which were held by about fifty leading societies). The value of their assets has

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[1] Except in certain types of recent cheaper dwellings; *cf.* page 28.

[2] Before the war, although, in England and Wales, the one-family house is the most common type of accommodation (London being the only town with a fairly high proportion of houses containing several dwellings—18% in 1921), home ownership does not seem to have been more common than in other countries.

[3] *Cf.* pages 34 and 35.

increased over ten times since the war; it has doubled since 1930. To-day, the building societies are the most important savings agency of the United Kingdom. Over 2 million houses, out of 2.5 millions built by private enterprise since the war, have been acquired with the aid of advances from the building societies' funds, borrowers being nearly 1.5 million and the value of mortgage assets about £690 million.

Building societies' shares may be purchased either by payment of a lump sum—£5 or £10—or by small instalments, the investor's liability being limited to his contribution. Most societies permit the whole or a part of investors' share capital to be withdrawn at par at short notice : generally, on demand. The shares bear a fixed rate of interest, sometimes supplemented by a bonus from surplus profits, the rate varying with different societies. During recent years, it has been about 3½% on a average.[1] Depositors, who are not *ipso facto* members of the society, are entitled to priority for withdrawal if the society is wound up, but not otherwise. They enjoy special protection, an incorporated society not being permitted to receive deposits in excess of two-thirds of its mortgage assets as defined by law. Several societies limit still further the amount which they will receive. The interest on deposits is slightly lower than that on shares : on an average, under 3% during the past four years.

The Mortgage Service.

Building society loans are restricted by law to first mortgage security, and may amount to 75% or 80% of valuation by the society's surveyor; 90% may be reached if additional security (deeds, Government bonds, etc.) is forthcoming, or if the Government and a local authority give a guarantee covering the excess amount.[2] There is also a system known as builders' pool, under which the lending society arranges with the builder-vendor of a house to guarantee by a deposit a certain part—say £50—of the difference between a normal advance and the excess over that sum. Only one-third is required in cash and this is paid to a common pool, out of which the societies may cover losses on loans over the normal rate. This system has expanded in recent years.

Loans are generally granted for twenty years. Redemption is usually made by half-yearly or monthly instalments.

Although the building societies are empowered by law to lend on business premises or tenement houses, the great majority of their advances are made on the seeurity of the purchasers' private dwellings, whose interest in their properties is considered as a prime security factor.

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[1] *Cf.* table on the following page.
[2] *Cf.* page 35.

Rates of Interest. The following table shows recent changes in interest rates :

Yearly average	Bank of England discount rate	Actual yield of 2½% Consols	Building societies' rates of interest [1] on		
			Shares	Deposits	Mortgage loans
	%	%	%	%	%
1925	4.57	4.44	4.4	3.9	5.9
1929	5.50	4.60	4.5	3.9	5.8
1932	3.01	3.76	4.5	3.7	5.9
1933	2.00	3.38	3.8	3.4	5.6
1934	2.00	3.08	3.7	2.8	5.5
1935	2.00	2.91	3.6	3.0	5.2
1936	2.00	2.95	3.4	2.8	4.9
1937	2.00	3.31	3.3	2.7	4.9
1938	2.00	3.41	3.3	2.7	4.8

SOURCES : *Statistical Year-book of the League of Nations;*
The Economist Building Societies Supplement, July 1st, 1939, page 13.

Before 1932, the building societies' shares paid about as much as Government bonds, and deposit interest approximated to that paid by savings banks. The rate charged on mortgage loans was generally 6%. In 1932, War Loan conversion, by reducing interest rates, made the building societies' shares more attractive. The building societies, which had previously dealt mainly with small investors, now received an almost embarrassing influx of funds. It was met, not only by a reduction of interest rates on share capital and deposits, but also by limiting the amount of new money in the share department and restricting the individual amounts of new deposits. However, the societies kept command of larger resources than ever before and were able to extend their mortgage service substantially, which explains, from the credit side, the building boom of recent years. The rate of interest on new mortgage loans was lowered in 1933 to 5% and subsequently to 4½%. In many cases, the old borrowers have obtained interest rebates.

At present, the building societies' problem is how to reinvest. Although the absolute amount of new mortgage advances is still as high as during 1934/35, the proportion of repayments to the amount of new advances has been steadily increasing. In 1938, according to the estimates of *The Economist,* this proportion reached about 86%, which means that the societies have become largely self-financing. In order to find outlets for their surplus money, many societies have begun to finance the building of

[1] As computed by *The Economist* for a sample of ninety-eight leading societies, 1925-1932; hundred-and-eight societies subsequently.

tenement houses and blocks of residential flats and are even, in some cases, contemplating an extension of their operations to industrial and business premises, cinemas, offices, shops and the like.[1] Efforts are being made, however, to increase business within the field of working-class housing by extending the guarantee system already referred to under which the societies co-operate with the Government and local authorities in financing the building or purchase of working-class dwellings at moderate capital charges up to 90% of the value of houses.[2] It has been proposed that collaboration with the public authorities should be extended to the financing of all kinds of public housing—including slum clearance and rehousing.

The Cost of Construction.

The outstanding difficulty during the earlier post-war period was the high level of building costs. In 1923, after the first post-war deflation, wage rates per hour in the building trade remained about 90% higher than in 1914 for craftsmen and nearly 115% higher for unskilled workers; the price level of building materials was even higher.[3]

The subsequent development of wage rates for skilled and unskilled workers will be seen from the table on the following page. From 1923 to 1927, wages rose by about 7%. During the following seven years, they fell by degrees and, in 1933 and 1934, were about 12% lower than in 1927. From 1934 to 1937, they increased again by about 9%. These changes depend largely on the fluctuations in building and the supply of labour. When the Government decided, in 1923 and 1924, to grant building subsidies to private enterprise and local authorities for working-class dwellings the first problem to overcome was the shortage of labour. In 1924, a " treaty " was concluded between the Government and the trade unions, under which the unions agreed to increase their numbers sufficiently to carry out the Government's housing policy in return for an undertaking that the subsidy would be continued for fifteen years, so that there should be a guarantee of steady employment. A committee consisting of representatives of employers' and trade unions' organisations was set up for the purpose of recruiting more workers and training apprentices for the skilled occupations. The trade unions' regulations governing apprenticeship were modified, so as to shorten the period of training, and the trade was opened to semi-skilled workers who had taken a special course. As a result, the number of workers in the building trade, which in 1923 was appreciably inferior to the pre-war number, increased by nearly a fifth up to 1927. However, efforts

[1] British national report to the International Congress of Building Societies, September 1938, Zurich.

[2] *Cf.* page 35.

[3] *Cf.* International Labour Office report : *Housing Policy in Europe*, 1930, page 66.

Building Activities in England and Wales, 1923-1937, compared with the Fluctuations in the Number of Workers, the Unemployment and Wage Rates in the Building Trade.

Year	Dwellings built in each year ending September 30th [1]		Insured workers in the building trade			Index numbers of wage rates per hour [5]		Prices of building materials [6]
	Total output	With State assistance	Number in thousands (July)	Increase from year to year in %	Unemployed workers in % (July)	Skilled workers	Unskilled workers	
	Number in thousands					1930 = 100		
1923	78.7	32.0[2]	716.0	.	12.2	99	99	—
1924	109.5		726.3	1.4	9.8	105	106	—
1925	159.0	90.8	758.9	4.5	7.8	105	107	—
1926	197.6	130.9	804.6	6.0	9.3	105	107	—
1927	273.2	212.4	847.9 807.2 [3]	5.4 . [3]	7.1	105	107	—
1928	166.4	101.8	816.6	1.2	10.4	103	103	—
1929	204.9	133.8	826.0	1.2	8.7	103	103	—
1930	162.0	51.3	832.3	0.8	13.9	100	100	100
1931	194.9	62.0	858.2	3.1	18.4	98	98	96
1932	202.0	69.1	856.9	−0.2	27.6	95	95	95
1933	218.3	50.4	883.8	3.1	20.2	93	93	93
1934	313.7	52.2	928.3	5.0	16.3	93	94	93
1935	318.6	32.9	976.8	5.2	14.3	95	96	94
1936	339.5	64.0	1,019.7	4.5	11.5 [4]	98	99	97
1937	337.1	72.1	1,035.3	1.5	11.2 [4]	101	101	104

SOURCE : *Statistical Abstract for the United Kingdom.*

to co-ordinate the supply of labour with the actual housing programme were apparently insufficient to avoid a considerable increase in wage rates. From September 1927, the Government subsidies were curtailed, and, in September 1929, were discontinued to private enterprise in England and Wales. The subsequent decline in building increased unemployment so much that, in July 1932, more than a quarter of all the workers in the building trade were idle, and wage rates fell. The recent building boom brought unemployment back to a level which might be considered as normal [7] and called for the recruiting of additional workers at

[1] England and Wales. Dwellings of a rateable value not exceeding £78 (£105 in Greater London).

[2] Estimated number.

[3] From 1927 onwards, number of persons aged 16 to 64 inclusive; previously, all aged 16 and over, who, in 1927, numbered 847,900.

[4] Excluding juveniles aged under 16 years.

[5] Index computed from the actual amounts of wages on December 31st of each year. For the series " skilled workers ", bricklayers' wages have been chosen as a basis, the trend of the wages of other skilled workers in the building trade showing little or no difference from these.

[6] Board of Trade index.

[7] This level depends largely on institutional factors governing the frequency of, and the time required for, individual changes of employment. As measured by the relative number of unemployed in July 1936 and 1937,

a rate which, for the years 1934-1936 equalled that of the period 1924-1927. As during that period, the building industry does not seem to have been able to secure an adequate supply of labour without raising the wage rates. Labour has latterly been scarce in most parts of England.

The scarcity of building materials during the earlier post-war years induced the Government to study the trades supplying such materials, before framing a policy in regard to grants. Different bodies were appointed to secure an adequate supply of materials, and to survey prices, particularly if these appeared to be kept too high by trade combinations, trusts or agreements between producers. The need for Government action in order to combat such abuses did not in fact arise.

Dwelling-houses in the United Kingdom are almost exclusively of brick, although in Scotland, on account of the shortage of bricklayers (and bricks) in recent years, concrete and timber have been favoured by the public authorities. Bricks constitute from 15% to 25% of the total material cost of working-class houses. Prices seem to have been fairly stable from 1924 to 1934, with the exception of a slight temporary increase during the building boom of the years 1924-1927. Since 1934, in spite of a heavy demand, the price of clay bricks has decreased in certain areas by about 10%. This may be due to an increase in the producing capacity and to the competitive use of sand-lime bricks, which are cheaper. Conditions vary, however, in different parts of the country, owing to high transport costs, and in certain areas, as, for example, in Scotland, the supply has been scarce and no appreciable reduction of prices has taken place.

Among the other materials used for working-class dwellings, timber (including joinery) is the most important. Prices have varied, owing mainly to changes in supply and to import regulations. Since 1933, they have gone up considerably.

For the period after 1930, the Board of Trade's current price index for building materials, based on the prices of sixteen different items, shows that the average price-level of building materials fell by 7% from 1930 to 1933, whereas from 1934 to 1937 there was an increase of more than 10%.[1] The total cost of materials for ordinary working-class houses may have increased somewhat less, for iron and steel, which have increased the most, are used for this type of house much less than was presumed in devising the Board of Trade's index.[2]

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it should be just over 10% (*cf.* the table on the preceding page). There are, however, important seasonal fluctuations in unemployment, which, in January 1936 and 1937, reached 28% and 18% respectively.

[1] *Cf.* table on the preceding page.

[2] The weights adopted for the computation of the Board of Trade's index numbers were chosen with a view to assigning to each commodity its importance to the building trade as a whole. *Cf. Board of Trade Journal*, January 24th, 1935.

The joint effect of variations in wage rates and the prices of materials may be judged from an index of building costs computed by *The Economist*, reproduced in the table on this page together with data on the cost of local authorities' houses. It will be seen that costs reached their lowest level in 1933 and 1934, when, according to *The Economist* index, they were about 13% lower than in 1927 and 9% lower than in 1929/30. Between 1934 and 1937, they increased by 18%.

Fluctuations in Total Cost of Building, 1927-1937.

Year	Index of building costs[1] 1931 = 100	Total cost of non-parlour houses[2]	Average cost per superficial foot of non-parlour houses (excluding flats and houses for aged persons)[3]	
				1931 = 100
		£	s. d.	
1927	106	397	.	—
1928	104	354	.	—
1929	101	354	.	—
1930	101	344	.	—
1931	100	327	8 8½	100
1932	95	299	8 3¼	95
1933	92	297	7 11¾	92
1934	92	296	7 11½	92
1935	98	309	8 4¼	96
1936	102	327	8 6¾	98
1937	109	363	9 3¼	106

SOURCES : *The Economist*, " Commercial History of 1937 ", Feb. 12th, 1938.
Ministry of Health : *Annual Reports;*
National Housing and Town-planning Council : *Congress Papers, 1938.*

All-in Costs.

According to the Ministry of Health's records on local authorities' building costs, the average for a three-bedroom non-parlour cottage with a superficial area of 760 square feet and equipped with modern conveniences[4] should to-day be just over £350 (in England and Wales), whereas, in 1933/34, it was about £300. These prices include paths, drains and fences, but not land, roads and sewers. As to the cost of land and development, there are naturally considerable variations between different towns and estates, and wide fluctuations on account of demand for sites. In 1930, a Ministry of Health enquiry revealed that, of the houses

[1] *The Economist's* index.

[2] Average price of ordinary non-parlour houses included in contracts—let by, or in direct labour schemes of, local authorities in England and Wales.

[3] *Cf.* note 2. From 1931 to 1935, the figures relate to certain months only.

[4] This type has been adopted as standard accommodation for working-class families of not more than five persons, and is erected in large numbers by local authorities.

investigated in urban areas, 15% bore capital costs of more than £100 in excess of the cost of building, 72% bore such excess costs between £50 and £100, and 13% less than £50. Some years ago, it was generally assumed that the total cost of site, roads and sewers for new cottage developments was in the neighbourhood of £70 per house. It was claimed that this figure could easily be reduced to £60, assuming a density of twelve houses to the acre (which is, in fact, the maximum density permitted under many town-planning schemes).[1] It is probable, however, that, owing to the recent building boom, there has been some increase in the prices of sites.

As the above figures presumably hold for private constructors as well as for local authorities, it may be possible to compute the annual or weekly charges falling upon small family houses built by private enterprise and financed in accordance with the ordinary lending practice of the building societies. The average all-in cost of a three-bedroom non-parlour house with 760 square feet superficial area may be set at £390 in 1929, £360 in 1933 and £410 in 1937 (assuming no change in the average cost of land). Prospective house-owners possessing one-quarter of the capital required to buy such a house could obtain mortgage advances covering the remaining three-quarters at a rate of interest of 6% in 1929, 5% in 1933, and 4.5% in 1937. Interest on buyers' own capital may be computed at the rate which they would have obtained if investing in, for example, building societies' shares.[2] Building societies' mortgages are generally redeemed within twenty years by monthly or half-yearly instalments. It is not thought necessary to have a sinking fund for the buyers' own capital outlay, because instalments on the mortgage advances seem sufficient to cover any probable depreciation of the value of the property. Under these assumptions, which have been chosen in such a way as not to exaggerate actual costs of private housing, the capital charges would have amounted in the years 1929, 1933 and 1937 to 12*s.* 3*d.*, 10*s.* 2*d.* and 11*s.* per week respectively. Adding 2*s.* per week, as a reasonable allowance for repairs and insurance, we find that the total cost per week (exclusive of rates), to owner-occupiers of small privately built cottages of the type just described averaged nearly 14*s.* 6*d.* in 1929, somewhat more than 12*s.* in 1933 and about 13*s.* in 1937.[3] In cases where the intending house-owners had to borrow more than three-quarters of the value of the house, total costs may have been higher; they would also have been higher for private investors

[1] *Cf. Political and Economic Planning Industries Group* (hereinafter: P.E.P.), " Housing England ", 1934, page 62.

[2] *Cf.* page 22.

[3] *Cf.* P.E.P., " Housing England ", page 16, where, under similar assumptions, a weekly cost of 12*s.* 6*d.*-14*s.* (inclusive of rates) is arrived at for a three-bedroom non-parlour house by the end of 1933.

buying dwelling-houses with a view to letting, because in such cases vacancies, defaults on payment and cost of management must be taken into account.

Actual Cost of Privately Built Dwelling-houses.

It is generally recognised that the rent of small dwellings suitable for average working-class families should not exceed 10*s*.-11*s*. per week (inclusive of rates), if it is to be within the means of the lower paid wage-earners.[1] More precisely, it has been claimed that, with respect to the poorest workers, good standard dwellings are required at rents ranging from 6*s*. 6*d*. to 10*s*. per week (inclusive of rates) in towns and urban districts, and 4*s*. to 6*s*. 6*d*. per week in rural districts.[2] It has been, and still is, a matter of controversy whether private enterprise without State assistance can provide a sufficient number of small family houses at such rents. For some time after the war, the cost of building and the price of money remained so high as almost entirely to prevent private enterprise from supplying small houses on a commercial basis at rents which the wage-earners could pay. During the 'twenties, most of the houses built without State assistance are said to have cost about £1,000 or more. The great majority were bought by the middle classes, and a smaller number by better paid workers with comparatively secure employment. It was not until the fall in the cost of building and rates of interest during the years 1931-1933 that private constructors could enter the field of working-class dwellings proper. While the major part of the dwellings erected by private enterprise since 1933 are of high or medium value, selling at over £600 in London and over £400 in the provinces, a considerable and fairly constant portion—more than a third, as will be seen from the table on the following page—is constituted by cheaper dwellings, at £600 or under in London and £400 or under elsewhere. The table shows that an increasing proportion of these cheaper dwellings has been occupied by persons other than their owners, which indicates that private investors have been able to buy for letting on a commercial basis. On the other hand, it must be noted that no information is available as to the size and type of the dwellings concerned. Possibly a certain number are not family dwellings in the proper sense of the word but rather small tenements suited to single persons or married couples without children. As to the weekly cost of those different types of dwellings, it can certainly not be as low as 10*s*.-11*s*., except for

[1] *Cf.* P.E.P., "Housing England", page 49. *Cf.* also the statements made by Lord Kennet (formerly Sir Hilton Young), who was Minister of Health 1931-1934, in a speech before the Royal Statistical Society, June 21st, 1938.

[2] *Cf.* the statement of Mr. John E. Martin, Secretary of the National Housing and Town-planning Council, before the National Housing and Town-planning Congress at Margate, November 1937.

the smaller types. The weekly cost of three-bedroom non-parlour houses can only be kept down to this level where the all-in capital cost was appreciably less than the average cost of building plus land (as it may, in fact, have been in numerous cases). Conditions seem to have been rather favourable in 1933,

Number of Dwellings provided by Private Enterprise without State Assistance and their Distribution according to their Rateable Value. Percentage of Dwellings to let (England and Wales, 1933-1938).

	1933/34[4]	1934/35	1935/36	1936/37	1937/38
Total number of dwellings constructed	*120,781*	*286,050*	*271,389*	*273,516*	*257,081*
Percentage of dwellings of:					
High value[1]	12.0	11.9	12.3	12.6	12.7
Medium value[2].....	50.9	51.3	51.2	51.5	50.4
Low value[3]	37.1	36.8	36.5	35.9	36.9
Percentage of dwellings occupied by persons other than their owners among dwellings of:					
Medium value	12.0	11.9	12.3	12.6	12.7
Low value	29.1	31.4	35.6	40.6	44.8

SOURCE: Ministry of Health: *Annual Reports.*

with a weekly cost just over 12*s*. (exclusive of rates), but the recent rise in prices must have adversely affected the supply for the lower paid wage-earners.

THE HOUSING POLICY

General Survey.

Public authorities began trying to remedy defective housing conditions about the middle of the last century, by means of local government units with powers to carry out sanitary reforms. Gradually, local authorities were enabled to control the construction of houses to enforce the carrying-out of repairs and, in certain cases, to provide dwellings for the labouring classes. The early Acts were,

[1] Dwellings with a rateable value exceeding £26 but not £78 (£35-105 in Greater London).

[2] Dwellings with a rateable value exceeding £13 but not £26 (£21-35 in Greater London).

[3] Dwellings with a rateable value not exceeding £13 (£20 in Greater London).

[4] Half-year October 1933-March 1934. The other columns refer to the years ending March 31st, 1935, 1936, etc.

however, limited in scope and achieved small results. It was not until the early post-war years, when the suspension of building had created a serious shortage, that local authorities made substantial use of their powers, and it was only in 1930 that slum clearance was taken up on a broad basis.

Rent Restriction. Interrelation between Public and Private Activity.

Rent restriction was introduced during the war and is still in force as regards a large number of pre-war working-class dwellings. Its principal object was to fix a maximum percentage increase in pre-war rents, to provide security of tenure, to limit the rate of interest and to prevent the calling-in of mortgages. It first applied only to small dwellings, but, in 1919 and 1920, nearly all old houses were brought under the regulations. The Increase of Rent and Mortgage Interest (Restrictions) Act, 1920, replacing all previous legislation, prohibited any increase in rents exceeding 40% of the pre-war level except to compensate the landlord for the rise in taxes and rates paid by him and for any expenditure on improvements or structural alterations.

The Act of 1923 provided for decontrol of a dwelling whenever a landlord came into vacant possession. As a result, the number of controlled dwellings gradually diminished during the following years. The extent of decontrol was much greater, however, in more expensive houses than among workings-class dwellings, mainly because the supply of dearer dwellings was increasing faster. In 1933, the control was discontinued for dwellings with a rateable value exceeding £45 in London (and Scotland) and £35 elsewhere (Class A dwellings[1]). In 1937, the Government considered that there was no longer any actual shortage in the upper ranges of Class B dwellings [1] and, in 1938, dwellings with a rateable value exceeding £35 in London (and Scotland) and £20 elsewhere were set free. As regards controlled dwellings with a lower rateable value, the Rent Restrictions Act will apply until 1942. At the same time, the provision that decontrol should follow on the landlord's obtaining vacant possession was abolished.

Rent control seems to have checked private building during the first post-war decade. Rents were, in fact maintained at a level which was only 45% to 50% higher than that of 1914, while costs were probably over 100%.[2] Private investors could not buy houses with a view to letting, and the new privately built houses had generally to be sold to intending owner-occupiers : mainly people with a relatively high income, and some capital. Although the public authorities have facilitated the acquisition of small dwelling-houses by workers and other people within the lower income classes by granting cheap credits or even, for some years

[1] *Cf.* page 16.
[2] *Cf.* page 23.

after 1923, by giving lump-sum subsidies for new houses, the great majority of small income earners have not been in a position to buy a house. Recognising these facts, the Government found it necessary to alleviate the shortage of low-rented working-class dwellings by financial aid to local authorities and public utility societies.

From 1927 to 1935, with the decrease in building costs and rates of interest, it became possible to charge competitive rents on new houses. The recent rise of building costs has again increased difficulties, although new houses generally represent a higher standard than the controlled pre-war dwellings and are therefore preferred by applicants who are able and willing to pay for it.

The public authorities now control, not only pre-war rents falling under the provisions of the Restrictions Act, but also those of a great number of working-class dwellings erected and owned by local authorities. While, in 1937, the pre-war working-class dwellings still under control were estimated at about 3.6 millions in England and Wales and nearly half a million in Scotland, the " council houses ", or working-class dwellings in the possession of the local authorities, numbered about 950,000 in England and Wales and over 175,000 in Scotland. The rents charged for these dwellings are generally lower than the economic rents of similar houses built by private enterprise.

With the fall in building costs and rates of interest mentioned above, the activity of the public authorities in providing low rented dwellings for small income earners was increasingly felt as a hindrance to private enterprise. The Government decided in 1933 to limit new subsidies to certain well-defined purposes—namely, slum clearance and, later, the abatement of overcrowding, which private enterprise was not likely to attempt.

General Housing.

Under the *Housing and Town-planning, etc., Act, 1919* (the *Addison Scheme*), the local authorities were asked to prepare schemes for working-class houses in their areas. The rents were to be fixed at the level ruling in the district for pre-war houses of the same type. The Government undertook to cover the annual loss (*i.e.*, the difference between the net income from the rents which could be charged, and the outgoing for repairs, interest and sinking fund, based on a loan repayment period of sixty years), the contribution of the local authorities being limited to a special rate of one penny in the pound, levied in addition to the other rates. There was consequently no direct relation between the contribution of the local authorities and the amount of the deficit to be covered. As regards private enterprise, the *Housing (Additional Powers) Act, 1919*, laid down that State subsidies were to be given in the form of non-repayable lump-sum payments.

As a result of the rapid increase in building costs and interest rates between 1919 and 1921, the system of subsidies introduced

by the Housing and Town-planning Act, 1919, became a heavy burden on the Treasury. In 1921, it was decided to grant no further subsidies and to limit the Government programme to houses already built (or in course of construction, or covered by tenders approved). In England and Wales, the two Acts of 1919 produced about 170,000 dwellings built by local authorities and nearly 44,000 built by private enterprise, the great majority between 1921 and 1923, whereas the corresponding numbers for Scotland were over 25,000 and under 3,000, respectively.[1] The annual subsidies for these building schemes quickly rose to about £9 million; they still amount to nearly £7 million and, in 1936/37, represented more than two-fifths of the Exchequer's total annual contribution to national housing schemes.

Housing Act, 1923 (the *Chamberlain Scheme*).—As a result of the experience acquired in carrying out the Addison scheme, the Government undertook to give a definite and limited contribution of £6 per annum per dwelling for a period of twenty years towards the loss which local authorities might incur in building houses, the latter taking all risk of further loss. Moreover, the Chamberlain scheme was specially designed to encourage private enterprise, local authorities being supposed to engage in building on their own account only where, with the financial aid provided for by the Act, private builders were unable to meet requirements. The local authorities were authorised to support the building sehemes of public utility societies or of private builders, either by passing on to the builder the £6 per year for twenty years, which the local authorities were entitled to receive from the Government, or by raising, on the security of this payment, the equivalent (about £75) which they might give as a capital grant to the builder, or by refunding part of the rates levied on the house. The local authorities were further empowered to increase the amount of the grant at the expense of the local rates.

Certain limits were laid down as to the size of the subsidised houses, in order to focus efforts on dwellings for working-class people, and to maintain at the same time a definite standard. The grants applied to houses both for letting and selling, and there were no statutory limits either of rents or of selling prices. In practice, the grants were used mainly for houses for sale, built by private enterprise, which proved too expensive for the working class generally, but attractive to the lower middle and artisan class.

From September 1927, the annual subsidy provided for by the Act was reduced to £4 per annum in England and Wales; in Scotland, the same reduction took place as from October 1929. The grants were terminated in 1929 in England and Wales, whereas they were continued until 1933 in Scotland. In England

[1] *Cf.* table on the following page.

Number of Dwellings provided since the Armistice (a) *with State Assistance under Various National Housing Schemes,* (b) *without State Assistance.*

	Number of dwellings provided					
	In England and Wales up to March 31st, 1938			In Scotland up to December 31st, 1937		
	By local authorities	By private enterprise	Total	By local authorities	By private enterprise	Total
A. *Dwellings provided with State assistance* for the purpose of :						
1. *General housing needs :*						
Housing Acts of 1919	170,090	43,731	213,821	25,129	2,745	27,874
Housing, etc., Act, 1923	75,309	362,738	438,047	4,022	29,549	33,571
Housing (Financial Provisions) Act, 1924	504,518	15,780	520,298	75,765	8,207	83,972
Miscellaneous schemes	34,360	—	34,360	17	2,552	2,569[1]
2. *Slum clearance :*						
Housing, etc., Act, 1890, and Housing Act, 1925 ...	15,365	—	15,365	17,025	—	17,025
Housing Acts of 1930 and 1936 .	191,382	3,864	195,246	49,850	—	49,850
3. *Abatement of overcrowding :*						
Housing (Financial Provisions) (Scotland) Act, 1933	—	—	—	1,780	—	1,780
Housing Acts of 1935 and 1936 .	9,347	163	9,510	1,965	—	1,965
4. *Not yet allocated...*	—	—	—	9,364	—	9,364
Totals (item A)	1,000,371	426,276	1,426,647	184,917	43,053	227,970
B. *Dwellings provided without State assistance*	25,800[2]	2,228,932	2,254,732	4,260	47,898	52,158
Grand totals ...	1,026,171	2,655,208	3,681,379	189,177	90,951	280,128

SOURCES : Ministry of Health : *Housing, Half-yearly returns ;*
Department of Health for Scotland : *Annual Reports.*

[1] Government steel and demonstration houses.
[2] Estimated number.

and Wales, under the provisions described, over 75,000 dwellings were completed by local authorities, and nearly 363,000 by private enterprise. In Scotland, the numbers were 4,000 and nearly 30,000 respectively. The Exchequer's annual expense since 1929 to meet the obligations in respect of these houses has amounted to over £2½ million.

In addition to the terms of the 1923 Act, the *Housing (Financial Provisions) Act, 1924* (the *Wheatley Scheme*), provided a new State subsidy of £9 a year for forty years in urban areas and £12 10*s*. in agricultural areas for houses built not to be sold but to be let under special conditions. The most important of these conditions concerned rents, which were not to exceed those charged for similar pre-war working-class houses in the same area, except in so far as might be necessary to limit the loss to be eovered out of local rates to a maximum amount per house of £4 10*s*. a year for forty years. In selecting the tenants, reasonable preference was to be given to large families. Sub-letting was not permitted.

The 1924 scheme was chiefly carried out by local authorities, as the special provisions with regard to the use of the houses almost entirely prevented private enterprise from taking advantage of the higher subsidies.

The subsidy was revised as from September 1927, when the annual grant was reduced to £7 10*s*. in urban areas and to £11 in rural areas. The maximum liability of local authorities was at the same time reduced to £3 15*s*. These reductions did not apply to Scotland. The grants were terminated in December 1932.

The total number of dwellings produced under the provisions of the 1924 Act amounted in England and Wales to over 500,000 built by local authorities and about 16,000 built by private enterprise; in Scotland, to nearly 76,000 and about 8,000 respectively. The annual charge on the Exchequer for these houses amounts to about £5 million, the annual contribution from local rates being estimated at about £1½ million.

British legislation contains various provisions empowering local authorities to issue or guarantee loans to public utility societies or private persons for erecting or reconditioning working-class dwellings. Some of these date back to pre-war Acts, but have been applied extensively since the war. Since 1933, the operations undertaken under these provisions constitute the main public activity in connection with the building of houses for general needs.

The *Small Dwellings Acquisitions Acts*, the first of which dates from 1899, are intended to assist small income earners to acquire ownership of a house by way of advances granted by local authorities on condition that the borrower shall occupy the house as a resident for a period of three years (unless the local authority waives this requirement). Other provisions introduced in 1919

and 1923 on the basis of existing pre-war legislation and embodied in the later Housing Acts [1] authorise the local authorities to make advances to persons or bodies carrying out building schemes for the benefit of the working classes. In 1930, these provisions were extended to cover advances for repairs. The advances may amount to 90% of the value of the houses. The rate of interest is fixed by statutory provision at ¼% above the rate of interest fixed by the Treasury in respect of loans to local authorities for housing purposes out of the Government's funds.[2] In England and Wales, from January 1st, 1919, to March 31st, 1938, advances had been made under the above provisions to an amount of over £100 million [3] in respect of nearly 212,000 dwellings. In Scotland, the corresponding amount was just over £8½ million.

By the Housing Act, 1923, the local authorities were empowered to guarantee mortgage loans issued by building societies to their members. In 1933, with a view to compensating the withdrawal of further State subsidies for general housing purposes, these provisions were extended, so as to facilitate the raising of capital for the erection by private enterprise of small houses for letting. The Government undertook to share equally, with local authorities and building societies, the risk involved by making advances up to 90% of the value of houses instead of the limited advances (usually 70%) which would otherwise be made. The building societies would, in such cases, lend money for thirty years (instead of the usual twenty years) at 1% below the normal rate. This system has, as yet, not proved particularly successful. In England and Wales, by the end of March 1938, schemes for giving such guarantees in respect of only about 37,000 dwellings had been approved by the Minister.

Slum Clearance and Improvement of Sub-standard Dwellings.

The *Housing Act, 1930*, marks a turning-point in the policy of the public authorities with regard to slum clearance, which previously had made comparatively small progress.[4] Up to that year, the attention of public authorities had been mainly devoted to the general shortage of dwellings. It was hoped that the increased supply of working-class accommodation would indirectly contribute to an improvement in housing conditions among

[1] Actually, these provisions are contained in Section 91 of the Housing Act, 1936.

[2] *Cf.* page 40.

[3] Including similar advances made by the London County Council and the Corporation of Birmingham under special powers.

[4] After the war and up to 1930, under the general provisions of the Housing Act, 1890, and with special State subsidies provided for by the Acts of 1919 and 1923, some 15,000 dwellings were rebuilt in England and Wales as a measure of slum clearance. In Scotland, the result was relatively much more important, as about 17,000 dwellings were rebuilt under the named provisions.

slum dwellers by a kind of " filtering up " process. But although, from the end of the war up to 1930, more than a million and a quarter new houses were added to the total available accommodation, disappointingly little improvement had taken place in the worst cases of overcrowding and unhealthy conditions.

The Housing Act, 1930, simplified the procedure for slum clearance. Insanitary dwellings may be dealt with either in groups or individually, the legal provisions being somewhat different in cases where a scheme has to be applied to an entire area, or where individual dwellings or houses are to be demolished (or improved).

If the houses in an area are totally unfit for human habitation by reason of structural dilapidation, bad design, insufficient air space or natural lighting, flooding or other causes,[1] and if the demolition of all the buildings is the most satisfactory method to deal with the conditions in such an area, it may be declared a *clearance area* by the local authorities. On obtaining the Minister's approval, local authorities may proceed, either by making a *clearance order*, which requires the owners to demolish the buildings and clear the site, or by themselves acquiring the area and arranging for demolition. The demolition of houses by the owners is an entirely new mode of procedure introduced by the Housing Act, 1930, and is intended to enable local authorities to obtain the clearance of slums at no capital cost to themselves (except that of establishing the inhabitants elsewhere). The cleared site remains the property of the owners, but its development can be controlled by the local authority. The acquisition of the area for clearance by the authorities may be effected either by agreement with the owners or by means of compulsory purchase. The compensation paid to the owners is the value of the site cleared of buildings. However, if a house, although unfit and therefore properly included in a clearance area, has been well maintained, the local authorities, according to an amendment introduced in 1935, must pay the owner a certain amount in excess of the site value. This amendment also provides that houses condemned only because of bad arrangement or narrowness of the streets may not be included in a clearance order, which means that they must be purchased at their market value where necessary. This applies equally to buildings not intended or used for human habitation and to buildings adjoining the area, if their acquisition is necessary for satisfactorily dealing with the site or its development.

For securing the demolition of individual unfit houses, the Act of 1930 provides for a method which may also apply to small groups of houses as an alternative to the clearance area procedure. A *demolition order* is made by the local authorities in

[1] *Cf.* the text of the law, page 16.

respect of working-class houses unfit for human habitation and incapable of being made fit at reasonable cost. The local authorities first discuss with the owners the possibility of reconditioning, and can in this way often enforce repairs in cases where this seems to be sufficient.[1]

Whilst the clearance-area procedure is obviously necessary in the congested parts of large towns, the alternative method has been adopted for clearing small areas and rows of unfit property in towns where overcrowding is not so acute. The demolition order procedure forms an important part of the slum-clearance machinery and a considerable number of unfit houses are demolished as the result.[2]

As regards urban areas not considered as slums, although containing badly congested, dilapidated and overcrowded houses, the Act of 1930 (as amended by later Acts) empowered local authorities to submit to the Minister of Health schemes for their re-development on a considered plan. The local authorities carry out these re-development schemes partly by purchase of the land in the area, and partly by arrangements with the owners for development. Where compulsory purchase is necessary, compensation at market value is generally paid.

One important innovation in the Act of 1930 is the statutory obligation for local authorities to find accommodation for people displaced from cleared areas. Before dealing with a clearance area, a local authority must undertake to carry out—or to secure the carrying-out by voluntary societies of such rehousing operations as may be considered reasonably necessary by the Minister of Health. For this purpose, the local authorities have to provide new working-class houses or to recondition old houses, whenever possible. The Housing Act, 1930, in order that houses may be let at rents which persons of the poorer classes can afford to pay, provides for a Government grant of £2 5*s.* (in Scotland, £2 10*s.*) per annum for a period of forty years for each person (adult or child) who has been displaced and for whom suitable accommodation has been provided, the local authorities being also required to contribute from the rates a sum of £3 15*s.* (in Scotland, £4 10*s.*, subject to reduction in special cases) per dwelling per annum for a like period. In agricultural parishes, the State grant is £2 10*s.* (in Scotland, £2 15*s.* per person). Supplementary subsidies may be added if—as is frequently the case in Scotland especially—part of a condemned building is not, in fact, insanitary, and on this account has to be purchased at the market value. In special cases where rehousing can only be carried out on expensive land,

[1] Apart from this, a large volume of ordinary repair work is executed every year under the Housing and Public Health Acts for the purpose of maintaining houses in good order.

[2] *Cf.* table on the following page.

the price of which exceeds £3,000 per acre, and in tenement blocks of more than three stories, the State contribution may be increased to £3 10*s*. per person.

This system, based, as far as the State subsidy is concerned, on the number of persons rehoused, was to be continued up to the end of 1938. For houses completed after that date, under the *Housing (Financial Provisions) Act, 1938*, it is replaced by an annual contribution from the State of £5 10*s*. per dwelling for forty years or, in agricultural districts, £10 per dwelling for the same period, these sums being subject to an increase up to £6 10*s*. and £12 respectively, having regard to the financial position of the district in relation to past and future expenditure on housing. For blocks of flats erected on expensive sites, there is an annual contribution per flat, graded according to the cost of the site (including the cost of development) from £11 for forty years, where the cost of the developed site ranges between £1,500 and £4,000 per acre, to a maximum of £26 for the same period, where it exceeds £28,000 per acre. The contribution of the local authorities under the new Act will normally be provided by annual instalments over a period of sixty years, and will be the equivalent of half the Exchequer contribution (*e.g.*, £2 15*s*. per dwelling payable during forty years where the State contribution is £5 10*s*. for the same period), except in the case of houses provided for the agricultural population, where it is normally reduced to £1 payable during forty years.

Summary of Results achieved under the Housing Act, 1930.

	Clearance areas	Individual unfit dwellings [1]	Totals
England and Wales (up to March 31st, 1938):			
Dwellings demolished	118,387	61,425	203,004
Dwellings closed [2]	—	23,192	
Persons displaced	530,404	274,415	804,819
Dwellings made fit for habitation	—	169,039	654,247 [3]
Scotland (up to December 31st, 1937):			
Dwellings demolished or closed [2]	.	.	60,883
Persons displaced	57,152	226,220	283,372

SOURCES: Ministry of Health: *Housing, Half-yearly returns;* Department of Health for Scotland: *Annual Report, 1937.*

[1] Including improvement areas.

[2] Dwellings in respect of which an undertaking not to use for human habitation was given (including " parts of buildings " closed).

[3] Including 485,208 dwellings made fit after unofficial notice preliminary to formal procedure under the Act.

The Housing Act, 1930, in spite of its simplified procedure and liberal State grants for rehousing purposes, did not immediately result in a general effort at slum clearance. The Minister of Health accordingly issued, in April 1933, a circular to all local authorities requiring them to submit programmes to be completed not later than 1938. The national five-year programme subsequently adopted did not included all slum property in the country, as was shown by later surveys,[1] but its execution has contributed to solve the slum problem. The table on the preceding page gives a summary of the results achieved.

The total number of dwellings completed since 1930 for rehousing the slum population was nearly 200,000 in England and Wales (by the end of March 1938) and about 50,000 in Scotland (by the end of 1937). The Government grants in respect of these houses amounted in England and Wales, during the financial year 1937/38, to £1.7 million, and in Scotland, during 1937, to about half a million pounds.

Abatement of Overcrowding.

The *Housing Act, 1935*, laid down legal provisions for ascertaining and abating overcrowding. The local authorities immediately engaged in a comprehensive inspection of working-class houses in their districts, resulting in the overcrowding survey already referred to.[2] The Minister of Health has successively fixed for each local authority in the country certain "appointed days" as from which it becomes an offence to occasion new overcrowding, and the local authorities have inaugurated action to abate existing overcrowding. Various measures are taken for this purpose—*e.g.*, arrangements for removals as between privately owned houses, re-allocation of tenancies on local authorities' own housing estates, and, where necessary, the provision of new dwellings for overcrowded families.

The Act of 1935 provided for new forms of State subsidy for the accommodation of overcrowded families or those displaced by the procedure described on page 38. The first was an automatic subsidy obtainable where necessary to build flats on expensive sites. The second was a discretionary subsidy which the Minister of Health was empowered to pay to local authorities whose financial circumstances were exceptional, and the third was a special subsidy for the relief of overcrowding among the agricultural population. As from the beginning of 1939, these subsidies will be discontinued in England and Wales and replaced by automatic subsidies on the same basis as for slum clearance, under the Housing (Financial Provisions) Act, 1938.[3]

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[1] *Cf.* page 16.
[2] *Cf.* page 17.
[3] *Cf.* the preceding page.

As to the Act of 1935, in England and Wales, nearly 10,000 new dwellings had been completed up to the end of March 1938. During the financial year 1937/38, a State contribution of about £14,500 was paid in respect of somewhat more than 2,800 of these dwellings.

The Activity of Local Authorities.

As shown by the preceding survey, the execution of housing policy devolves primarily on the local authorities. This obligation is not restricted to the measures prescribed by law but means that the authorities must continuously review housing conditions in their areas and, as occasion arises, frame proposals with a view to providing housing accommodation for the working classes. Their activity is, however, supervised by the Minister of Health, whose approval is required, even if the measures proposed do not involve financial assistance from the Government.

The local authorities are empowered to raise capital on their own account. Their borrowing powers are practically unlimited, since the Public Health Act, 1875, restricting loan indebtedness to three times the rateable value of the district, does not apply to loans for housing purposes. The larger and stronger municipalities are able to borrow through the public issue of stock, or through banks and insurance companies, while the smaller regularly have recourse to the Public Works Loan Board. The interest charged by this body is determined by the rate at which the Government can borrow. During the 'twenties, it was about 6%; it was then successively reduced, attaining $4\frac{1}{2}$% in 1931 and $3\frac{1}{4}$% in November 1934. During 1937, it was raised to $3\frac{5}{8}$%. Experience shows that the rate of interest charged by the Public Works Loan Board largely determines the rate applied by other large lenders to local authorities. With regard to the interest charges on their loans, the local authorities are, therefore, in an advantageous position, as they can borrow at a lower rate than private enterprise co-operating with a building society. In addition, they can generally borrow for sixty years, whereas building societies' loans are normally granted for twenty years only.

Local authorities generally ask for open tenders, a few having lists of approved contractors. The tenders are always submitted to the Minister of Health, who can thus check the trend of building costs (for example, by deferring schemes if the tenders seem too high). Some municipalities, including certain large towns, are carrying out their schemes by " direct labour "—*i.e.*, by organisations of their own.

Under the earlier Housing Acts, local authorities were empowered to purchase land for working-class dwellings. Under the Act of 1909, they could acquire land compulsorily, subject to approval by the Minister of Health. These powers were extended in 1919 to enable them to acquire land for sale or lease to public utility

societies or to private persons for the erection of working-class dwellings or development purposes, such as places of recreation, parks, open spaces, etc. According to later amendments, the compensation to be paid must generally be based on the market value, except where the purchase forms part of a clearance area procedure.[1] The local authorities do not appear to have encountered any difficulties in exercising these powers, so that compulsory purchase is only occasionally resorted to. But many municipalities, especially the larger ones, experience difficulty in finding enough suitable land within their own districts.

The houses built by local authorities are, in England and Wales, generally one-family houses, while, in Scotland, tenement blocks containing four dwellings in two stories are generally preferred. Large blocks of flats are erected only where it is necessary to accommodate people from clearance areas on expensive sites, as, for example, in London and other large towns. On the larger estates, where development has taken place on the outskirts of the big cities, it has been found necessary to create community centres with assembly halls, workshops, libraries, spaces for outdoor games, etc. This movement has been stimulated by the Physical Training and Recreation Act, 1937, which empowers local authorities to provide, or assist in providing, community centres.

As regards the size and standard of the dwellings built by local authorities, it may be mentioned that in England and Wales the most usual type consists of three bedrooms and a living-room, a separate bathroom, a kitchen and a scullery. The superficial area of dwellings of this type is generally 730-760 square feet. Larger dwellings have only been erected in small numbers, but a considerable proportion of the new dwellings are of the two-bedroom type. A certain number of one-bedroom dwellings have been built, generally for aged couples. According to the standard of occupation adopted for the rehousing of overcrowded families, the normal three-bedroom non-parlour type with a superficial area of 760 square feet or thereabouts is adequate for working-class families of not more than five persons. For a family of six persons, the same type of dwelling, but with a total superficial area of about 850 square feet, is sufficient, while, for families of seven and eight persons, four-bedroom dwellings with an area of 1,050 and 1,130 square feet respectively are required.[2] The overcrowding survey in 1936 revealed that the degree of overcrowding in " council houses " was generally greater than in privately owned houses, the local authorities' having to give preference to large families in the selection of tenants, while

[1] *Cf.* page 36.

[2] *Cf.* Ministry of Health : *Circular 1539, Housing Act, 1935* (addressed to housing authorities).

the major part of the dwellings provided are suitable for the average working-class family. The local authorities will accordingly have to erect larger dwellings in somewhat greater numbers than hitherto. In Scotland, most of the dwellings erected by local authorities contain three or four rooms, a bathroom and a scullery (the living-room being provided with a cooking-stove). The rooms are generally somewhat larger than in England. As compared with the normal type of pre-war accommodation (two rooms and a scullery), these dwellings represent definite progress.

At the present rate of interest on local authorities' loans for housing purposes ($3^5/_8\%$), the economic results may be computed as shown by the following table :[1]

	All-in cost of house		
	£450	£400	£350
	£ s. d.	£ s. d.	£ s. d.
1. Annual loan charges for sixty years	18 9 0	16 8 0	14 7 0
2. Repairs, management, empties, insurance, etc.	5 10 0	5 10 0	5 10 0
3. *Net rent per annum*	*23 19 0*	*21 18 0*	*19 17 0*
Rent per week (approx.)	9 3	8 5	7 8
Rates per week (approx.)	2 10	2 10	2 10
Rent with rates per week	*12 1*	*11 3*	*10 6*

The economic rent of a three-bedroom non-parlour cottage of the usual type built by local authorities at an all-in capital cost of about £410 (building costs, £350 + cost of land and development, £60),[2] may be estimated at an average of about 11s. 4*d.* per week (inclusive of rates). The weekly rent (inclusive of rates) of a privately built house of the same type may average about 15*s.* 10*d.* (13*s.* without rates, *cf.* page 27), the difference being accounted for by higher capital charges. The rents charged by local authorities are, however, reduced by the amount of the subsidies from the Government and from rates. Allowing for the Government subsidy for providing alternative accommodation for the slum population, a local authority can normally obtain a grant of £11 5*s.* per year (for forty years) for a three-bedroom non-parlour cottage accommodating five persons. The local authority adds £3 15*s.* per year out of the rates, so that the total contribution from the State and the municipality amounts to £15 per year, or about 5*s.* 9*d.* per week. If this amount is

[1] *Cf.* the National Housing and Town-planning Council, *Facts and Figures regarding the Present Housing Situation in England and Wales* (revised April 1938).

[2] *Cf.* page 27.

deducted from the economic rent, it will be seen that the normal type of house built by the local authorities for the rehousing of persons displaced from the slums can be let at about 5*s.* 7*d.* per week (inclusive of rates), the contribution of the community amounting, in fact, to about half the economic rent (inclusive of rates).

Rents are not always fixed in this way. As regards the dwellings erected for general housing purposes under the Acts of 1919 and 1924, rents were to be at the level prevailing in each district for good pre-war working-class dwellings,[1] regard being had to any superiority of the new houses in accommodation, construction or amenities. The Housing Act of 1930 empowered the local authorities to let a portion of the new houses built for rehousing purposes at rents which the displaced persons could afford to pay. The authorities were thus enabled to grant rent rebates, subject to the condition that the aggregate net income from rents, together with the contributions from the Exchequer and the rates, covered the annual expenses. The Government grant, together with the prescribed rate charge is a pool out of which such rebates, or other special arrangements, are to be financed. Under these provisions, some authorities have devised rent rebate schemes with a view to charging what each tenant is able to pay, having regard to his income, the number and age of his children, the income of earning children or other members of the family, etc. Some of these schemes are complicated. According to an enquiry made in 1936 by the New Fabian Research Bureau and covering some forty-three municipalities in England and Wales, the statutory maximum rent (inclusive of rates) was 17*s.* 2*d.*; the minimum (not counting rebate) 6*s.* 6*d.* The maximum rebate allowed varies between 8*s.* 5*d.* and 2*s.*, and the average rebate per dwelling in each town varied between 3*s.* 6*d.* and 0.74*d.* Most authorities seem, however, to give rebates only in individual cases, at the discretion of the Housing Committee, without any formal scheme having been drawn up.[2] In some instances, it has been arranged with the Public Assistance Committee that persons enjoying poverty relief shall not pay in the new dwellings more than they paid for their old accommodation, so that no extra charges fall upon the Public Assistance Committee through rehousing. Originally, rent rebates were granted only for dwellings erected under the Housing Act of 1930. By the Act of 1935, they may extend to all dwellings owned by local authorities. The Government is now encouraging the adoption of

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[1] Subject, however, to certain exceptions, as far as dwellings built under the 1924 Act were concerned, *cf.* page 34.

[2] In some towns—for example, in London—rent rebates are not given as a rule. The authorities try to house each family in a dwelling the cost price of which corresponds to the paying capacity of the family.

differentiated rents, the main advantage of such a system being that it prevents abuse at the expense of the public purse on the part of persons who can afford to pay an economic rent, and enables the authorities to make appropriate grants in aid of the genuinely needy.

The Activity of Housing Associations.

The local authorities co-operate with voluntary housing organisations in providing dwellings in connection with slum clearance and abatement of overcrowding. The Housing Act, 1935, with its provisions for such co-operation, introduced the comprehensive term " Housing Association ", to include bodies such as public utility societies, housing companies and trusts which do not trade for profit, or whose constitution or rules prohibit the issue of share or loan capital with interest or dividend exceeding the maximum rate prescribed for charity societies (at present, 5%). Under arrangements made with local authorities, with the approval of the Minister, these voluntary bodies provide dwellings at approved rents and receive through the authorities the Government subsidies which would have been payable had those authorities themselves provided the accommodation. In some cases, the authorities make additional contributions out of rates. The housing associations can also obtain loans through the Public Works Loan Board at approximately the same rate of interest as local authorities. In addition to providing dwellings in connection with slum clearance and the abatement of overcrowding, housing associations also engage in other activities, such as the provision of dwellings for special classes of persons (*e.g.*, persons of very limited means, aged persons, and single working women), and the reconditioning of sound old properties.

B. RURAL HOUSING

Present State of Rural Housing.

Although, by the end of March 1938, about 737,000 new dwellings had been erected in rural districts in England and Wales since the war, there is still an urgent need for further accommodation for the agricultural population. Most of the new houses seem to have been occupied by workers and middle-class families from neighbouring towns or new factories set up in rural districts. Meanwhile, although the agricultural population is stationary, the number of separate families increases. Old people now live longer and, with the help of old-age pensions, are able to live alone instead of, as formerly, with relatives. Thus, fewer cottages become available for young married couples.

Further, the existing accommodation is to a large extent defeetive. The number of unfit houses included in the five-year programmes of slum clearance submitted to the Minister of

Health in 1933 [1] was nearly 47,000.[2] Many cottages, while not unfit, do not offer the hygiene and comfort which young families may reasonably expect. The overcrowding survey of 1936 shows that, of the 1.4 million working-class dwellings in rural districts, about 42,000, or nearly 3%, were overcrowded according to the legal standard of accommodation.[3]

In Scotland, the replacement needs for the period 1934-1938 in rural counties was estimated in 1933 at somewhat more than 2,700, or only 2.2%, out of 122,000 working-class dwellings. A representative survey undertaken in 1936 by the Scottish Housing Advisory Committee [4] indicates, however, that these estimates bear no relation to the facts, because approximately 17% of the working-class dwellings in the investigated parishes were found entirely unfit for human habitation. It was stated that only 16% were completely fit; 33% had water inside and 23% had water-closets, whereas 29% had no sanitary convenience, 41% were damp and 28% badly lit. According to the overcrowding survey of 1936, more than 12,500, or about 10%, of all working-class dwellings in rural counties were overcrowded.

The root of the housing problem in rural areas is the low rent-paying capacity of agricultural labourers and other rural workers.[5] Low wages have long made for low rents, bearing little, if any, relation to the cost value of the houses. Private enterprise has therefore not been able to provide dwellings for rural labourers. Owners of tenement houses let to rural workers have often not found it remunerative to undertake repairs. In Scotland, special attention has recently been devoted by the Scottish Housing Advisory Committee to farm workers occupying tied cottages and to unmarried workers housed in bothies. It was recognised by the Committee that, " in general, no section of the population is compelled to live in such consistently bad housing conditions as farm servants ".

Measures to meet Rural Housing Needs.

The legislation summarised above with reference to urban housing also applies to rural districts, with minor modifications as to procedure or, in some cases, as to the rate of subsidies, in order to ensure greater effectiveness in rural areas. Thus the Housing (Financial Powers) Act, 1924, sanctioned

[1] *Cf.* page 39.

[2] The local programmes have been steadily extended as further unfit houses have been discovered. By the end of March 1938, they embraced about 61,000 dwellings.

[3] *Cf.* page 17.

[4] *Cf. Scottish Housing Advisory Committee :* Report on Rural Housing in Scotland, 1937.

[5] The agricultural population needs good dwellings at inclusive rentals ranging from 4*s.* to 6*s.* a week, whereas the economic rent of a satisfactory three-bedroomed cottage provided by local authorities is approximately 8*s.* 5*d.* a week, plus rates. A similar cottage erected by private enterprise would probably be rented at 11*s.* to 12*s.* a week, plus rates.

larger subsidies (£12 10*s*. for forty years instead of £9) for the erection of dwellings in agricultural parishes. In England and Wales, the number of dwellings erected in rural districts with State assistance provided for by the Housing Acts of 1919, 1923 and 1924 amounted to about 237,000, half of which were in agricultural parishes. In Scotland, nearly 30,000 new dwellings were erected in rural areas as a whole, but only just over 5,000 of these were in typical agricultural counties. In the country, full use was apparently not made of the subsidies granted for the erection of houses to meet general needs. These subsidies were terminated in 1933.

Improvement of Existing Rural Dwellings.

The *Housing (Rural Workers) Act, 1926*, empowered county councils to assist in financing the improvement of old houses or the conversion of existing buildings for occupation by agricultural workers, provided that the work involves an expenditure of at least £50 on houses of which the value on completion does not exceed £400. Subsidies may take the form either of lump-sum contributions or of annual payments over a maximum period of twenty years. The total subsidies granted may not exceed two-thirds of the outlay involved, up to £100 per dwelling. The benefit of the subsidies is to be passed on to the tenants, whose rents during twenty years may not be raised above the normal level for agricultural workers in the district, plus 4% of the owners' share of the cost. County councils may, in addition to subsidies, grant loans for the work up to 90% of the value of the improved dwelling.

Exchequer assistance may be granted in respect of the subsidies paid under this Act, on the basis of half the annual charge [1] which would have been incurred had the subsidies been met from a twenty-year loan.

The period of operation of the Act has been extended until September 30th, 1942. It was amended in 1938, so as to allow for further grants on a similar basis in respect of dwellings which have already been improved with the assistance provided for by the Act, when such dwellings are overcrowded.

At December 31st, 1937, the grants paid, or to be paid, and the consequent annual Exchequer liability were as shown below :

	Number of grants	Amounts £(000's)	Annual Exchequer liability £(000's)
England and Wales	16,995	1,431.7	52.5
Scotland	30,548	2,665.9	97.2

Evidently the Housing (Rural Workers) Act has been applied much more extensively in Scotland than in England and Wales.

[1] In the Highlands and Islands of Scotland, since 1938, three-quarters of the annual charge.

Its scope includes structural alteration, repair, provision of extra accommodation, water supply, drainage and other sanitary conveniences, but not ordinary repair work or minor improvements which can be executed at a reasonable expense.

Slum Clearance.

The Housing Act, 1930, provided for an Exchequer subsidy in respect of new houses built by the rural district councils to replace unfit property. The grant was to take the form of a payment of 45*s.* annually (in Scotland, 50*s.*) for each person displaced from an unfit house, or 50*s.* (in Scotland, 55*s.*) if the house was situated in an agricultural parish. The contribution from local rates was to amount to £3 15*s.* per annum for each new house provided. If the house was required for the agricultural population, £1 of this amount might be claimed by the rural district council from the county council. Both Exchequer and rate contribution was to be paid for forty years.[1] The Act assigned to county councils the duty of keeping in constant touch with housing conditions in rural districts and of satisfying themselves that adequate measures were being taken to ensure necessary improvements.

The procedure was similar to that of clearing urban slums,[2] but naturally individual demolition orders are more frequent. By the end of March 1938, the slum-clearance programmes adopted by rural district councils in England and Wales included nearly 25,000 dwellings in clearance areas and over 36,000 individual dwellings. Out of these, nearly 6,000 had been reconditioned and demolition or clearing orders had been made in respect of 41,000. About 37,000 new dwellings intended to accommodate persons from unfit property had been supplied or were included in approved schemes. In Scotland, new dwellings to replace unfit houses in the period 1934-1938 amounted to about 2,500 (of which somewhat more than 1,000 had been supplied by the end of 1936 or were included in approved schemes). As pointed out by the Scottish Housing Advisory Committee, this number may, however, be far below the actual needs as stated by later surveys. The county councils also seem to have made little use of their power to enforce improvements rendering defective houses fit for habitation at a reasonable expense to the owner.

The Remedying of Overcrowding.

To some extent, overcrowding is abated by the demolition or closing of unfit houses dealt with under the slum-clearance programmes and by the schemes of reconditioning and enlargement under the Housing (Rural Workers) Act. The Housing Act, 1935,[3] lays upon local authorities the duty of

[1] As from the beginning of 1939, these contributions will be replaced by a uniform subsidy, equally payable for slum clearance and abatement of overcrowding. *Cf.* below.

[2] *Cf.* page 36.

[3] *Cf.* page 39.

taking direct measures to abate overcrowding. In some cases, existing accommodation can be better distributed. Where new accommodation is needed, the Act provides for a special Exchequer contribution of not less than £2 or more than £8 per house, payable annually for forty years, in England and Wales, the county council and the rural district council being each required, in addition, to contribute an annual sum of £1 for the same period. In Scotland, there is an annual Exchequer subsidy of £6 15*s.* for forty years, the county council contributing from rates the equivalent of £3 5*s.* for the same period.

In most rural districts, dates have been fixed after which it becomes an offence to create new overcrowding. In England and Wales, by the end of 1937, about 1,100 new houses had been built to end overcrowding; in Scotland, only a few hundred, although the estimated number of new dwellings required was about 7,000. Thus, in rural districts, the campaign against overcrowding is only beginning.

Recent Legislation.

The Housing (Financial Provisions) Act, 1938, replaced in England and Wales the subsidies for slum clearance and relief of overcrowding by a uniform contribution.[1] The Exchequer subsidy will be £10 a year for forty years for each house built by a local authority for the agricultural population, whether for slum clearance, the relief of overcrowding or general needs; the district council and the county council are each required to contribute the equivalent of £1 a year for forty years. The capitalised value of the combined contributions is £250, and it is estimated that it will be possible to let the new houses at rents between 3*s.* and 4*s.* a week, exclusive of rates. Where the cost of building is exceptionally high, the Exchequer contribution may be increased to a maximum of £12 a house, the contribution by the county council being increased in such cases by a similar amount. The Act also contains a provision whereby, in special cases, an Exchequer subsidy up to £10 a house will be available through the local authorities for houses built for agricultural workers by private persons.

The *Housing (Agricultural Population) (Scotland) Act* provides for the payment of an Exchequer subsidy ranging from £10 10*s.* to £15 per house for forty years for houses built by local authorities to meet the general needs of the agricultural population. For houses erected on remote sites, the grant may be increased beyond £15. The Act empowers local authorities, for a period of five years, to give grants for the replacement of unsatisfactory houses occupied by agricultural workers, landholders and others. The grant is limited to half the cost, with a maximum of £160 for a three-roomed cottage and £200 for a four-roomed

[1] *Cf.* page 38.

cottage. The Exchequer share of the expenditure on grants will be three-quarters (in the Highlands and Islands, three-quarters in respect of houses intended for farm servants and seven-eighths in respect of other houses). The houses must contain at least three rooms, and must normally be provided with a water-closet, a sink and a drainage, and a fixed bath in a bathroom. Finally, the Act provides for the making of by-laws relating to the furnishing and cleansing of bothies and similar premises used for the accommodation of agricultural workers.

DENMARK

A. URBAN HOUSING

The Extent of the Need

Number, Size and Nature of Dwellings.

The post-war housing shortage lasted for a long time. Not till about 1931 was building able to keep pace with the continuously growing demand for new dwellings, swollen by the influx of population to the towns, the increase in the number of households, and a rapidly growing appreciation of modern amenities. Even to-day, despite the intense activity of the building trade in recent years, the number of vacant dwellings is still relatively small.

Dwellings in Denmark are generally more spacious than in the other Scandinavian countries. Thus, the great majority (almost 95%) of urban dwellings have at least two living-rooms. The commonest type, representing about 36% of all dwellings, is that with two rooms and kitchen, followed by the three-rooms-and-kitchen type, which accounts for about 28%.[1] Yet overcrowding is fairly common. In 1935, about a tenth of all urban dwellings accommodated more than two persons per room.[2] A recent investigation shows that overcrowding is also more general and more serious in dwellings occupied by large families. Of families with more than two children under 15, nearly half (in round numbers, 20,000 to 25,000) live in overcrowded dwellings.

New dwellings built since the war are generally fitted with central heating, W.C. and bathroom. But, even in 1935, three-quarters of all urban dwellings had no bath, and one-third no W.C. Moreover, in Copenhagen itself, out of a total of 250,000 dwellings, at least 5,000 are said to be unhealthy.

Trade Building and Housing Finance

Organisation and Activity of the Building Industry.

Since the war, the public authorities have encouraged the establishment of housing associations. The oldest of these societies (founded in 1865) erects for its members three-dwelling houses; two of the dwellings may be let. The allocation of the houses is decided by lot. Absolute ownership may be acquired by regular payment of interest and redemption charges. Another important association has been

[1] Figures relating to the year 1935.
[2] In making this calculation, kitchens are not counted as rooms.

founded by the building corporative organisations, which, in the capital at any rate, possess a monopoly of building works. Houses built by this association are let in the usual way. There are also other societies organised on co-operative principles. Some of these bodies are in the nature of public utility societies and are under the supervision of the authorities. Under a law of 1938, State financial assistance in the building of houses for large families may only be granted to societies under public supervision, whose own funds arising from mortgage debt redemption are to be employed for housing.

Post-war private building has been largely carried out by joint-stock companies. The workmen and sub-contractors employed often become shareholders, either in their individual capacity or through their corporative organisations, and thus assist in the financing of building.

The following table shows the variations in the total number of dwellings built in the capital and in all towns :

Year [1]	Number of dwellings built		Year [2]	Number of dwellings built	
	In Copenhagen [3]	In all towns		In Copenhagen [3]	In all towns
1919/20 ...	3,059	5,721	1929.....	5,491	9,671
1920/21 ...	5,748	7,735	1930.....	6,154	11,356
1921/22 ...	3,186	5,465	1931.....	8,522	13,763
1922/23 ...	4,872	7,446	1932.....	8,226	11,086
1923/24 ...	3,631	6,001	1933.....	8,096	13,703
1924/25 ...	4,820	7,454	1934.....	11,552	19,789
1925/26 ...	4,566	8,266	1935	11,950	19,195
1926/27 ...	5,725	8,515	1936.....	8,420	14,600
1927/28 ...	5,294	9,012	1937.....	9,309	15,238

SOURCE : Danmarks Statistik, Statistiske Departement : *Statistiske Efterretninger.*

Until 1927, most new dwellings were erected either by housing associations with assistance from the public authorities, or by the authorities themselves. After the stabilisation of the currency in 1926, money-market conditions improved and building costs tended to fall, and hence private building began to make progress, whilst the assistance by public authorities was cut down. A reduction of interest rates in 1933 initiated a brisk revival in speculative building. But the increase of building costs seems to have put an end to this period of activity as, in 1938, the number of houses erected by private enterprise fell by nearly a third as compared with previous years.

[1] Reckoned from October 1st to September 30th.
[2] Calendar year.
[3] Including the communes of Frederiksberg and Gentofte.

The activity of the various promoters of building and the extent of the assistance afforded by public authorities for the period 1930-1937 are illustrated by the figures given below, which cover all urban areas.

Year	Number of dwellings built in all urban areas[1] by					Total
	Private enterprise		Housing societies		The State or local authorities	
	Without public assistance	With public assistance	Without public assistance	With public assistance		
1930	11,642	1,025	67	368	1,208	14,310
1931	14,200	691	129	1,029	584	16,633
1932	10,579	1,021	428	375	667	13,070
1933	12,478	2,601	178	864	254	16,375
1934	17,573	3,850	—	575	1,197	23,195
1935	19,101	3,335	—	249	254	22,939
1936	15,925	1,615	42	298	266	18,146
1937	16,322	1,081	2	297	836	18,538

SOURCE : *Statistiske Efterretninger.*

Organisation of Housing Credit.

Mortgage credit co-operatives, which are quite important in Denmark, are associations of owner-borrowers which obtain funds by issuing bonds, their members being jointly responsible within certain limits to the bondholders. "Credit associations"[2] provide first mortgage credit, and "mortgage associations"[3] second mortgage credit. Since 1936, two special laws have been passed defining the legal status of credit co-operatives. Their character as private institutions has been maintained, since the State has no share in their administration, but their activities are closely supervised by the public authorities.

Each association issues bearer bonds which are free of stamp duty and generally enjoy some form of State guarantee.[4] There is a considerable home market for these securities, which are

[1] Including Copenhagen and provincial towns and suburbs, together with some sixty townships.

[2] *Kreditforeninger :* Some specialise in agricultural credit, others in housing credit.

[3] *Hypotekforeninger.*

[4] Unlike the practice prevailing in Swedish and Finnish institutions of the same type (*cf.* pages 117 and 63), the issue of bonds is not centralised. The "Mortgage Bank of the Kingdom of Denmark", a public body, acts as common issue institution for loans placed abroad. Furthermore, under the 1936 laws, two or more associations may make a joint issue on the home market.

The Danish system also differs from those in force in Sweden and Finland in that no State guarantee is given. Bonds issued by credit associations are, however, officially recognised as trustee securities.

largely bought by savings banks, insurance companies, etc., for investment purposes.

First mortgage loans by credit associations may, by law, amount to 60% of the value of the building, while the operations of mortgage associations are confined to second mortgage loans not exceeding 75% of such value. Since the war, the co-operatives have adopted a conservative policy, rarely accepting mortgages exceeding 50% and 60% respectively.

The interest paid by the borrower depends on the price of bonds, because he receives his capital in the form of bonds with a face value equal to the nominal value of the loan, and he himself has to sell these bonds in the open market. During recent years, actual interest rates have varied between 4% and 4.5% for first mortgages and 4.5% and 5% for second mortgages.[1] Loans are generally redeemable, but the redemption periods may be as long as 60 and 50 years respectively.

At the end of March 1937, unredeemed mortgage loans on house property by credit associations amounted to 2,795 million kroner and unredeemed mortgage loans by mortgage associations to 475 million kroner.

After the war, it was usually impossible to obtain from mortgage credit co-operatives advances exceeding 55% to 60% of the cost price of a building. Difficulties consequently arose in obtaining additional credit. In the case of public utility building, the authorities provided assistance on a vast scale by making third mortgage advances up to 90% and even 95% of the building value. To some extent, private entrepreneurs also obtained such credits, but often they had to borrow from the seller of the building site, the actual builders, the sub-contractors and the builders' merchants. Since 1933, however, the supply of private capital for third mortgage loans has become much freer.

Building Costs.

Between 1927 and 1937, the increase in building activity brought about a rise in building wages, which seems to have amounted to from 5% to 15% in the various trades. During the first half of this period, however, prices of building materials fell sufficiently to cause a small reduction in total building costs. After 1935, the rise in the prices of materials, particularly iron and timber, together with increased wage rates, brought about a fresh rise in general costs, which appears to have reached by 1938 a level at least 10% higher than in 1932.

Two or three years ago, in Copenhagen, private entrepreneurs could build dwellings consisting of two rooms and kitchen, with

[1] To this should be added contributions to management costs (0.1% to 0.2% per annum). When a loan is made, the borrower has also to pay, in the case of first mortgages, 1% or 2%, and, in the case of second mortgages, 2.25% or 2.50%, into a reserve fund.

modern equipment and a floor area of fifty-five square metres, for a monthly rent of about 68 kroner, inclusive of heating. A similar apartment would to-day cost nearly 77 kroner a month, while, in provincial towns, prices would be from 10% to 20% less.

Interest Rates. After the abandonment of the gold standard in 1931 and the introduction of exchange control, the Government, in co-operation with the National Bank, endeavoured to reduce money rates. As will be seen from the table below, their efforts resulted in a marked fall in interest rates in the years 1933 and 1934.

Yearly average	Official discount rate	Net yield of bonds		Yearly average	Official discount rate	Net yield of bonds	
		Government bonds [1]	Mortgage bonds [2]			Government bonds [1]	Mortgage bonds [2]
1925.....	6.49	—	—	1932....	4.50	4.84	5.46
1926.....	5.24	—	—	1933....	3.17	4.01	4.26
1927.....	5.00	—	—	1934....	2.50	3.94	4.00
1928.....	5.00	—	—	1935....	2.86	4.20	4.29
1929.....	5.12	—	—	1936....	3.56	4.38	4.50
1930.....	4.19	4.71	4.60	1937....	4.00	4.48	4.57
1931.....	4.22	4.66	4.81	1938....	4.00	4.24	4.09

SOURCE : *Statistical Year-Book of the League of Nations.*

In 1935, with imports [3] increasing faster than exports, the National Bank took steps, by raising the discount rate and selling bonds, to check the economic expansion and maintain the exchange value of the currency. But when the balance of payments improved considerably in 1937 and 1938 and unemployment increased during the latter year, due to the stagnation of private building, the National Bank bought heavily in the bond market, thereby enabling borrowers from credit co-operatives to obtain a better price for their bonds [4] and thus encouraging building activity.

THE HOUSING POLICY

Rent Restriction. During the first post-war years, rent restrictions, which were introduced in 1916, were in force in nearly all localities of any size. Afterwards, they were gradually abolished. As from 1929, rent control has been maintained only in Copenhagen, where the

[1] $3\frac{1}{2}$% perpetual.
[2] $3\frac{1}{2}$%. The actual yield of the various mortgage bond issues differs considerably.
[3] Prominent in the list of imports are building materials, particularly iron and timber.
[4] *Cf.* preceding page.

regulations were applied till 1935, though in a modified form, and only in respect of dwellings built before 1918. A new law, passed in 1936, has given tenants of houses built before this year the right to protection for three years against notice of termination of their leases. In certain cases, tenants may lodge claims with special public bodies for reductions of rent.

Financial Assistance by Public Authorities.

Between 1917 and 1922, the State granted 20 million kroner to municipalities and 7½ million kroner to co-operative societies in the form of second mortgage loans. During the same period, subsidies were also given for building by municipalities and co-operatives and to some extent by private persons. The amount given by the State in subsidies between 1920 and 1922 was 22 million kroner, while municipalities also paid out practically as much.

Under a law of 1922, a special State Fund was established by public borrowing for the purpose of granting second or third mortgage credits to local authorities, co-operative societies and private individuals for the erection of small dwellings. The nominal amount of loans for which, in addition to the mortgage security, a guarantee by the local authority was required, might reach 30% or 40% of the building cost, provided that, when added to previous commitments, the total did not exceed 85% or 90% of the aggregate cost. The interest paid by borrowers was 5% to 6%, to which was added a charge of 0.2% for management costs and an annual redemption charge of 1%. This form of assistance, which was continued until 1927, assumed considerable proportions, and the total sum granted in loans reached 112 million kroner. The total number of dwellings built with the assistance of this form of credit was 28,300—*i.e.*, nearly a third of all building during those years.

Between 1933 and 1936, building loans were again granted on a similar basis. The interest paid by borrowers was fixed at 4.5%, and, during this period, the State Housing Fund lent approximately 27 million kroner for the erection of about 10,000 dwellings.

This form of State assistance was supplemented by the local authorities in many ways. First of all, they guaranteed loans by the State Housing Fund. Certain local authorities, in particular the Copenhagen municipality, themselves granted third mortgage loans in cases where the builder was able to provide from 5% to 20% of the cost and had obtained first and second mortgage loans from credit co-operatives. Generally speaking, municipal loans were granted on the same terms as State loans. The Copenhagen municipality also sold sites to builders on a 10% cash basis. It generally reserved the right to repurchase after ninety years.

Tax Exemptions.

Communes have the right to exempt all new building from all or part of the house-property tax *(ejensdomsskyld)* levied by the local authorities.[1] Only a few municipalities, including Copenhagen, seem to have used this right; it has only been applied to "public utility" buildings erected with financial assistance from the public authorities. The State, for its part, has, since the war, waived stamp duties and duties on land-purchase registration, on the issue of certificates of title, on building contracts, on share issues by housing societies, etc. Lastly, in 1933, a law was passed freeing all building during the next ten years, up to January 1st, 1943, from Government estate tax.[2] It is estimated that the capital value of these various exemptions represents from 3% to 4% of the cost price of new building.

Municipal Building.

Rents of houses built with financial assistance by public authorities are submitted to public control. Credit facilities and tax exemptions have enabled these rents to be fixed at a level 10% to 20% lower than the price asked for private dwellings built without public assistance. Since, however, tenants are generally required to supply a more or less considerable share of the capital, the measures referred to above have been of very little help to the poorest families. Municipal building, on the other hand, has been mainly provided for the poorer classes. Between 1920 and 1937, more than 16,000 dwellings, most of them in Copenhagen, were erected by municipalities. They are generally fitted up in the plainest style. In Copenhagen, rents are about 30% lower than those of private houses of the same size. The rent asked for the commonest type, that of two big rooms—living-room and kitchen—is 38 to 55 kroner a month (or 50 to 62 kroner if central heating is provided).

The 1938 Law.

In 1938, a Law was passed reviving, in the main, the provisions in force from 1933 to 1936 regarding State building loans and introducing fresh measures for the assistance of large and poor families. Every year for six years, a sum of 10 million kroner will be allotted to local authorities and co-operative societies for third mortgage loans not to exceed 95% of the value of the property, on condition that a suitable proportion, say about a third, of the dwellings built are of at least three rooms and are reserved for poor families with more than two children under 16. Interest will be charged at 4½% and redemption will be effected by annual payments over thirty-six years. Tenants themselves will provide 5% of the building cost, but, in the case of large

[1] On the other hand, exemption cannot be granted from land taxes *(grundsskyld)* (particularly the tax on land increment values).
[2] Certain amendments were introduced by the 1938 law.

families, this sum will be provided by the communal authorities. Large families will also enjoy rent reductions of 30% or 40% respectively for families with three or four children, and 50% for those with five or more. The sums required to cover the cost of these reductions will be drawn from a fund established from the house-property tax levied by the State and communes on all buildings erected since 1933 by municipalities and co-operatives with financial assistance from the State.[1] Such dwellings may be individual flats in a block or may consist of one-family houses. In any case, they must be equipped with modern amenities, though a common bath-house may be fitted in place of private baths.

The 1938 Law provides for annual credits aggregating 4 million kroner to be granted during the next six years to private individuals for the erection of one-family houses for their own use, or of two-dwelling houses, one to be let. Individual loans—granted by preference to large families—may, with first and second mortgage loans, reach a maximum of 80% of the cost price or, with the municipal guarantee, 90%. Interest will be at the rate of 4½% (2% for large families, the State paying the difference) and repayment will be made by instalments over thirty-six years. Houses built by large families will be exempt from all house-property taxation.

Finally, under the law of 1938 and a supplementary law of 1939, the State and local authorities may, during the years 1938-1941, jointly guarantee third mortgage loans up to 80% of the value of the property, obtained in the open market by private individuals or housing societies building houses containing a maximum of six dwellings for poorer families.

During the next six years, it will thus be possible to accommodate about half the large and necessitous families and, at the same time, reduce unemployment.

Slum Clearance.

The public health authorities are responsible for the inspection of dwellings and are empowered to condemn insanitary dwellings. No concerted action has been taken to clear slum dwellings, though a large number have been pulled down, particularly in Copenhagen, when new arteries have been pierced and old quarters laid out anew. In this connection a new law, passed in 1939 and applicable in the capital, confers wide powers on municipal authorities, in particular the right of preparing town-planning schemes in consultation with the owners for the carrying-out of which the owners will have to contribute according to the extent to which they benefit from them. If necessary, land and buildings may be expropriated, subject to reasonable compensation. The law authorises the creation of a town-planning fund to defray the costs of such a scheme.

[1] The tax exemption enjoyed by such properties has now been abolished.

B. RURAL HOUSING

Encouragement of Small Properties.

Since 1899, the State has been pursuing a large-scale policy to encourage the establishment of small agricultural properties.[1] Up to 1937, with the assistance of State loans, more than 18,000 small farms had been established, the value of which is now estimated at more than 200 million kroner. The legal provisions governing this activity are embodied in a law passed in 1934. The holdings, which must be large enough to enable the purchaser's family to earn a livelihood on them by its own labour, are taken either from State lands or from private estates bought by the Government, or by small-holding associations with the assistance of State credits. Persons competent to undertake the working of a small farm, and with sufficient savings to be able to purchase stock, etc., can obtain advances which generally cover the entire cost of the purchase of the land[2] (maximum 8,500 kroner), and the erection of the necessary buildings (maximum 12,000 kroner). Interest on that part of a loan which is applied to the purchase of a parcel of land is at 2% per half-year; after five years, this part is redeemable by half-yearly instalments of 2¼%, of which 2% on the balance represents interest.

Of the building credits, only a portion—about two-thirds—bears interest, which is at 2% per six months. Redemption does not begin until the land-purchase loan has been entirely repaid. Different rules apply to credits for the establishment of small market-gardens and to the infrequent cases of loans for agricultural properties with cultivable land exceeding 15 hectares.

Measures to promote the Erection of Agricultural Workers' Dwellings.

A committee, which was formed to consider measures to remedy the dearth of labour in the countryside, stressed the necessity of providing agricultural workers with good housing. To give effect to the Committee's proposals, Parliament voted a credit of 6 million kroner for each of the financial years 1938/39, 1939/40 and 1940/41, to be employed in the form of loans to agricultural workers wishing to build houses for themselves.

Loans may cover land-purchase costs[3] (maximum 1,000 kroner) and nine-tenths of the building cost (maximum 7,000 kroner). Loans for the purchase of land are redeemable by half-yearly instalments of 2½% of the original total amount, of which

[1] Since 1933, the scope of this activity has been expanded so as to include the establishment of small market-gardens on the outskirts of towns.

[2] Land forming part of the State domains is let on an emphyteutic lease at a half-yearly charge of 2% of the taxable value.

[3] In the case of sites on State domains, the provisions are the same as for the establishment of small farms. *Cf.*, note [2] above.

2% on the balance represents interest. As regards building loans, one-quarter (maximum 1,500 kroner) is free of interest, and the rest bears interest at 4% per annum. The interest-free part of the capital sum is redeemable in fifteen to twenty years; at the end of this period, a half-yearly instalment of 2½% will become payable on the rest, of which 2% on the balance represents interest. Preference in the granting of credits of this kind will be given to persons with more than two children and some small savings. Large families may obtain advances to cover, not only the cost of the site, but also 95% of the building costs, and such advances will be free of all redemption charges so long as the parties have more than two children under 16 years of age.

FINLAND

A. URBAN HOUSING

The Extent of the Need

The housing situation created by the post-war shortage was the more serious as, previously, standards had been very low.

After 1924, however, house building developed, so that, by 1930, the effective demand for new dwellings would seem to have reached saturation point. The general slump of the next few years led to a temporary slackening of migration to the towns and a fall in the purchasing power of the population. As a result, certain towns had relatively too many dwellings, and the building industry was seriously hit. But, as business has generally improved in the past three or four years, a slight shortage of dwellings is again apparent, despite a revival in the building industry.

Size and Nature of Dwellings.

Outside the capital, and one or two other important towns, where big blocks of flats are general, the commonest type of building is the wooden house containing two, three or four dwellings.

Most dwellings are extremely small. In spite of some improvement since 1920, both in provincial towns and in the capital, about a third of existing dwellings still consists of only one room (or kitchen) and another third of only two rooms. In certain towns and industrial suburbs, almost every dwelling consists of, at the most, two rooms and about a half of only one room.

Though a large number of the dwellings are comparatively recent,[1] only in the capital and a few other important towns do they seem, as a general rule, to be fitted with modern conveniences.

The following table, based on the 1930 census, shows to what extent modern sanitary installations were lacking eight years ago :

	Total number of dwellings	Percentage of dwellings lacking			
		Water supply [3]	Bath [4]	W.-C.	Central heating
Helsinki	79,039	26.3	70.4	41.3	61.3
Twelve principal towns[2]	182,306	43.0	82.5	62.5	77.5

[1] A housing census carried out in 1938 in the nine principal towns and two suburban areas showed that 45% of existing dwellings had been built since 1920.

[2] Including Helsinki.

[3] Inside the dwelling.

[4] It is perhaps worth mentioning that, though private baths are not very common, the urban population keeps up the custom, which is general

Over-crowding.

Though the building boom and the diminishing size of family households have greatly improved the situation, as compared with before the war, the 1930 housing census taken in twelve towns shows that over a quarter of the dwellings had more than two occupants per room. A special survey made in 1938, of dwellings with a maximum of three rooms in the nine principal towns and two suburban areas, showed that, in a fifth of these dwellings, there were more than three persons per room. Most of the families with more than two children (in certain towns two-thirds or even three-quarters) occupy dwellings overcrowded to this extent.

Building Trade and Housing Finance

Organisation and Activity of the Building Industry

Rent restrictions were introduced during the war, but abolished by 1923, when, as a result of large increases, maximum rents had almost reached the general price level. As soon as official control was removed, there was another large increase in rents which made private construction profitable, though money-market conditions remained unfavourable. Before 1923, some building, though on a rather limited scale, had been done by the State and local authorities, by public utility companies generously subsidised, by private persons building for their own account and also receiving financial assistance from the public authorities, and, lastly, by industrial concerns which erected dwellings for their workers.[1]

The building boom after 1923 is primarily due to non-subsidised private enterprise. The table on page 62 shows the extent of this progress, which was assisted at a later stage by a reduction in the rate of interest. As already pointed out, about 1930, housing production outstripped effective demand. The building slump which followed lasted fully five years; in fact, it was only in 1935 that building activity revived; and not till 1937 that it again approached the 1927-1929 level.

In addition to purely speculative private enterprise, joint-stock companies building dwellings for their shareholders have been very active. Such companies, which originated long before the war, consist of persons who join together to erect one or more houses, in which the flats are allotted in proportion to the capital each shareholder has subscribed. Usually, the shareholders themselves occupy the flats, but they are entitled to sublet them to third parties and may also carry out alterations, provided the

throughout the countryside, of taking vapour baths regularly at the many establishments of this type in the towns.

[1] An enquiry made in 1928 among 172 large industrial establishments showed that 38% of their workers were living in dwellings either let to them or conveyed to them absolutely by their employers subject to payment by instalments.

property is not depreciated or the interests of the other shareholders prejudiced. This type of association has developed to such an extent, especially in the large towns, that the public authorities found it necessary to give it a legal status of its own by a law passed in 1926. Housing co-operatives, on the other hand, as found in Sweden,[1] have made very little headway in Finland. It would also seem that most of the joint-stock companies founded since the last building slump are of a speculative character. For this reason, a number of financial institutions have lately established so-called " issue and building " companies paying limited dividends, the objects of which are to build houses for the middle and working classes, to negotiate the necessary building credits, some of which are provided by the companies themselves, and to sell these houses to housing societies proper.[2]

Number of Dwellings built from 1919 to 1937.

Year	Helsinki	Provincial towns	Whole country
1919	86	391	477
1920	700	616	1,316
1921	553	973	1,526
1922	924	1,482	2,406
1923	593	2,489	3,082
1924	1,442	1,872	3,314
1925	2,089	1,902	3,991
1926	3,321	1,949	5,270
1927	4,487	2,836	7,323
1928	4,957	4,590	9,547
1929	4,706	2,532	7,238
1930	884	1,182	2,066
1931	1,390	736	2,126
1932	1,855	863	2,718
1933	583	453	1,036
1934	759	487	1,246
1935	1,939	944	2,883
1936	2,434	1,596	4,478 [3]
1937	3,522	2,720	6,723 [3]

SOURCE : Ministry for Social Affairs : *Social Review.*

[1] *Cf.* page 115.

[2] For example, the *Asuntojen Emissio-O.G.*, founded by the Realty Bank of Finland, and a commercial bank.

In some respects, these " issue companies " operate like the *H.S.B.* in Sweden (*cf.* page 115), but it is laid down that housing societies to which buildings are transferred shall only remain under the control of the " issue companies " for a limited period until the third mortgage credits provided by these companies have been redeemed. In 1938, a new co-operative undertaking, the *Helsingin asunto-keskuskunta*, was founded in the capital, which intends to observe the same principles as the *H.S.B.* in Sweden.

[3] Including, from 1936 onwards, building in small townships : 448 dwellings in 1936 and 481 in 1937.

Organisation of Housing Credit.

A large proportion of real property credit is provided by savings banks, insurance companies and commercial banks. There are also private institutions which specialise in this type of business.

Real property credit was so seriously disorganised by the depreciation of the Finnish currency that the public authorities had to reorganise it shortly after the return to the gold standard in 1925. This was done by founding, in 1927, the " Housing Mortgage Bank ",[1] a semi-public institution based on co-operative principles in that borrowers themselves have a share, under State supervision, in its management. It obtains funds by the issue of debentures secured on its mortgage holdings and a guarantee fund provided by the State. Its activities are confined to urban areas and to granting credits on first mortgage; loans may not exceed 45% or 55% of the value of the security, according as the loan is repayable by a given date or redeemable.[2] The interest paid by borrowers is equal to the actual yield of the debentures issued by the bank computed at the price of issue. In addition, borrowers must share the cost of office expenses and of building up a reserve fund. They are jointly liable for the debts and losses of the bank. In order to restrict this liability, the bank's operations are divided into periods, all transactions undertaken after a certain fixed date falling into a new section of the bank.[3] Only those borrowers whose contracts fall within a given period are responsible for the liabilities and losses incurred by the corresponding section.

Between 1927 and 1930, this new institution placed large loans abroad, particularly in New York and in London, and thus promoted housing finance. Since 1937, issues by this bank have been successfully placed in Finland itself. At the end of 1937, its total debenture debt amounted to more than 600 million Finnish marks, and its total mortgage loans to nearly 600 millions.

Second mortages are mainly provided by insurance companies, commercial banks and, in the case of public utility buildings, by the municipal authorities of certain towns which have created special funds for this purpose. At the present moment, schemes are under consideration for extending the activity of the Housing Mortgage Bank to this sphere or for establishing another institution to specialise in transactions of this type.

Interest Rates.

Interest rates remained high throughout the first post-war decade—largely as a result of heavy demands for capital for reconstruction of the national industry—and during the ensuing years of economic depression.

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[1] *Suomen Asuntohypoteekkipankki.*

[2] Prior to 1936, the bank only granted redeemable loans.

[3] This type of subdivision was first instituted on June 1st, 1936, all transactions negotiated since that date coming into the bank's second section.

Yearly average	Official discount rate	Net yield of bonds [1]	Yearly average	Official discount rate	Net yield of bonds [1]
1924.....	9.2	.	1932.....	6.8	8.4
1926.....	7.5	.	1933.....	5.6	7.0
1928.....	6.3	.	1934.....	4.5	5.7
1929.....	7.0	7.7	1935.....	4.0	5.4
1930.....	6.5	7.9	1936.....	4.0	5.2
1931.....	6.5	8.1	1937.....	4.0	4.7

SOURCES : *Annual Report of the Bank of Finland; Statistical Year-Book of the League of Nations.*

Not till 1933/34 did easy conditions prevail on the money market. At the present time, first mortgage loans repayable on due notice can be obtained at 4.75% interest. Redeemable loans of the " Housing Mortgage Bank " carry an annual charge of 6.2%, of which 4.86% represents interest and 1.34% redemption; of the interest charge, 4.5% is what the bank has to pay on its debentures, 0.125% is paid into the reserve fund and 0.235% is charged for office expenses. Since bonds are at present sold at 98.5% of their face value, a deduction of 1.5% is made on the amounts lent.

Building Costs.

Costs have been largely affected by fluctuations in building activity. Thus, from 1923 to 1928, the peak year of the boom,[2] the total cost of building an apartment house in Helsinki increased by about 15%. Between 1928 and 1933, it fell by about 20%, and finally, between 1933 and 1937, rose almost to the 1928 level, which was exceeded in 1938.[3] These changes are largely due to fluctuations in wage rates, the trade unions being comparatively weak.

To-day, the cost of building modern dwellings in Helsinki is from 350 to 400 marks per cubic metre, not counting site costs, which generally amount to about 20% of the total cost. The " issue and construction companies " referred to above are now planning the erection of small apartments, consisting of two rooms and a kitchen, with a net floor area of 48 square metres, to cost 750 marks a month (including heating). A small one-family house of two rooms and a kitchen in the neighbourhood of Helsinki now costs about 55,000 marks. Annual expenses, consisting of 7% annual instalments on building costs, ground rent, water rate, etc., amount, during the first ten years, to about 6,300 marks a year (or 525 marks a month) without heating.

[1] Actual yield of three State issues quoted daily in Helsinki (as established by *Nordiska Föreningsbanken*).

[2] *Cf.* page 62.

[3] These figures have been taken from graphs reproduced in an article by M. MUONIOVAARA in *Rakennustaito*, (Architects' Review), Nos. 14 and 15, 1938.

The Housing Policy

State Assistance

From 1920 to 1927, building loans were made from State funds to local authorities, public utility companies and private persons building for their own account. These loans were either " auxiliary loans "—*i.e.*, second or third mortgage advances free of interest or redemption charges during the first ten years [1]—or second-mortgage loans redeemable from the very first year. At the beginning, redeemable loans were only granted as a supplement to auxiliary loans, but, from 1924 onwards, they became the sole method of granting assistance. The total sum advanced by the State might amount to 50% (after 1924, 25%) of building costs. Furthermore, the local authorities had to provide sites (either free of charge or at a cheap rental) and a loan equal to 15% of the building costs, so that the builder, after raising some 40% of the costs on first mortgage, generally had to find only a very small amount himself (though after 1924 nearly 20%).

From 1927 onwards, the State limited its assistance to encouraging the building of small homesteads (" homes for the people ") by granting second mortgage loans, financed mainly out of the interest charges and the redemption payments received on advances made prior to 1927 for building in urban areas. Such new loans may amount to 40% of building costs, provided the mortgage accepted as security together with the first mortgage does not exceed 75% of the value of the property. They bear interest at 4.5% and are redeemable in twenty-seven years.

The following table summarises State assistance to building from 1920 to 1937 :

All towns	Total advances by the State (in millions of marks)	Number of dwellings built			
		By local authorities	By public utility companies	By private persons (small holdings)	Total
1920-1926.....	95.5 [2]	1,309	3,809	1,320	6,438
1927-1933.....	8.9	—	—	634	634
1934-1937.....	19.5	—	—	860	860

Sources : Eino Kuusi : *Valtion varoilla avustettu Yleishyödyllinen rakennustoiminta vuosina, 1920-1926*, Helsinki, 1927; G. Modéen : *Omakotien taloudellinen asema*, Helsinki, 1934; *Finnish Social Review*, No. 7, 1938.

[1] It was further provided that after ten years such portion of a loan as, in consequence of any fall in building costs, was no longer represented by a tangible asset should be cancelled.

[2] Of which 40 millions are " auxiliary loans " and 53 millions redeemable loans. Further, about 50 million marks of credits allocated and expenses incurred by local authorities for housing construction.

State assistance was most active just after the war, but later on the Government's attention was directed primarily to the country, where the problem is more urgent than in the towns. However, a special commission has recently been instructed to study urban housing with special reference to the needs of large families.

Independent Assistance by Municipalities.

Certain large towns have established special funds to encourage, by means of second- or third-mortgage loans, the building of dwellings by public utility companies or by private persons who desire to erect a cottage for themselves. The city of Helsinki, for example, lends from 60% to 90% of the value of the property, the annual charge being 6%, of which 5½% is interest. Moreover, towns grant sites on easy terms (usually on long lease, as far as one-family or two-family houses are concerned).

B. RURAL HOUSING

Present State of Rural Housing.

Housing conditions in agricultural and forest areas were investigated during the summer of 1937.[1] In the country, over a third of the houses have one room and a kitchen. A quarter are single-room dwellings. In comparison with 1901, however, there has been a marked trend towards roomier dwellings. Though four-fifths of the dwellings have vapour-baths installed (in an annex), certain other conveniences are often lacking; thus, more than a quarter have no pantry, more than two-fifths no cellar, and only a very small percentage have water laid on. Almost a fifth were in a more or less dilapidated condition; 3% were stated to be unfit for habitation.[2] In about a quarter of the total, there were more than three persons per room, these houses accommodating a third of the population.

The Policy of Home Settlement.

The public authorities aim chiefly at promoting home settlement. Special funds are financed out of the ordinary State budget, and by borrowings from other public funds. First mortgage loans are granted generally through local funds managed by the communes to agricultural or forest workers wishing to build a house or establish a small farm. The maximum loan granted solely for house building purposes is 15,000 marks, or, including

[1] *Cf.* G. Modéen : " Maaseudun Asunto-olot ", extract from the *Finnish Social Review*, Nos. 6 and 7, 1938, Helsinki, 1938 (preliminary account, with summary in French).

[2] A special enquiry has revealed that the reconditioning of dwellings in twenty-five communes alone (there are 538 in all) would cost some 30 million marks.

outbuildings, 25,000 marks. Advances may not exceed 75%[1] of the total costs plus the value of the beneficiary's labour, which may amount to 20% of the total cost of the undertaking. The present fixed annual charge is 5%, of which 3% is interest, redemption being completed in thirty-one years. A borrower may, by carrying out certain additional work such as clearing, building, etc., in certain cases, be exempted from payment of the annual charge during the first year or few years; on State lands, this exemption may extend to as many as ten years, during which period the settler must prove his ability so as to be permitted to buy the holding outright. For the last four or five years, the State has carried out by its own labour organisations all building work in connection with the settlement of its own lands or has had such work carried out by settlers at a fixed price. The most usual type of building is the small detached wooden house of a gross floor area of 67 square metres and containing one room, a large kitchen used as a living-room, a pantry, a clothes cupboard and an entrance; two little attic rooms can be added later. A house of this type costs about 19,000 marks plus the value of the timber, say 6,000 marks.

The following table summarises the operations of this kind carried out since the war :

Loans granted for Building Work.

Years	Number	Amount in millions of marks	Number of houses built
1918-1936.....	46,748	324.9	.
1936	2,475	20.3	2,251

SOURCE : Finnish Official Statistics, *XXX. Asutustilastoa B.C. 1. Asutustoiminta* 1936.

Improvement of Existing Rural Dwellings.

To give effect to the proposals of the Special Commission for the Study of Rural Housing,[2] Parliament in 1938 voted 15 million marks to be used in grants and loans for the improvement of existing rural dwellings. Loans up to 20,000 marks, or 75% of the cost of the work, may be granted to owners of a dwelling-house[3] for repairs or extensions or for the replacement of a dilapidated house by a new one. The terms for such loans resemble those for loans from the settlement fund.[4]

[1] If it is not a case of settlement proper, this limit is fixed at 40%.
[2] *Maaseudun Asuntokomitean Mietintö N:o 1;* Helsinki, 1937.
[3] Owner-employers may also obtain loans for the improvement of dwellings provided for their workers.
[4] See above.

Poor house-owners with at least three children under 16 may receive subsidies the amount of which is inversely related to the contribution they can reasonably make to the work either in cash, materials or labour. Individual grants may amount to as much as 4,000 marks or 50% of the cost of the undertaking. If a loan is also obtained, the maximum combined total may not exceed 22,000 marks, or 85% of the costs.

FRANCE

A. URBAN HOUSING

The Extent of the Need

The Housing Shortage.

Just after the war, the number of buildings of every type which needed reconstructing or repairing in the devastated areas was estimated at 867,000.

If the cessation of building in other parts of the country is taken into account as well, it would seem that the total shortage of dwellings in 1921 was in the neighbourhood of 600,000 to 700,000—that is to say, some 5% to 6% in relation to the 11.9 million households recorded in the census of that year.[1] Calculations based on pre-war years show that the net production of new dwellings which the increase in the number of households would normally have required was more than 50,000 a year, or at least 800,000 for the period 1921-1936. Consequently, the minimum requirements for the period 1921-1936 would amount to 1.4 or 1.5 million. According to the census, the number of occupied dwellings increased during this period by 1.3 million over the whole country. Building activity thus seems to have been sufficient for the needs created by the normal increase in the number of households and a considerable reduction of the shortage seems to have been achieved, though the shortage has not been entirely made up.

This shortage has been most serious in the great industrial centres of population (especially the Paris area) where there has been a great increase of population. Many working-class families have been compelled to live in hotels or furnished rooms, the number of which has multiplied in the populous and poor quarters, or in home-made shacks built on waste ground on the outskirts of towns. With the particularly sharp increase in households of two or three persons,—due to demographic evolution—it is in small dwellings of not more than three rooms that supply has become especially inadequate. On the other hand, there appears to be, notably in Paris, a certain surplus of larger dwellings which are hardly within the means of large but poor households.

During the first years of the economic depression, the position appeared to be improving, because there had been a good deal

[1] In England and Wales, the shortage in 1921 was estimated at 4% of the number of dwellings recorded.

of building during the preceding years and also because the crisis arrested the movement towards the towns and checked the establishment of fresh households; but, since building activity has continued to decline until 1937 and 1938, it is greatly to be feared that a serious housing shortage will again develop as soon as there is a general improvement in business.

Size and Nature of Dwellings.

The following table summarises the data relating to the size of dwellings provided by the 1926 census. It shows that, in Paris, most dwellings are very small. Single-roomed dwellings represent about a quarter of ordinary housing, or more than a third if hotels and furnished rooms are included. But against the smallness of Parisian dwellings must be set the fact that the majority of households are far from large. In 1926, more than three-fifths of all households consisted of one or two persons only. Yet a great many large families were compelled to live in cramped dwellings or even in single rooms.

Distribution of Households in 1926 in Towns of over 20,000 Inhabitants according to Number of Rooms occupied at the Time of the Census.

Groups of towns	Total households (in thousands)	Percentage of households occupying dwellings with the following number of rooms [1]					
		1	2	3	4	5 and over	Not stated
Paris :							
Ordinary housing	992	26.4	29.8	22.7	10.3	10.8	—
Special [2] housing	175	90.2	5.8	2.4	0.9	0.7	—
Total...	1,167	35.9	26.2	19.7	8.9	9.3	—
Towns of more than 100,000 inhabitants (except Paris) :							
Ordinary housing	1,030	11.7	24.2	22.9	16.5	15.6	9.1
Special [2] housing	70	79.2	6.5	4.5	3.2	4.2	2.4
Total...	1,100	15.9	23.1	21.7	15.7	14.9	8.7
Towns of from 20,000 to 100,000 inhabitants :							
Ordinary housing	1,684	12.5	24.8	22.9	17.9	17.2	4.7
Special [2] housing	103	.	.	.	.	.	.

SOURCE.—Résultats statistiques du recensement général de la population, du 7 mars 1926. (Statistical Results of the General Census of the Population, March 7th, 1926), Vol. IV, pages 91-102.

[1] By " room " is understood any compartment of a house intended for occupation separated from the rest by partitions reaching to the ceiling and large enough to contain a full-sized bed. This definition therefore includes, not only ordinary living rooms, but also kitchens, ante-rooms and even lavatories large enough to contain a bed (but not W.C.'s).

[2] Hotels, furnished rooms, barracks, hospitals, schools, caravans, boats, camps, etc.

In provincial towns, the proportion of two- or three-roomed dwellings is practically the same as in Paris, but single-roomed dwellings are less common. Moreover, there are also fewer hotels and furnished rooms, and similarly the proportion of persons living alone and of small households is less.

The Overcrowding of Dwellings.

Overcrowding appears to be just as serious in provincial towns as in Paris. In the case of ordinary housing, the percentage of *persons* living in overcrowded dwellings (that is to say, with more than two persons per room) is shown in the following table, based on the 1926 census :

	%		%
Paris	8.7	Towns with a population of :	
Towns with a population of :		15,000 to 20,000	7.2
Over 100,000 (except Paris)	7.5	10,000 to 15,000	9.2
30,000 to 100,000	8.2	5,000 to 10,000	12.6
20,000 to 30,000	8.0	All towns	8.9

Overcrowding has doubtless decreased since 1926 due both to the increase in the supply of dwellings and to the reduction in the number of persons per household.

In his report to the municipal council, dated June 25th, 1928, based on the 1926 census returns, the Prefect of the Seine Department estimated that, in order to enable every household in the capital to live in normal conditions—that is to say, to have as many rooms as occupants—in addition to making fuller use of existing dwellings, they would have to provide nearly 550,000 more rooms, equivalent to about 137,000 apartments, taking four rooms as the unit. This figure would have to be added to requirements due to the increase in the number of households.[1] In this calculation, no account was taken of the fact that a great many dwellings would be unfit for occupation through being either decayed or ill-equipped.

Slum Areas.

Housing erected since the war is generally of the highest standard from the health point of view, in respect both of equipment and of area and house planning. But all old towns contain numbers of insanitary dwellings, which sometimes amount to veritable slums. This is often the case in the centres of large towns, where site utilisation has been pushed to the limit. The houses, not always particularly old, have been built to follow the line of excessively narrow roadways, and are carried to extreme heights, thus being deprived of air and light. Again, on the outskirts of towns are to be found antiquated, low-built and tumble-down hovels, the

[1] Although the population of the city of Paris has diminished since the war while that of the suburbs has grown, the number of households continues to increase.

remains of old suburban settlements. Overcrowding during and after the war also contributed to the establishment of new slums.

In Paris in 1919, a list was made of all houses in which, between January 1st, 1894, and December 31st, 1918—that is to say, over a period of twenty-five years— at least ten deaths from tuberculosis had occurred. Out of a total of about 90,000 houses, 4,750 were found to answer this description.

When all these houses were charted on a map, it was possible to mark out seventeen slum areas, occupied by 186,000 persons, or more than 6% of the population. Although all the houses included within the areas thus defined are not equally defective—some are in quite good condition, and others can be rendered fit for habitation after various internal alterations—the total cost of clearing these slum areas was estimated in 1923 at 1,151 million francs, against which could be offset 159 millions anticipated return from resale of sites, etc.[1]

Building Trade and Housing Finance

Organisation and Activity of the Building Industry.

Hitherto rents have been kept at a much lower level than prices and wages.[2] Although the system has only been applied to pre-war houses, it has hindered the erection of new houses to let because the competition of the huge number of pre-war dwellings has often made housing investment a hazardous affair. The fact that, despite this handicap, private enterprise has at certain periods been extremely active is due to the housing shortage having reconciled many families, especially of the middle classes, to paying rents proportionate to the cost price of the building. The taste for modern comforts has also been a contributory factor.

Post-war building has been largely carried out by building societies erecting dwellings for sale. Single-family houses have generally been bought by persons for their own occupation. Frequently, also, blocks of flats have been sold by the individual flat.[3] Sometimes future tenants have formed housing societies to finance the building. Most of this activity, however, has been for the benefit of the middle classes. Private enterprise has taken little part in the erection of workers' dwellings. This has been carried out by the various cheap housing organisations in so far as was practicable with the State financial assistance provided.

The only available guide to building work is the indices based

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[1] For slum clearance work carried out, see page 87.

[2] See page 78.

[3] A law regulating the rules of joint ownership of buildings divided into apartments was adopted in 1938.

on applications for building permits. These indices from 1926 onwards are given in the table below :

Year	Building permits (number of floors) Indices (1929 = 100)		
	Urban areas [1] (Buildings of every description)	City of Paris	
		Housing	Industrial buildings, etc.
1926	93	83	.
1927	65	50	77
1928	79	73	97
1929	100	100	100
1930	109	96	71
1931	101	71	61
1932	76	42	49
1933	74	46	52
1934	67	48	42
1935	58	36	37
1936	55	21	32
1937	50	10	40
1938	48	10	41

SOURCES.—Statistique générale de la France (French Statistical Department) : *Indices généraux du mouvement économique en France*, from 1901 to 1931 (General Indices of the Economic Development in France). *Bulletin de la Statistique générale de la France et du Service d'observation des prix* (Bulletin of the French Statistical Department and of the Price Control Service), January-March 1939.

After a period of steady development from 1919 to 1926, followed by a marked slackening in 1927, there was a considerable resumption of activity until 1930.[2] This was due, not only to the stabilisation of the currency and the general economic recovery, but also to the grant (under the Loucheur Law of 1928) of more generous advances and State subsidies for the building of cheap houses; although this latter activity continued to develop in the following years, its scale has not been sufficient to counterbalance the decline in private building.

In 1933, the grant of advances for the building of cheap houses was suspended, and although the system was later restored, it was only on a very restricted scale. Meanwhile, the deepening of the economic depression and the increase in taxation burdens on old buildings had brought about a fall in building values generally.

[1] 103 towns, consisting of Paris, 57 suburban towns and 45 provincial towns.

[2] A time lag of one year must, however, be allowed between the variations shown by applications to build and those of building work.

From 1936 onwards, the cost of building increased, due to the devaluation of the franc, the application of the new social laws and political and financial disturbances.

Organisation of Housing Credit.

In a study which appeared in October 1937 in the *Journal of the Paris Statistical Society*, the total amount of mortgage debt in France, both urban and rural, at December 31st, 1935, was estimated at 48 milliards of francs (as against 43 milliards in 1932 and 15 milliards before the war), a figure which represents rather more than 10% of all private real estate value. Loans by credit establishments, estimated at 15 or 16 milliards, are distributed approximately as follows :

	Millions of francs
Crédit foncier de France (Land Credit Society of France)	6,383
Société de crédit immobilier (Housing Credit Society) ...	3,673
Sous-Comptoir des entrepreneurs (Contractors' Branch Bank)	391
Social assurance organisations	186
Crédit national (National Credit Society)	948
Crédit agricole (Agricultural Credit Society)	1,757
Miscellaneous assurance, capital investment, or savings societies, etc.....	2,363
Bank mortgage credits	800

The *Crédit foncier* is thus in the first rank of French mortgage credit establishments. Its share does not, however, exceed one-seventh of the total French mortgage debt. The latter consists mainly of loans arranged privately between private persons, generally through a notary.

The Crédit foncier is a private limited company organised more or less similarly to the Bank of France and, like it, placed under the control of the State, which appoints the Governor. The Society, which was established by Decree Law of February 28th, 1852, has gradually been allowed to extend its operations to the whole of the country and even to the colonies. It attracts savings by the issue of bearer bonds carrying interest and repayable within a fairly long period (sometimes as much as seventy-five years) by annual drawings. It also accepts sight deposits, but only within the limits fixed by its rules.

The Crédit foncier is allowed to make first-mortgage loans, redeemable in from ten to seventy-five years, to an amount not exceeding half the market value of the building. At the present time, the maximum period of loans is generally restricted to thirty years. A maximum commission of 0.6% is charged on the unredeemed capital sum. The interest also includes the tax on loan income at the rate of 16.2%.

The Crédit foncier also grants mortgage loans without redemption obligations for a period of nine years. Unless some special period is stipulated (as in the case of short-term loans) the debtor is entitled to repay the loan earlier, either partly or wholly.[1]

On December 31st, 1937, the total amount of land loans exceeded 14,938 millions, four-fifths of which were in respect of urban property; the outstanding balance amounted to 6,388 millions, of which long-term loans accounted for 6,100 millions.

The *Sous-Comptoir des entrepreneurs du bâtiment* (Building Contractors' Branch Bank) is a limited company linked to the Crédit foncier and controlled by it. It arranges for the discounting of builders merchants' and contractors' bills by the opening of credits on current account against fixed-term bills renewable every three months. These bills are discounted by the Crédit foncier de France, which fixes the limits for credits opened. The rate of interest paid by borrowers is 0.4% higher than the rate charged on Crédit foncier mortgage loans. Upon the expiry of the prescribed period for such credits (maximum three years), if the building for the erection of which the credit was opened is completely finished, the borrower can generally consolidate his debt by obtaining a redeemable loan from the Crédit foncier.[2]

The work of *cheap-housing organisations* in the field of housing credit is of some importance. It will be considered later in its connection with housing policy.[3]

There is no organised market for second mortgage loans. Loans of this kind have been difficult to obtain ever since the war, and are more than ever so now because of the drop in building values. For the same reason, first mortgage loans are generally much less than half the cost price of new buildings. The market value as assessed by the Crédit foncier often represents only 60% of the cost price. In its report of July 11th, 1938, the *Conseil national économique* (National Economic Council) advocated the development of mortgage credit assurances in order to enable mortgage credit establishments to lend a higher percentage of the cost of building.[4]

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[1] In addition to land loans proper, against which the Society issues land bonds, it also undertakes advances with or without mortgages to departments, communes, homes and other public establishments, as well as marine loans, against which it issues communal and marine bonds respectively.

[2] A number of purely private establishments also grant medium-term loans to building contractors. The *Caisse générale de l'industrie et du bâtiment* (General Industry and Building Bank) specialises in this type of operation.

[3] See page 80.

[4] In the case of " cheap dwellings ", State advances may attain 75% or even 90% of the building cost.

Interest Rates and Amount of Loans. The table below gives some indication of the fluctuations in the various interest rates between 1926 and 1938 :

Yearly average	Official discount rate	Net yield of bonds		Yearly average	Official discount rate	Net yield of bonds	
		Perpetual Loan, 3%	1918 4% Loan			Perpetual Loan, 3%	1918 4% Loan
1926.....	6.6	6.2	.	1933....	2.5	4.4	5.1
1927.....	5.2	5.3	.	1934....	2.7	4.1	5.0
1928.....	3.5	4.5	5.3	1935....	3.5	3.9	4.7
1929.....	3.5	4.0	4.4	1936....	3.7	4.3	5.2
1930.....	2.7	3.4	4.0	1937....	3.8	4.3	5.5
1931.....	2.1	3.5	3.9	1938....	2.8	4.0	5.7
1932.....	2.5	3.8	4.3				

SOURCES.—*League of Nations Statistical Year-Book.*

Nominal interest rates on bonds issued by the Crédit foncier since the war rose as high as 7% in 1926 and 1927. Between 1921 and 1927, the rates charged by the Society for mortgage loans varied between 7.6 and 10.6%. Subsequently, with the fall in money rates, it was able to make fresh issues at 4% and 4.5% in 1930 and 1931 and to reduce the loan rate to 6.25%. The Society's last loan, issued in 1934, was at 5.5%, and the mortgage rate had consequently to be raised to 8.05%.

Between 1927 and 1930, the Crédit foncier's annual loans increased from 214 to 758 million francs. In 1931 and 1932, they amounted to 1,272 and 1,387 million respectively. In 1933, they fell off again to 751 millions and diminished considerably during the following years.

State Intervention in the Mortgage Market. In compensation for a general reduction of 10% in rents made by decree-law in 1935, owners of house property were granted a similar reduction in mortgage interest. These measures were later repealed, those affecting rents in 1937 and those affecting mortgage interest at the end of 1938.

To help borrowers, an agreement was arrived at on December 3rd, 1936, between the Minister of Finance and the Crédit foncier de France, whereby the interest on current or future loans was fixed at a uniform rate of 6.3%. In compensation for the loss which this would entail to the Crédit foncier, the Treasury granted it a loan of three milliard francs at 2%, 500 millions of which were to be used for mortgage (or marine) loans. In 1937, the applications for land loans which followed the reduction in the interest rate absorbed the greater part of the sum allotted for that purpose. This agreement protects the Crédit foncier against the risk of applications for early repayment, to which, under the

old high rates of interest, it was subject in the event of a fall in money rates; but to have to lend at 6.3% has the disadvantage of precluding, for the time being, any recourse to the money market for the purpose of replenishing its funds.

In order to encourage house building, the Minister of Finance was authorised by Decree-law of August 25th, 1937, to grant interest bonuses for a maximum period of fifteen years. This measure, which in fact amounts to a direct building subsidy, will be treated in greater detail in the section dealing with housing policy.[1]

Building Costs.

To give an idea of the fluctuations in building costs, a number of data relating to materials and wage costs have been assembled in the table below. Up to 1928, building costs followed the general price-level, though with a certain lag. During the following years, the prosperity of the building industry led to a sharp rise in both wages and cost of materials, which, between 1928 and 1930, resulted in an increase in building costs of about 30%. Whereas the devaluation of foreign currencies linked with sterling brought about, as from 1931, a considerable reduction in the prices of imported materials (timber from Northern Europe, for instance), materials extracted or manufactured in the country itself gradually reacted to the effects of the policy of internal

Fluctuations in Certain Items in Building Costs, 1926-1938.

(Index numbers : 1929 = 100.)

Year	Materials		Labour [2]		
	Timber	Cement and bricks	Joiner	Bricklayer	Painter
1926	82	128	83	83	86
1927	78	110	83	83	89
1928	88	92	83	87	86
1929	100	100	100	100	100
1930	101	116	104	108	118
1931	87	113	108	108	118
1932	61	100	104	104	106
1933	58	89	104	106	109
1934	54	83	102	108	109
1935	42	81	98	106	109
1936	48	86	108	117	127
1937	75	122	161	.	175
1938	85	147	164	169	179

SOURCES.—*Annuaire statistique de la France* (French Statistical Year-Book). *Bulletin de la Statistique générale de la France et du Service d'observation des prix* (Bulletin of the French Statistical Department and of the Price Control Service), January-March 1939.

[1] See page 79.
[2] Average hourly wages in the Paris area.

deflation. Wages reached their highest point in 1931, and then fell slightly. Between 1930 and 1935, building costs appear to have fallen by more than 30%.

The reversal of the Government's economic and financial policy and the devaluation of the franc brought about, as from 1936, a rise in the cost of materials from all sources corresponding in the aggregate to the general wholesale price-level, which almost doubled between 1935 and 1938. Wages too increased by about 65%. To obtain an index number for total building costs, allowance would also have to be made for the increase in general costs due to the introduction of the forty-hour week and paid holidays.

It is estimated that, in Paris, a three-room-and-kitchen dwelling, which, in 1914, cost 8,000 francs to build, cost about 48,000 francs in 1928.[1] The annual payment on a mortgage loan of 24,000 francs from the Crédit foncier at 8.2% redeemable in forty years, amounted to about 2,050 francs. Maintenance costs were calculated at an average of 480 francs a year. If the owner wished to obtain a net yield of 5% on his own capital (24,000 francs), and also expected to be able to redeem this capital in sixty years, he would have to recover an additional 1,260 francs a year. The rent would then have amounted to 3,790 francs a year. This sum is equivalent to more than one-third of the estimated normal earnings of a workman in Paris at this period (about 10,000 francs a year). Moreover, the rent of an equivalent pre-war dwelling, which in 1914 had cost about 600 francs a year, was officially restricted to a maximum of 1,500 francs. In such conditions, it was clearly impossible for private enterprise to build dwellings for the working classes. Despite the fall in interest rates, the price and wages movements in recent years appear only to have widened the margin between the "economic" rent and the working-class family's capacity to pay, just as they have increased the discrepancy between old rents and rents based on the actual cost price of a new building.

The Housing Policy

Rent Control. The lease-extension system, introduced at the outbreak of the war, has been practically continued to the present day in the case of houses erected before August 1st, 1914. The Laws of 1926 and 1929 provided for its abolition by stages, and for all rents to come under ordinary law once again by 1939, but the dates fixed for the expiry of the extensions were again postponed by a Law of 1937. In the case of very low-rented dwellings, restriction will continue until 1943.

Under a Law of 1923, 1914 rents could be increased by 75% in Paris and the Seine Department. In other departments, the

[1] At the present moment, the cost would be about 60,000 francs.

limit was to be determined by special commissions. The Laws of 1926 and 1929 allowed a general increase up to 250% over pre-war rents, and in addition, from 1931, an annual increase of 15% for the duration of the exceptional measures. This latter provision has only been applied twice, however. In 1935, the Government reduced all rents by 10%; this measure, part of a policy for the reduction of the cost of living, was repealed in 1937. In addition to the above-mentioned increases, the taxes and the rewards for services in kind to be charged on tenants may be claimed by the landlord. He may also recover, within certain limits, the cost of any improvements shown to have been carried out since 1914.

It is estimated that rents of old housing in Paris are about three times higher than in 1914. Since management and maintenance costs, as well as taxation, have increased in a much higher proportion (five or six times in relation to pre-war), the profit-earning capacity of old housing has fallen sharply and its value is on the decline.

Measures to encourage Private Building.

Since the war, all new building for housing has been exempted from land tax and local taxation for a period of fifteen years after completion. In the Paris area, these charges have reached about 25% of the net yield from housing. The present value of these allowances calculated at 5% would be equivalent to about 15% of the cost price of new building.

Exemptions enjoyed by private enterprise have been considerably extended during recent years and are to-day practically the same as in the case of cheap housing.[1] Any industrial or commercial company investing its reserves in the erection of workmen's dwellings is exempted from the tax on undistributed profits.

A Decree-law of August 25th, 1937, authorises the Ministry of Finance to grant interest bonuses for the encouragement of house building. Such bonuses are granted for a maximum period of fifteen years. Their maximum rate is fixed annually by ministerial decree; it may not exceed 4% nor be greater than half the interest actually owed. The total amount of annual bonuses may not exceed 40 million francs.[2]

At March 25th, 1938, the amount of bonuses granted approximated to 260,000 francs and the loans to which they related totalled 8 million. The average bonus rate was between 3% and 3.35%.

By the terms of subsequent decree-laws, bonuses may also be granted in respect of insanitary or old buildings rendered fit for

[1] See page 81.

[2] Loans for buildings entitled to benefit under the cheap-housing laws are excluded from benefit under the interest bonus scheme.

habitation. Furthermore, they have been extended to the capital invested by owners themselves. The amount of capital receiving bonus must, however, never exceed the market value of the building contemplated. A calculation of the current value of assistance to building by the interest bonus system shows that it is equivalent to 15%-18% of the cost of building.[1]

Legislation on Cheap Housing.

Assistance by public authorities towards the building of working-class dwellings is entirely controlled by the legislation on " cheap housing ". This legislation goes back to the *Siegfried* Law of 1894 which laid down the principles of financial assistance by the State to public utility societies building working-class dwellings. It was extended on several occasions, notably by the *Ribot* Law of 1908 on housing credit societies, established mainly to assist families of slender means to acquire small properties, and by the 1912 Law, which, because of the comparative failure of earlier provisions which had entrusted the carrying-out of the work to private societies and philanthropic institutions, provided for the setting-up of the Offices publics d'habitations à bon marché (public cheap-housing offices) by the municipal and departmental authorities. After modification by the 1922 Law, all this legislation was further developed by the *Loucheur* Law of 1928, which provided for a substantial amount of financial assistance from the public authorities. The *Bonnevay* Law of 1930 added a number of provisions regarding " improved " cheap housing. Fresh methods of financing were introduced by a Law of 1934. The Decree of May 24th, 1938, practically revives the Loucheur Law and adds certain provisions for the co-ordination of cheap housing with the slum-clearance campaign.

Principles of the Cheap-housing Movement.

The aim of cheap housing is to provide families in modest circumstances with a healthy dwelling in an apartment or one-family house at a rental not exceeding a certain maximum. This " ceiling " which, in 1928, was fixed at 1,310 francs for Paris and suburbs and 1,092 francs for the provinces, and subsequently raised by several stages to 1,900 francs for Paris and 1,529 francs for the provinces (Decree of April 27th, 1937), represents a dwelling consisting of three rooms having a floor area of nine square metres each, plus kitchen and W.C., and a total habitable area of at least 45 square metres.[2] The Loucheur Law also provided for the

[1] Report of the *Conseil national économique* (*Journal officiel*, August 4th, 1938, Annexes).

[2] In the case of single-family houses, the rental value may exceed the figures given by one-fifth at a maximum. The prices fixed do not include charges for water supply, refuse disposal, cellar rent, etc. In certain cases, large families are entitled to one or more extra rooms.

erection of "medium-rent" dwellings for families in comparatively comfortable circumstances, the maximum rental being fixed at 3.6 times that laid down for cheap housing. In 1930, an intermediate type was also provided for—namely, "improved" cheap housing, with a rental value double that of the ordinary type.

The State's object in lending funds at a rate below the open-market rate is to bring construction, rental and credit sale costs within the means of the working classes. A further contribution to this end is afforded by the tax exemptions applied to cheap housing.[1] Furthermore, the public authorities pay a proportion of the rents of large families.

Cheap Housing Organisations.

The *Offices publics d'habitations à bon marché* (Public Offices for Cheap Housing) are set up under a Decree of the *Conseil d'Etat.* They receive endowments in the form of funds or real property from the municipal or departmental authorities and may also accept donations and legacies. Their objects are the building, installation and management of cheap dwellings, the improvement of existing houses, and the creation of garden cities and allotments. The buildings thus constructed are generally intended for simple letting.

The *Sociétés d'habitations à bon marché* (Cheap Housing Societies) may be either joint-stock companies or co-operative societies with variable capital.

They must obtain ministerial approval. Their regulations must always contain certain clauses concerning the maximum share capital, the restriction of the dividend (6% on paid-up capital) and the distribution of the assets. The erection of buildings is their chief object. The buildings may be intended either for simple letting or for sale on a hire-purchase basis or for sale for cash.

The *Sociétés de crédit immobilier* (Housing Credit Societies) are purely and simply credit organisations. The only form they may assume is that of a joint-stock company but, in order to receive ministerial approval, their regulations must always contain certain provisions concerning the object of the society, the maximum rate of interest charged on loans granted, the maximum annual dividend to be distributed to shareholders, etc. Their chief object is the granting of mortgage loans for building purposes or for the purchase of individual cheap dwellings. In addition, they

[1] These include, in addition to exemption from land tax and local taxes for a period of fifteen years, exemption from the mortmain tax and from various stamp and registration duties. Important reductions in duties on transfers for valuable consideration were granted in 1939 and applied also to building for private enterprise. Cheap-housing societies are exempt from the taxes on income from shares and income from loans and deposits, from the tax on earned profits (as from 1939 this exemption applies also to private housing societies) and from turnover tax.

grant loans, to some extent, to cheap housing societies for transactions connected with hire-purchase or mortgage loans.

There are also cheap housing foundations, allotment societies and shower-bath societies which benefit by the cheap housing laws. Some mutual aid societies and regional agricultural credit societies may also serve as intermediaries for action by the public authorities.

On May 1st, 1938, there were in France itself and Algeria 297 public offices and 1,090 cheap housing societies, whilst the number of building credit societies was 294.

State Loans.

The cheap housing movement is financed chiefly by means of State loans. Through loans made to the Treasury by the *Caisse des dépôts et consignations* (National Deposit and Loans Fund),[1] the Minister of Finance grants an aggregate loan up to the amount of an appropriation which is included each year in the finance law.[2] There is a special committee to determine the amount of the loans to be made to each organisation on the basis of the building schemes submitted to it.

The rates of interest charged are, since 1928, as follows: 2% for average cheap dwellings, 3% for improved cheap dwellings, and 4% for "medium-rent" dwellings. The departments and communes may contribute up to not more than 1.5% to the payment of interest and redemption charges. The State, in its turn, pays to the National deposit and loans fund interest which is settled quarterly at the average rate of the income earned from the whole of the investments made by that institution on its own account. The State therefore bears the sacrifice represented by the difference between this rate and the rate which it receives itself from cheap housing organisations.

The loans granted to the public offices and to societies and foundations for the erection of cheap housing or for the reconditioning of existing houses may not exceed 75% (before 1938, 80%) of the cost price. This ratio may be raised to 90% if the repayment of the loan is guaranteed by the department or the commune. For "medium-rent" dwellings, the maximum is fixed at 70%.

In the case of housing credit societies, the sums remaining due from a society may not exceed five times half the capital not yet called up and the amount of securities guaranteed by the State belonging to the society and deposited by it with the

[1] This is a public institution the chief object of which is to manage certain funds of savings banks and similar institutions.

[2] Since 1934, the loans have been furnished in part by the common fund for large-scale work for the relief of unemployment, which was established in that year with the sums available in the social insurance funds. The Decree of November 12th, 1938, which was issued with the object of strictly limiting large-scale civil work not covered by the ordinary budget, has suspended the utilisation of these resources for housing purposes.

National deposit and loan fund. The granting of the departmental or communal guarantee permits, however, of a considerable increase in this borrowing power.

The period for which loans are granted may not exceed forty years in the case of building organisations or twenty-five years in that of housing-credit societies.

On December 31st, 1937, the loans granted by the State since 1921 to public offices, cheap housing societies and similar organisations amounted to 5,843 million francs [1] of which sum 3,795 millions were advanced to public offices and 1,787 millions to joint-stock companies and co-operative societies. Furthermore, loans granted to organisations concerned with building credit amounted, on the same date, to 5,359 million francs, nearly the whole of this sum having been advanced to housing-credit societies alone.

The following table shows that, after the great effort which was made between 1929 and 1932, this activity had, owing to the financial difficulties of the State, to be reduced to very modest proportions. Larger credits have, however, been granted for cheap housing in respect of the years 1938 and 1939.

Loans granted to Cheap Housing Organisations.

Years	State Loans		Loans granted by savings banks.
	to public offices, cheap housing societies, etc.	to housing-credit societies, etc.	
	(In millions of francs)		
1921-1928	868.1	.	273.9
1929.....	837.0	.	52.4
1930.....	1,199.9	1,188.9	63.8
1931.....	1,276.7	1,163.8	77.0
1932.....	1,031.3	1,070.9	72.1
1933.....	36.5	10.9	79.2
1934.....	111.0	236.5	88.4
1935.....	183.5	5.3	102.5
1936.....	166.6	181.5	115.0
1937.....	124.4	117.6	.

SOURCE : Report by the *Conseil supérieur des habitations à bon marché* (Central Council for Cheap Housing) for 1937. (*Journal Officiel*, November 27th, 1938, Annexes.)

Financial Resources derived from Other Loans.

Cheap housing organisations may obtain funds from loans other than those contracted with the State—*e.g.*, by applying to the savings banks (see the above table). The bonds are redeemable within a period varying between twenty-five and forty years. The rate of interest must not as a rule exceed 6%. Before 1928 interest charges were

[1] The loans made to these organisations under pre-1921 laws amounted to 58 million francs.

borne entirely by the borrowing organisation. Since the Loucheur Law, the State makes itself responsible for part of the interest; the organisation has to defray only 2% over and above redemption charges and costs. To this contribution may be added that of the department or commune, which is limited to ½%.

Under a law of 1934, the Minister of Finance may request these organisations to procure the funds they need either by issuing loans, the interest on which will be guaranteed by the State, or by issuing loans secured on annual payments made by the State in the form of advances to the organisations concerned. In practice, it has been found difficult to apply this method of financing, owing to the restrictions on the money market. It seems, however, to have made it possible for the savings banks to participate to a fuller extent in the cheap housing movement.

Subsidies. The laws of 1919 and 1922 concerning cheap housing introduced State subsidies in favour of all organisations constructing buildings reserved chiefly for dwellings for families with at least three children under 16 years of age. These subsidies could not exceed one-third of the cost price of the building. The subsidies granted up to 1933 amounted to 550 million francs. Further, the Loucheur Law with a view to facilitating the purchase of small properties by large families, provided for the payment of a lump sum varying between 5,000 and 15,000 francs in the case of families with from three to seven or more children. In this way, nearly 596 million francs were distributed during the period 1928-1933.

Since 1934, Parliament has not voted any further appropriations for the above-mentioned subsidies. Certain departments and communes, however, assume responsibility for part of the annual payments due from large families and disabled ex-service men. In this case, the State makes a contribution of half in respect of large families who receive assistance under the Law of July 14th, 1913.

Use of Resources. Cheap dwellings may be leased on a simple rental basis. They may also be the subject of a hire-purchase agreement. In the latter case, the individual pays annually, in addition to a rent which is intended to cover interest and current charges, a sum corresponding to the redemption charges in respect of the capital invested. If the building was erected by a co-operative society, he purchases a certain number of shares, the amount of which corresponds to the cost price of the dwelling. He generally pays one-tenth of their value in cash and the remainder in annual instalments so calculated that the purchase is completed in a period of twenty or twenty-five years.

In order to obtain a mortgage loan, the individual concerned must make a personal contribution which may take the form

either of a sum of money or of a plot of land or materials, or even so many days' work. Since 1928, the amount of this contribution has been fixed, in principle, at 4,000 francs, whatever the amount of the loan, but some borrowers benefit by a reduction in the amount of this contribution or are even exempted from it altogether. In the case of " medium-rent " dwellings, the contribution is fixed at 20% of the cost price. The loan must be secured by a first mortgage and a life insurance. Repayment is made in annual instalments of fixed amount including interest and redemption charges, so calculated that the borrower will have discharged the whole of his liabilities by the time he reaches the age of sixty. The maximum period is, however, fixed at twenty-five years. The rate of interest may not exceed 2.75% (Decree of August 15th, 1937). In the case of " medium-rent " dwellings and improved cheap housing, this rate is raised to 4.5% and 3.5% respectively.

Results achieved.

In 1928, the number of dwellings constructed during the previous twenty years in application of the laws on cheap housing was estimated at about 60,000. With the credits granted up to 1932 under the Loucheur and Bonnevay Laws there were also built some 180,000 cheap dwellings, 15,000 " medium-rent " flats and 9,000 or 10,000 improved cheap dwellings. In order to complete the construction of the 260,000 dwellings contemplated under the Loucheur Law, there remained to be constructed 20,000 cheap dwellings and 32,000 of the intermediate type. It would seem that this programme has now been practically completed.

The sanitary condition of dwellings erected with the assistance of the public authorities must be verified by the *Comités de patronage locaux des habitations à bon marché* (Local Committees for the Promotion of Cheap Housing). Cheap dwellings comprise, in principle, a living-room-kitchen, one or more bedrooms, a small entrance hall, a lobby or porch in individual houses or a service balcony outside the living-room-kitchen, and a W.C. The minimum floor space between wall and partition is 25 square metres for dwellings consisting of one room and a kitchen, 35, 45 and 54 square metres respectively for dwellings consisting of two, three or four rooms and a kitchen. The two-and three-roomed types would seem to be the most frequent. Cheap dwellings are of good average comfort, sometimes exceeding the minimum requirements.[1] They are not usually provided with a bathroom. To some extent this need is met by collective shower-bath establishments. Dwellings recently constructed, however, fairly frequently contain a shower-bath. " Medium-rent " dwellings

[1] For further details of these requirements, see League of Nations Health Organisation, Geneva, 1935 : *La question de l'habitation urbaine en France* (Housing Policy in France), by Etienne DENNERY.

usually have a fully fitted bathroom, and those of the intermediate type are provided with a lavatory large enough to permit of the installation of a bath and geyser.

Whilst the assistance of housing credit societies has led to the creation of numerous small properties around industrial centres, the work of the public offices and cheap housing societies has been concentrated more particularly in the large towns, on the outskirts of which these bodies have erected large collective buildings. Very frequently these buildings have been grouped to form satellite cities which are provided with collective services, social centres, play-grounds, etc.

Social Effects of Measures carried out.

It is reported to be sometimes difficult to ensure that poor families obtain the benefit of the measures in favour of small property. Many housing credit societies, while willing to lend private individuals the amount required for the building, do not seem prepared to advance the cost of the land. Furthermore, the cost price of a small house (*e.g.*, three rooms and a kitchen) has rarely fallen in the Paris area below 40,000 francs. If account is taken of the life insurance, and if it is supposed that the purchaser has been granted a maximum period of twenty-five years in which to complete his payments, he would have to pay an annual instalment of at least 2,500 to 3,000 francs. A few years ago, such expenditure was thought too high for many working-class families. At present, notwithstanding the increase in wages, the situation is almost the same, for the increase in building costs has raised to 3,750 or 4,500 francs the amount of the annual instalment that has to be paid for the small family houses recently erected.

For similar reasons, it is not easily possible for poor families to acquire dwellings intended to be bought on a hire-purchase system. On the other hand, a great many of the dwellings intended for simple letting are reserved for poor families and, in the first place, for large families.

The gross rents of the cheap dwellings managed by the Public Office of the City of Paris were, in 1937, in the case of buildings the construction of which was started later than September 1930, 1,365, 1,635 and 1,965 francs respectively for average type dwellings with two, three or four rooms and kitchen. In the case of large families who are in receipt of allowances, varying according to their financial burden, the rents were 816, 1,056 and 1,320 francs respectively.[1] In some buildings divided into dwellings of a

[1] The rates mentioned apply to households with four children under 16 years of age and also to widowers and widows with respectively three or two children under 13 years of age. A supplementary allowance, generally varying from 60 to 72 francs per child, is granted to households with more than four children. The cost of these allowances is borne as to half by the budget of the city of Paris and as to the other half by the State. See page 84.

simpler type, the rents are about 20% lower than those of average type dwellings. In addition to the rent, a charge of from 12% to 15% of the amount of the rent is made as a payment for general tenants' charges, and 36 francs is charged for use of the cellar.

The Financial Crisis in Cheap Housing.

The *Conseil supérieur des habitations à bon marché* (Central Council for Cheap Housing) points out in its annual reports that in recent years a number of organisations have been faced by serious financial difficulties owing to delays in the payment of rents and in the repayment of sums due from individual borrowers. These delays are said to have been due not only to unemployment but in large measure to a certain agitation amongst the borrowers, who had been led to understand that they were going to obtain large reductions in their annual payments. In view of the arrears caused by this development, the National deposit and loans fund in some cases required that the guarantee of the local authorities should be implemented, with the result that a number of departments and communes were no longer willing to give their guarantee to cheap housing offices and societies. These difficulties, together with the increase in building costs, are said to have compelled many organisations to abandon their building schemes.

Slum Clearance.

Under some of the provisions of the 1902 Public Health Law, the municipal authorities were required to supervise the sanitary condition of dwellings. It was the duty of the mayor to order the improvement work prescribed by the sanitary committees (or by the departmental health council). The administration was authorised to have the prescribed work carried out by its own order, at the owner's cost, and the mayor might, when necessary, be authorised to condemn a building or group of buildings, thereby prohibiting its use as a dwelling. The 1902 Law also enables communes to expropriate insanitary houses for the purpose of their demolition. The compensation to be paid to the owners was fixed by a Law of 1915 at the market value of the buildings, irrespective of their insanitary condition, less the cost of the repairs necessary to make them sanitary. The compensation was not, however, to be less than the value of the bare plot of land. These provisions were further extended by the 1918 Law on Expropriation by Zones and the 1921 Law on Conditional Expropriation.

Notwithstanding certain results obtained, at great cost, in the larger towns, these laws have in general remained a dead letter. Since 1935, the Government has adopted a series of measures with a view to increasing their effectiveness.

Two Decrees of October 30th, 1935, have made obligatory in each Department the inspection and sanitary supervision service provided for in the 1902 Law and also the introduction of sanitary regulations applicable to all communes and embodying, *inter alia*,

rules devised to ensure the sanitary condition of houses. With a view to making the prohibition of use for residential purposes rapid and effective in operation, the Decree of May 24th, 1938, calls for the co-operation of departmental health inspectors for the purpose of discovering insanitary buildings,[1] and it also strengthens the powers of the prefects.

Public action for slum clearance has long been hampered by the fact that expropriation juries were in the habit of fixing extremely high compensation, and sometimes even went so far as to rescind prior decisions of the competent authorities in regard to the insanitary condition of houses. These abuses have been obviated by means of a complete recasting of the laws on expropriation for public utility purposes.[2] For the expropriation juries depending on the judicial authorities, there have been substituted arbitral committees consisting of a magistrate, a notary and a taxpayer. Without modifying the principle stated above concerning the amount of the compensation to be paid to owners, precise rules have been laid down for determining the amount of such compensation.[3] A limit has also been placed on the compensation that may be claimed by evicted tenants.

The Decree of May 24th, 1938, opened a credit of 400 million francs, which will be allocated to communes, in the form of loans, in order to assist them in the matter of indispensable expropriations and demolitions. These loans may in certain cases be used for the construction of special dwellings intended for certain categories of tenants who eannot safely be transferred immediately to ordinary buildings or cheap dwellings. The amount of the loans may not exceed 50% of the cost of the projected operation. The rate of interest charged on these loans will be 2% and the period allowed for their repayment may not exceed forty years.

Although no definite information is available as to the number of insanitary dwellings that have been pulled down, the clearance schemes so far carried out in Paris, Marseilles, Lyons and Nantes and in certain other towns have been comparatively limited in their scope. Under the 1912 Law, the efforts of public offices for cheap housing were indeed to be directed towards slum clearance, but in most cases the offices have had to confine themselves to erecting new buildings. The administrative and financial difficulties mentioned in earlier paragraphs have prevented the evacuation or demolition of existing slums. It would even seem that, during the period of widespread unemployment, there was a certain influx of necessitous families to poor quarters.

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[1] The *Comités de patronage des habitations à bon marché* (Committees for the Promotion of Cheap Housing) have also been authorised to take the initiative in reporting insanitary dwellings.

[2] Decree of August 8th, 1935, and two Decrees of October 30th, 1935.

[3] Decree of May 24th, 1938.

B. RURAL HOUSING

Present State of Rural Housing.

The results of an enquiry into the state of rural housing, undertaken at the request of the League of Nations, will shortly be published. In 337 communes in seventy-five Departments, selected as typical, some 52,000 houses out of 75,000 were inspected. The information contained in the general departmental reports was supplied by the Rural Engineering Services and the departmental headquarters of the Public Health and Agricultural Services.

Application of the Loucheur Law.

Cheap housing organisations carry on their work in the countryside as well as in urban districts. Regional agricultural credit societies have been assimilated to housing credit societies, and may thus act as intermediaries in the matter of State loans granted for the construction or purchase of small family houses in application of the cheap housing laws. The Loucheur Law applies in particular to agricultural workers, small owners or tenant formers in modest circumstances and habitually working alone or with one workman or members of their own family, and also to small rural craftsmen. It was provided that one-third of the annual appropriations made under the Loucheur Law should be reserved for rural communes. Although no precise information is available as to the amount of the loans that really represented the share of the countryside, it would seem that, at all events in some regions, the rural population has benefited largely by this assistance. In part, the loans have been used for the reconditioning and modernisation of dwellings already existing.

Long-term Loans in favour of Small Properties.

From pre-war days, the agricultural credit banks have granted individual long-term loans for the purpose of helping agricultural workers and small farmers to purchase, recondition, convert and reconstitute rural small holdings which the borrowers undertook to farm themselves or with the aid of their families. New bases for this activity were furnished by the Law of August 5th, 1920, providing for the organisation of agricultural credit. The resources from which the long-term loans are derived come from the funds with which the State has endowed the *Caisse nationale de crédit agricole* (National Agricultural Credit Society) and from special appropriations voted by Parliament in 1929 and 1932. Since 1935, individual loans may not amount to more than 60,000 francs. The maximum period allowed for their repayment is thirty years. They must be secured by a registered mortgage and a life insurance. The rate of interest is usually 3%; but wards of the nation, certi-

ficated pupils of schools of agriculture, and the heads of large families are allowed certain reductions. These loans have been extensively granted, and for some years past the available amount of agricultural credit reserved for this purpose has not been sufficient to meet all duly supported applications for loans. Between 1921 and December 31st, 1937, nearly 80,000 loans had been granted to a total sum of 1,372 million francs.

Agricultural Workers' Dwellings.

Under a Law of July 31st, 1929, regional regulations were to be drawn up determining the general sanitary conditions to be complied with in the case of wage-earners' dwellings in agricultural undertakings, more particularly as regards air space, lighting, sleeping accommodation, lavatory accommodation, etc. For districts in which such regulations have not yet been drawn up, the Decree of November 16th, 1932, laid down summary rules.

The Law of 1929 authorised agricultural credit societies to grant rural landowners individual long-term loans at a reduced rate of interest for the purpose of facilitating the construction, reconditioning, improvement or conversion of buildings intended for agricultural workers' dwellings. The amount of the loans may not exceed 100,000 francs in the case of any one undertaking. Up to December 31st, 1937, only eighty-nine loans had been granted to a total amount of 2.8 million francs. The Decrees of May 24th and June 17th, 1938, improved the terms on which loans are granted. Certain reductions in interest, *inter alia*, were introduced in favour of land-owners who are the heads of large families. The owners of forestry undertakings, market gardens, stock-breeding establishments, etc., are assimilated to farmers. Agricultural workers' unions and chambers of agriculture may obtain from the agricultural credit societies loans for any organisations likely to facilitate improvements in the housing of workers in different branches of agriculture.

Improvement of Rural Housing.

In a more general way than the measures mentioned above, certain provisions of the Decree of May 24th, 1938, tend to encourage the improvement and reconditioning of rural dwellings. For this purpose, special organisations have been set up, in particular departmental rural building committees, whose duty it is to give technical advice. Farmers and rural craftsmen, etc., may apply to agricultural credit societies for loans to be used for the purpose of improving their dwellings, and these will be granted them on the same terms as loans for small agricultural property. The same possibilities are available for rural communes in connection with schemes for the general improvement of housing conditions in built-up areas, more particularly through the demolition of old and decayed blocks of buildings, and through the execution of sanitary improvement work.

NETHERLANDS

A. URBAN HOUSING

The Extent of the Need

Number, Size and Nature of Dwellings.

In 1919, there was a shortage of some 60,000 dwellings in the country as a whole. By the time the 1930 census was taken, the situation had become more or less normal, 50,000, or 2.65%, of the existing dwellings being unoccupied. The economic depression would appear to have slowed down the increase in demand. Owing to the fall of incomes, many households were unable to set up house at all, or a single dwelling would be shared by two or more households. Since building went on up to 1935 at the same rate as before the depression, this resulted in a large surplus of dwellings in relation to the effective demand. Nevertheless, there is a pressing need for low-rented working-class dwellings.

The Netherlands is, together with England, the country in which one-family houses are most numerous. It is only in the largest towns that blocks of flats are more usual, and even then permission to build more than three stories above the ground floor is granted only in exceptional cases.

Since the beginning of the century, the Netherlands has possessed very far-reaching legislation on the subject of housing, and most dwellings now satisfy the strictest requirements, both from the point of view of floor-space and from that of hygienic conditions. Each one-family dwelling must contain a living-room with a minimum area of 16 square metres, in addition to separate bedrooms for the parents, and for sons and daughters respectively.[1] Every dwelling is also required to include certain subsidiary rooms (entrance hall, back kitchen, pantry, wash-room, larder and a W.-C. for the exclusive use of the occupants). In general, the regulations concerning the supply of drinking-water to individual dwellings, drainage and access to air and light are also satisfactory.[2] For some years past, all dwellings built

[1] The regulations differ slightly, however, from one commune to another. In some towns, alcoves are allowed in certain cases instead of bedrooms.

[2] For further details concerning the regulations in force, see League of Nations : Health Organisation, 1935 : *The Housing Policy in the Netherlands*, by Ir. H. van der Kaa.

by private enterprise have contained a bath or shower, and recently, in certain towns, working-class dwellings built by public utility societies have likewise been provided with a shower.

However, there are still numerous old dwellings to which the above regulations were not applied at the time they were built. In 1924, the total number of dwellings unfit for habitation was estimated at about 60,000. Between 1924 and 1935, 14,000 of these were condemned and about 16,000 are thought to have been withdrawn from use for other reasons, so that, in 1935, there were probably about 30,000 left.

Still existing imperfections mainly depend on the fact that many families lack sufficient means to rent a dwelling that satisfies the legal regulations, or are unwilling to spend so large a part of their income on rent. An investigation was carried out in 1930 to discover how many families inhabiting dwellings with one or two bedrooms could provide separate bedrooms for children of different sexes over 14 years of age.[1] Over 200,000 dwellings, or 10.9% of the total number, were found to be inadequate for the families occupying them.[2]

Building Trade and Housing Finance

Organisation and Activity of the Building Industry.

The table on the following page shows that private enterprise plays a leading part in the building industry. Private building is carried on by a great number of small contractors, most of whom have only limited means. Houses are nearly always built for individual investors, who let the dwellings.

During and after the war, the communes and the public utility societies have supplied low-rented dwellings to the poorer classes. Many of the last-named bodies (limited liability companies, co-operative housing societies, etc.) were established at the instigation, and with the participation, of the municipal authorities. Even in cases where their members include the future tenants of the dwellings, a considerable part of their registered capital is often supplied by the municipality. Provided that they carry on their activities exclusively with a view to the erection of low-rented dwellings, that they limit their dividends to a maximum of 4% and that they are subject to public supervision, these bodies are recognised by the authorities as entitled to the financial assistance prescribed by the Housing Law.[3] Their work and that of the municipalities is usually tendered for, and carried out under contract by private builders.

[1] For subsequent investigations, the age-limit was lowered.

[2] If overcrowding is measured by the standard used in certain other countries (more than two persons per room), only 3% of the dwellings occupied in 1930 could have been regarded as overcrowded.

[3] *Cf.* page 96.

Building of Dwellings in the Netherlands as a Whole from 1921 to 1937.

Year	Number of dwellings built on new sites[1]				Number of dwellings obtained by building, reconditioning, etc.	Number of dwellings withdrawn from use by demolition, condemnation, etc.	Net increase in number of dwellings
	By the communes (the State)	By public utility societies	By individuals	Total			
1921...	6,323	19,298	14,743	40,364	40,364	1,895	38,469
1922...	6,938	13,622	24,936	45,496	45,496	2,035	43,461
1923...	5,543	9,590	27,999	43,132	43,132	2,629	40,503
1924...	3,681	8,736	34,295	46,712	46,712	3,616	43,096
1925...	4,100	8,538	34,552	47,190	47,190	4,477	42,713
1926...	3,016	4,749	41,068	48,833	50,698	6,335	44,363
1927...	2,828	4,801	42,617	50,246	51,622	6,932	44,690
1928...	1,235	5,542	40,558	47,335	49,138	8,446	40,692
1929...	2,306	5,221	39,820	47,347	48,865	7,711	41,154
1930...	2,427	5,050	44,024	51,501	52,588	8,057	44,531
1931...	3,393	5,961	41,226	50,580	52,092	9,022	43,070
1932...	1,494	3,718	36,129	41,341	43,493	6,192	37,301
1933...	743	979	42,703	44,425	46,967	5,341	41,626
1934...	789	4,127	47,675	52,591	55,284	5,344	49,940
1935...	501	2,978	41,752	45,231	48,400	5,407	42,993
1936...	345	2,285	27,655	30,285	33,746	6,407	27,339
1937...	544	1,831	26,744	29,119	32,219	7,242	24,977

SOURCES : *Maandschrift van het Centraal Bureau voor de Statistiek*, of May 31st 1938, page 892.
League of Nations : Health Organisation, 1935 : *The Housing Policy in the Netherlands*, by Ir. H. VAN DER KAA. Data completed by the author.

After the war, private building increased, first as a result of the subsidies granted by the authorities (1920-1923), and subsequently owing to the restoration of conditions favourable to private building. Rent restriction schemes would appear to have been fairly elastic in the Netherlands, as by about 1925 the level of rents was allowed to reach that of building costs. Official supervision was completely discontinued at the beginning of 1927.

From 1931 onwards, currency deflation substantially reduced building costs.[2] Recently built dwellings were thus able to compete with those already in existence. Owing to their up-to-date amenities, the new dwellings were greatly sought after by the middle classes and by certain working-class groups whose income had not been too severely affected by deflation.

[1] From 1921 to 1925, number of dwellings obtained by new building and reconditioning of existing buildings; from 1926 onwards, new buildings only.
[2] *Cf.* page 95.

Speculative building was therefore actively pursued, and even established a record about 1934. On the other hand, the local authorities and public utility societies were much less active than before the depression, owing to Government restrictions on loans advanced under the Housing Law for the erection of working-class dwellings.

The number of unoccupied dwellings continued to increase up to 1935, and a general fall in rents occurred.[1] Old houses, especially those intended for the middle elasses, were severely affected. Many landlords went bankrupt and financial institutions were obliged to take possession of the houses. About 1935, the principal financial institutions decided to impose strict limitations on loans for new building. The devaluation of September 1936, which was followed by a 20% rise in building costs, also tended to restrict building.

Organisation of Housing Credit.

There are, in the Netherlands, more than fifty private mortgage banks, constituted in the form of limited liability companies. No supervision is exercised over their transactions, which are confined to the issue of mortgage bonds and investments in first mortgages. Insurance companies and savings banks, and also certain important administrative bodies, likewise invest large sums in mortgages. Big transactions are financed almost exclusively by the mortgage banks and insurance companies.

First mortgages may amount to 60% or 70% of the estimated market value of the buildings concerned. In the case of new buildings, this value has usually been fixed in recent years at a sum from 5% to 15% below cost price. As a rule, redemption is agreed to at 2% per annum, but contracts must be renewed every five or ten years.

There is no institution dealing regularly with second mortgage loans. In order to obtain such loans, the builders or purchasers of house property must apply to individuals; in consequence, the terms vary greatly. However, in special cases, the State advances loans on second mortgage for the building of working-class dwellings.[2]

Attention may also be drawn to the recent establishment of housing savings banks (similar to the German " Bausparkassen "), the object of which is to grant loans on favourable terms to persons wishing to acquire a one-family house.

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[1] At Amsterdam, middle-class rents fell on an average by more than 25% between 1930 and 1937. The rents of working-class dwellings built after the war by private enterprise fell by about 10%. Those of cheap dwellings built with the financial assistance of the States (*cf.* page 98) were also reduced. On the other hand, the rent of pre-war working-class dwellings increased by about 5% between 1930 and 1935, and fell by a similar amount between 1935 and 1937.

[2] *Cf.* page 99.

Interest Rates. The following table shows the fluctuations in interest rates in the Netherlands between 1925 and 1938 :

Yearly average	Official discount rate	Net yield of Government bonds [1]	Average interest on new mortgages	Yearly average	Official discount rate	Net yield of Government bonds [1]	Average interest on new mortgages
	%	%	%		%	%	%
1925...	3.90	4.18	5.50	1933..	2.95	3.68	5.29
1927...	3.72	4.01	5.32	1934..	2.50	3.35	5.08
1929...	5.13	3.94	5.51	1935..	3.99	3.43	5.05
1930...	3.22	3.81	5.32	1936..	2.83	3.32	4.90
1931...	2.47	3.86	5.17	1937..	2.00	3.08	4.75 [2]
1932...	2.65	3.89	5.57	1938..	2.00	2.99	4.25 [2]

SOURCES : *Statistical Year-Book of the League of Nations.*
De Nederlandsche Conjunktuur, August 1938 : " De Woningbouw in Amsterdam ".

The rate of interest on new mortgages remained relatively high throughout the period of greatest building activity. The lowering of interest rates after the abandonment of the gold standard was not of much help to the building industry, because, since 1935, financial institutions have restricted their new building loans.

Building Costs. The following table indicates the variations in building costs between 1925 and 1938 :

Yearly average	Index of building costs (1929 = 100)	Yearly average	Index of building costs (1929 = 100)
1925.....	106	1932.....	87
1926.....	105	1933.....	77
1927.....	103	1934.....	75
1928.....	100	1935.....	69
1929.....	100	1936.....	63
1930.....	101	1937.....	75
1931.....	95	1938.....	74

SOURCE : League of Nations : Health Organisation, 1935 : *The Housing Policy in the Netherlands*, by Ir. H. VAN DER KAA. Data completed by the author.

The fall between 1930 and 1936 was clearly caused, in the first place, by the reduction in the exchange rate of foreign currencies, which enabled imported building materials (Swedish timber, British iron and Belgian cement) to be bought much more cheaply. The increase from 1936 to 1937 is chiefly to be explained by the

[1] Irredeemable Government bonds, 2½-3%.
[2] Estimated figures.

devaluation of the florin and the rise in foreign currencies. Wages dropped considerably, and at Amsterdam, for example, the average hourly wage of workers in the building industry fell by over 30% between 1930 and 1937.

In 1935, the cost of building an ordinary working-class dwelling at Amsterdam, with a net area of 45 square metres, amounted to some 2,500 florins. A private property owner, not benefiting by public loans, would have had to pay interest and redemption charges on this capital amounting to about 172 florins a year (including a yield of 5% on his own funds). The price of a prepared building site appears to have varied between 35 and 45 florins per square metre in recent years—*i.e.*, between 1,150 and 1,350 florins per dwelling.[1] At Amsterdam, as in most of the other large towns, building sites are chiefly in the hands of the municipality. Plots are generally let on long leasehold, the sum payable each year being calculated on the basis of an interest rate of 5%, and thus amounting to some 58 florins a year for a working-class dwelling. Overhead charges (upkeep, management, insurance, taxation, water-rate, etc.) are reckoned to have amounted in 1935 to about 120 florins a year. This makes a total of 350 florins a year, or 6.73 florins a week, representing the net rent of a working-class dwelling built by private enterprise without assistance from the authorities.[2] This sum is considered too high for many working-class families.

The Housing Policy

The Housing Law of 1901.

The Housing Law of 1901, with certain amendments, still forms the basis of housing policy in the Netherlands. It entrusts to the communal authorities the task of specifying the requirements which dwellings must satisfy,[3] of supervising the condition of dwellings and of improving or, in certain cases, demolishing unfit dwellings; it also provides that, if necessary, financial assistance shall be given by the authorities for the building of working-class dwellings.[4] The financial provisions have been applied chiefly during and after the war.

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[1] The price of land is much lower in other towns. The following figures are given for building schemes projected or in course of execution in 1935: at Rotterdam, 23 to 25 florins; at The Hague, 20 florins; at Utrecht, 14 florins per square metre.

[2] At Amsterdam, at the beginning of 1936, the average rent for working-class dwellings built by private enterprise after the war was 344 florins a year. At the same date, the average rent for pre-war working-class dwellings was 263 florins a year.

[3] The regulations in question apply equally to individual dwellings, blocks of flats and town-planning schemes.

[4] For further details regarding the various chapters of the Law, see *The Housing Policy in the Netherlands*, by Ir. H. van der Kaa, Geneva, 1935.

The Building of Working-class Dwellings by the Communes and Public Utility Societies.

Under the 1901 Law, both housing societies recognised by a Royal Decree as being of public utility [1] and communes may receive loans and subsidies for the purchase of sites, the building of working-class dwellings or the improvement of dwellings.

These loans are not restricted to any definite proportion of the value of the dwellings it is proposed to build. They generally correspond to the total amount of capital required. The rate of interest varied between 5% and 6% from 1919 to 1926, while, in 1927, it was lowered to 4.75% and in 1934 to 4%. Loans to defray building costs are generally repayable in fifty years, and those covering the price of the site in seventy-five. The communes are responsible to the State for the payment of interest and redemption charges, and it is usual for them to obtain guarantees from the societies in the form of first mortgages. They have also the right to seize the societies' properties at any time, provided they take over the charges and debts with which they are encumbered.

The building of working-class dwellings with the help of Treasury loans went rapidly ahead during the war and the years immediately following it. Since that time, State loans have been gradually reduced. While over 22,000 dwellings were built under the Housing Law during each of the years 1920 and 1921 and an average of nearly 3,700 were still being built every year between 1922 and 1930, the figure for 1931 to 1937 was barely 1,800 on an average. Nevertheless, the public utility societies have built a large number of dwellings without having recourse to State loans. Many communes have stood surety for loans contracted by the societies with private or public institutions (pensions funds, insurance companies, etc.), sometimes obtainable at a rate of interest below that asked by the Government.

Between 1924 and 1937, State loans amounted in all to 124 million florins, which were used to build nearly 33,000 new dwellings. The total number of dwellings erected by the communes and public utility societies during this period amounted to nearly 92,000.

In certain cases, the Government also pays subsidies to cover a proportion of the annual expenses, so as to bring down the rent. A large number of such subsidies were granted between 1916 and 1924. At first, they were reckoned so as completely to cover the additional outlay necessitated by the rise in building costs and in the rate of interest, and were paid half by the State and half by the communes. Subsequently, the authorities contribution was reduced. At the same time, the State took over a larger

[3] *Cf.* page 92.

proportion. The fall in building costs after 1920 made it possible to fix at 70%, later at 80%, and finally at 90%, the proportion of the annual expenses which had to be covered by the rent. Some 95,000 dwellings, or almost all of those erected by the public utility societies during the period in question, benefited by the above subsidies, which at the present time still cost the Treasury 10 million florins and the communes between 3 and 4 million florins every year.

In general, subsidies have been granted since 1924 for the sole purpose of replacing slum dwellings. The book deficit on such dwellings may not exceed 50 florins a year, half of which is made good by the State and half by the commune. Nearly 11,500 such dwellings were built between 1925 and 1937 and cost the Treasury over 300,000 florins a year.[1]

Rents of Working-class Dwellings.

Thanks to the facilities enjoyed by the public utility societies, the latters' rents are often lower than those charged by private landlords for similar dwellings. At Amsterdam, in 1935, a working-class dwelling with a net area of 45 square metres, and benefiting by the above facilities, would be let at about 300 florins, while a dwelling with the same floor-space and comfort, built by private enterprise, would have cost about 350 florins.

The Government wishes working-class rents to be stabilised at the same level as those of similar dwellings in the same part of the commune, except in cases where tenants who have been evicted as a result of improvement schemes are not in a position to pay the rent of a suitable dwelling. A clause on these lines has to be included in the statutes of societies applying for Government approval. Indeed, many societies fix their rents in such a way as just to balance their accounts, even though they could obtain higher rents, and Government approval has been withdrawn from some of them on that account.

Currency deflation has necessarily brought about a fall in wages of recent years, and the Government has tried to secure a reduction in rents. The interest on loans, which a time ago amounted to 6% on sums running into several tens of millions and 5% on still larger sums, has been reduced to 4%, and any surplus accruing to the societies is paid into a fund for the lowering of rents.

State Assistance for Private Building.

In order to combat the housing shortage, the State granted subsidies from 1920 to 1923 for the private building of working and middle-class dwellings. The amount of the subsidy, which was at first 2,000 florins (2,500 at Amsterdam), was

[1] Since 1938, the State has also made non-repayable advances, especially in rural areas, to persons wishing to buy a small house of their own. *Cf.* page 91.

gradually reduced to 300 florins per dwelling, and finally discontinued on January 1st, 1924. The total sum of these subsidies amounted to 67.5 million florins, with the help of which 76,000 dwellings were erected. During this period, the State also advanced first mortgage loans at a rate of interest of 6%, up to 90% of building costs (less the subsidy). These loans amounted in all to nearly 50 million florins.

From 1924 onwards, second mortgages were granted for the construction of working-class dwellings. These were issued for an amount up to 20% of building costs and 600 florins per dwelling. When added to the first mortgage, they were not to exceed 85% of the cost. Any losses were borne as to half by the State and half by the commune concerned. These loans amounted to 7.8 million florins, and more than 13,500 dwellings were erected with their help.

In 1934, the assistance thus given to private building was replaced by other provisions intended to promote the building of low-rented dwellings, by means of second mortgages up to 30% of the value (including the value of the site, if the latter is the property of the person concerned). The total of this advance and the first mortage, which the owner has to find elsewhere, may not, however, exceed 90% of the value, and is limited to 700 florins per dwelling built on a leased site and to 900 florins if the site belongs to the person benefiting thereby. The interest charged is 4%, and the maximum duration of the loan is ten years. If the first mortgage, as is generally the case, is redeemed at the rate of 2% per year, the second mortgage need not be redeemed.

Advances made under the Housing Law as well as the second mortgages to private builders are granted only for dwellings the dimensions of which do not exceed certain limits.

Reconditioning of Existing Dwellings and Slum Clearance.

The Housing Law empowers the municipal authorities to demand that any dwelling which presents serious shortcomings from the health point of view shall be reconditioned, and that dwellings condemned as unfit for habitation shall be evacuated. Subject to Government approval, the municipal council may expropriate unfit dwellings, with a view to their demolition.

If an unsatisfactory dwelling stands in an approved road, the authorities as a rule simply declare it unfit for habitation and provide other accommodation for the inhabitants, while leaving the owner free to demolish it or use it for some other purpose.

If dwellings declared to be unfit for habitation are situated in narrow streets or if the various parcels are so scattered as to make it impossible for the owners themselves to rebuild, whole districts are either purchased or, if necessary, expropriated. The municipality may decide to rebuild them in accordance with a new

plan, or it may either sell or let on long leasehold the available parcels. Before the last financial crisis, far-reaching clearance schemes had been carried out at Amsterdam, Rotterdam, The Hague and elsewhere. The total number of dwellings demolished or reconstructed as a result of clearance schemes at Amsterdam between 1926 and 1935 amounted to some 2,000.[1] In most cases, the expenses incurred were covered, either wholly or chiefly, by a State loan, repayable in fifty years. Since the sale of sites or their utilisation for new dwellings has not usually made it possible to recover the outlay, the State has also taken over half the annual deficit, the other half being met by the commune concerned.

In order to house poor families evicted from condemned dwellings who are unable to rent a suitable home, the communes are bound, in principle, to provide them with cheap dwellings, of a simpler type than those usually erected by housing societies. These are built either by the commune or by a society, with a State loan. If the families in question are not able to pay a rent based on the cost price, the State, in certain circumstances, shares the deficit with the municipality.[2] A Ministerial circular of 1925 allotted a sum of 80,000 florins a year to that purpose, but this credit was reduced from 1932 onwards, on account of the financial situation.

In 1938, the Government instituted a system of non-repayable grants for the reconditioning of working-class dwellings which, although not insanitary, were without gas, running water, electricity, etc. Such grants may be made either to societies or individuals and may amount to one-third of the cost, provided they do not exceed 165 florins per dwelling, save in certain exceptional cases where they may amount to 240 florins. Two-thirds of the grant is payable by the State and one-third by the commune.

B. RURAL HOUSING

Present State of Rural Housing.

As a rule, dwellings in rural areas are inferior to those in the towns. For the first, they are smaller. The homes of agricultural labourers, in particular, often contain on the ground floor only a kitchen, used as a living-room, with two or three cupboard-beds, and an entrance hall. The loft serves as a storeroom for crops. Apparently, slums are also more common in the country than in the towns.

Nevertheless, considerable progress has been achieved, and a fifth or a quarter of the new dwellings built each year are in

[1] Between the coming into force of the Housing Law in 1902, and 1936, some 9,000 dwellings were withdrawn from use at Amsterdam, after being condemned.

[2] *Cf.* page 98.

communes with less than 10,000 inhabitants. Agricultural workers are, however, often unable to pay more than 2 or 2.50 florins per week in rent, whereas a dwelling which satisfies the requirements of the law would cost 3 or 4 florins.

Rural Housing Measures.

The Housing Law requires rural, as well as urban, authorities to frame building regulations, to supervise housing conditions, to compel landlords to recondition dwellings which fail to satisfy the regulations and to evacuate those which are declared unfit for habitation. The loans granted by the State to housing societies recognised as of public utility are also available to the rural communes. Similarly, with the object of encouraging slum clearance, the State and the communes grant a joint subsidy of 1 florin per week for each new dwelling intended to replace an evacuated dwelling, thus enabling the rent to be reduced.[1]

There are certain measures, not included in the Housing Law, which are specially applicable to rural areas. Since 1927, the occupants of a dwelling evacuated after being condemned may be helped to obtain another dwelling by means of a non-reimbursable grant not exceeding half the cost of building or 600 florins in all, half of this being paid by the Treasury and half by the commune. This grant may be increased to 900 florins in the case of large families. In order to make up the necessary capital, the person concerned may also be granted a loan repayable in thirty years by fixed annual instalments. Between 1928 and 1934, the State made grants amounting to some 64,500 florins for the building of 231 dwellings.

The Law of 1918 on agricultural workers allows loans to be made for the establishment of small agricultural or market garden undertakings. Agriculturists must possess at least one-tenth of the sum required to purchase the house or to buy the site and build a house thereon. The loan must be repaid in thirty equal annual instalments. From 1919 to the end of 1937, 5,242 such loans were granted.

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[1] The statistics quoted in the first part of the chapter regarding these activities refer to the country as a whole.

NORWAY

A. URBAN HOUSING

The Extent of the Need

The Housing Shortage.

Building activity was reduced considerably during the war and throughout the period of currency depreciation, which, in Norway, continued nearly till 1928. According to an estimate based on the ratio between the number of dwellings and the number of adult males, recorded at the 1910 and 1920 censuses, the actual deficiency of dwellings in the twenty-five towns of more than 5,000 inhabitants appears to have been, in 1920, in the neighbourhood of 15,000, in comparison with a total of 160,000 existing dwellings. In Oslo alone, the deficit was estimated at 10,900, as compared with a total of 53,630 dwellings. A similar calculation shows that, in 1930, when the total number of dwellings in the capital had risen to 63,500, there was still a shortage of about 7,500. The situation has certainly improved since that time, as a result of the revival in building since 1929; but the shortage lasted for a long time, and in some towns, particularly in the capital, it does not seem to have been remedied even yet.

Size and Nature of Dwellings.

The prevailing type of dwelling, even in the towns, is the one- or two-storied house, generally built of wood. But one-family houses, consisting of a single dwelling, constitute only a very small proportion of the total. Brick houses with several stories are only to be found in a few large towns; they are only common in Oslo, where, in 1930, more than a third of the houses had four stories or more.

Most of the dwellings are comparatively small. For instance, the statistics compiled in 1930 for all towns showed that about a quarter of the existing dwellings consisted of two rooms, apart from the kitchen, and a fifth of only one room and kitchen. Six per cent of all dwellings consisted of single rooms. In Oslo, at the end of 1934, the proportion of dwellings consisting of one or two rooms, in addition to a kitchen, amounted to nearly three-fifths, while those of one room and kitchen accounted for about a quarter of the total.

Though the introduction of modern amenities has made great strides in the past ten years or so, they are still lacking in most

urban dwellings. The following data show the extent of the lack of modern sanitary installations in Oslo at the end of 1934 :

	Dwellings built		Total number of dwellings
	Before 1915	After 1915	
Total number of dwellings occupied	52,127	18,397	70,524
Percentage of dwellings :			
Without w.-c.	69	3	52
Without bath [1]	85	31	70

SOURCE : *Statistisk Månedsskrift* (Monthly Bulletin) of the City of Oslo.

Although there are no slums, in the true sense of the term, in Norwegian towns, a considerable number of old dwellings are seriously defective from a sanitary point of view. The Health Board of the City of Oslo stated in its report for the year 1935 that there were in the city at the end of that year at least 2,000 dwellings which ought to be evacuated immediately, but with regard to which the Department could do nothing because there was nowhere to house the tenants.[2]

The Overcrowding of Dwellings.

According to the 1930 census, the number of overcrowded dwellings—*i.e.*, those with more than two persons per room (counting the kitchen as a living-room), was 17,554 (8.7% of all urban dwellings), and the number of persons living in overcrowded dwellings exceeded 118,000 (15.3% of the urban population). It is true that, in comparison with 1920, these figures show a considerable improvement, but on closer examination this improvement appears to be mainly due to the reduction during this period in the proportion and number of large families.

BUILDING TRADE AND HOUSING FINANCE

The Activity of the Building Industry.

As can be seen from the table on page 105, the revival in building did not begin until 1929. This table also brings out the leading part played by Oslo in all building activity, particularly during recent years.

The economic disturbances produced by the world war had brought private building almost to a standstill, and, after the deflation of the currency in 1921 and 1922, conditions still

[1] Neither private bath nor common bath-house shared with other dwellings.
[2] The number of dwellings actually condemned in recent years has been about 200 per annum.

remained unfavourable, despite a marked fall in prices and wages. On the one hand, the money market remained very tight, and, on the other, rents, which were still subject to the official restriction imposed during the war, were kept at a level much below the general level of prices and building costs. During the war, and up to 1921, almost all new dwellings were built either with financial assistance from the State or local authorities, or by local authorities themselves. From 1923 onwards, the assistance of public authorities was gradually reduced, so that house building fell off from year to year, reaching its lowest point in 1927. The general revival in business during the following years, the stabilisation of the currency in 1928 and the relaxing of official rent control produced more favourable conditions for the building industry. The impetus given to speculative building by these events was only very slightly affected by the economic crisis of the years 1931 and 1932. Moreover, the reduction in interest rates resulting from the industrial depression and monetary policy (abandonment of the gold standard in 1931 and linking of the Norwegian krone to the pound sterling) soon gave a fresh impetus to private building, which has enjoyed a real boom during the past few years. In spite of this fact, various municipalities have been compelled, by the urgency of the housing shortage, to continue their building activities. This applies particularly to the city of Oslo.

Organisation of the Building Industry.

After the war, the movement towards home-ownership gained strength through the lack of dwellings to let. Private enterprise concentrated mainly on the building of one-family houses; up to 1928, dwellings built without financial assistance from public authorities were nearly all of this type. A large number of these houses are villas for the middle classes, but with the help of the credit facilities provided by the Norwegian State Small-holdings and Dwellings Bank [1] (Den Norske Stats Småbruk- og Boligbank), a certain number of workers and minor officials, especially in the provinces, have been enabled to build houses for themselves. The maximum amounts advanced by this institution are, however, too small for it tobc of any real importance in the towns.

Most blocks of flats erected since the war have been built by societies incorporating the tenants as shareholders. Originally these societies were founded by relatively well-to-do persons, who adopted this form of association to get dwellings built for themselves. They often received a certain amount of assistance and even subsidies from the authorities. With the revival of private speculative building, the new undertakings were generally organised on similar lines. The contractors themselves established

[1] *Cf.* page 106.

Building Activities in all Towns of more than 5,000 Inhabitants (in 1920), and in Oslo and Suburbs, 1921-1937.

Years	Net increase in number of dwellings		Dwellings built		
				In Oslo and suburbs	
	In all towns [1]	In Oslo and suburbs [2]	In Oslo alone	By private enterprise with the assistance of the municipality [3]	By the municipality itself [4]
1921	2,363	1,095	518	162	889
1922	2,641	1,583	737	432	550
1923	2,922	1,664	700	588	515
1924	2,469	1,274	520	486	317
1925	2,227	1,578	1,020	487	600
1926	1,637	1,137	725	311	475
1927	1,391	764	386	124	213
1928	1,920	1,074	461	258	143
1929	2,847	1,706	1,016	371	142
1930	3,056	1,874	1,249	537	311
1931	3,083	1,850	1,368	476	537
1932	4,615	2,905	2,360	595	683
1933	3,552	2,101	1,537	540	264
1934	4,234	2,726	2,091	530	424
1935	4,925	3,364	2,124	431	154
1936	7,307	5,203	3,485	1,502	—
1937	5,589	3,822	2,846	973	—

SOURCES : *Statistical Year-book* and *Monthly Bulletin of the City of Oslo; Statistiske Meddelelser* (monthly bulletin) of the Central Statistical Office of the Kingdom.

new building societies comprising the future tenants of a projected block of flats, who were required to provide a portion of the necessary building capital and received shares in exchange. When the building was finished, the society retained possession of it after paying the contractor his expenses and charges. This system, though it occasionally gave rise to sharp practice at the expense of tenants, was generally followed by private builders after the war. It is only during the past few years that there has been a tendency to return to pre-war methods, as evidenced by the fact that some private capitalists are now prepared either to

[1] Including Oslo and suburbs.
[2] Commune of Aker.
[3] Or by public utility companies collaborating with the municipality.
[4] Or bought by the municipality.

purchase urban blocks of flats, or to have them built for letting purposes as an investment.[1]

Organisation of Housing Credit.

The system of private institutions specialising in the provision of mortgage loans to owners of dwelling-houses is comparatively undeveloped in Norway. There are, however, a number of mortgage loan co-operatives, established some twenty or thirty years ago on the model of the Danish associations of the same type.[2] They are empowered to raise funds by issuing bonds. The oldest of them, whose operations are restricted by law to first-mortgage loans not exceeding 50% of the value of the security, have expanded considerably, but the others, more recently established, which lend only on second mortgage, have only begun to go ahead during the last few years. Mention should also be made of the establishment in 1934 of " building societies " on the lines of the *Bausparkassen* in Germany. Their operations, which are subject to official supervision under a law of 1936, are confined to second- or third-mortgage loans to their members.

Already before the war, the State had established independent institutions to help to provide building credit; these included the Mortgage Bank of the Kingdom of Norway [3] and the Norwegian State Small-holdings and Dwellings Bank.[4] These institutions issue bonds guaranteed by the State. The former grants first-mortgage loans up to 40% (in Oslo 50%) of the value of the security. These loans, of a maximum amount of 25,000 kroner, are primarily adapted to property of medium value. The latter grants credits on favourable terms to persons of modest means wishing either to build a house containing not more than two dwellings, or to purchase and work a small holding. The market value of dwelling-houses built with such bank loans must not exceed, in urban areas, 20,000 kroner (25,000 in the case of two-family houses), and the amount of the loan must not exceed 6,000 kroner (7,500 for two-family houses). Mortgages taken as security for such advances must not exceed 90% of the assessed value of the building. Moreover, a municipal guarantee is generally required in addition to the mortgage. The rate of interest is $4\frac{1}{2}$%, and loans must be redeemed within thirty years.

Mortgages on buildings are a favourite investment with insurance companies, savings banks, pension funds and other public or private institutions. Most of these bodies are bound by law

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[1] Even in such cases, tenants are frequently obliged to contribute to the financing of the building by taking up bonds which carry with them no right of possession, or by paying the rent in advance for a fairly long period.

[2] *Cf.* page 52.

[3] *Kongeriket Norges Hypotekbank*, founded in 1851.

[4] *Den Norske Stats Småbruk- og Boligbank*, established under another name in 1903 and reorganised between 1915 and 1917.

to grant only first-mortgage credits, restricted to not more than 60% of the assessed value of the building. In certain cases, insurance companies also grant second mortgages up to 80% of the assessed value, if guaranteed by another company, or in the case of " social buildings " by the local authorities.[1] First-mortgage loans are generally repayable at a fixed date and renewed every five years, while various systems are followed for the redemption of second-mortgage loans.

Since the war, long-term credits for the building of tenement houses in the large towns have been provided mainly by the insurance companies.

It is often difficult, especially in the case of blocks of flats, to obtain second-mortgage loans, because the institutions specialising in this type of operation are not yet sufficiently developed. In 1936, the Government proposed to establish a new State bank to meet this need. Although the proposal was rejected, the question is to be re-examined by a committee set up in 1938 to study the housing problem as a whole.

Interest Rates. It is only in the last few years that there has been a marked fall in long-term interest rates, as will be seen from the following table :

Yearly average	Official discount rate	Net yield of bonds [2]	Yearly average	Official discount rate	Net yield of bonds [2]
	%	%		%	%
1925	5.85	5.46	1933.....	3.70	4.95
1927	4.58	5.10	1934.....	3.50	4.65
1928	5.54	5.14	1935.....	3.50	4.44
1929	5.57	5.21	1936.....	3.53	4.52
1930	4.53	5.05	1937.....	4.00	4.46
1931	4.65	5.01	1938.....	3.50	4.33
1932	4.68	5.02			

SOURCE : *Statistiske Meddelelser.*

The rate of interest charged by private institutions on first mortgages is at present 4½%, and interest on second mortgages (without a municipal guarantee) is about 5%, plus 1% for the guarantee of an insurance company. The public authorities are

[1] In Oslo, the assessed value generally amounts to only about 70% of the actual cost of new buildings, so that first- and second-mortgage loans usually cover only about 60% of such cost. Private contractors are often obliged to obtain the rest of the necessary capital from private persons, architects, suppliers of building materials, and even from future tenants. A revaluation of buildings is now being carried out in order to assist the financing of new building.

[2] Up to December 1933, six 5% issues; from January, 1934, five 4½% issues.

making strenuous efforts to get these rates reduced. As an illustration, the Oslo municipality, by proposing itself to finance by means of bonds the second-mortgage loans required for building cheap dwellings, has succeeded in getting the rate of interest charged on such loans (with a municipal guarantee) obtained from insurance companies reduced to 4½%. As early as 1935, the interest on mortgage loans granted by certain State funds was reduced to 4%, and the Ministry of Social Affairs has just issued an appeal for the application of a similar reduction in respect of public funds not administered by Government bodies.

Building Costs.

After falling almost continuously from 1925 to 1934, building material prices, especially those of iron and timber, have risen sharply during the past few years. Wages, which fell by nearly 25% between 1925 and 1930, remained fairly steady until 1936. In 1937, as a result of the revision of wage rates in collective contracts, they rose by about 10%. At the same time, the cost of certain specialised forms of work has increased even more as a result of the introduction of piece rates and of cartels, so that total building costs are said to have risen by 15% between 1936 and 1937.

The following table gives some idea of the 1938 building costs of blocks of modern flats in Oslo :

Dwellings consisting of :	Net floor area Square metres	Total building cost : approximate minimum and maximum [1] Kroner
1 room and kitchen	37	10,000 – 12,000
2 rooms and kitchen	49	12,500 – 14,000
3 rooms and kitchen	60	14,500 – 16,000

SOURCE : *Oslo Housing Exhibition, 1938.*

In houses built by private enterprise, without financial assistance from the municipality, the gross annual rental, including, where necessary, loss of interest by tenant shareholders and certain maintenance charges which tenants are obliged to meet themselves, generally amounts to from 8.5% to 9.5% of the net cost of building. Rents of new houses would generally, therefore, be on the following scale :

	Kroner
1 room and kitchen	850 – 1,150
2 rooms and kitchen	1,050 – 1,350
3 rooms and kitchen	1,200 – 1,500

It is not uncommon, especially with dwellings consisting of one room and a kitchen, to find apartments which are still more expensive because of the luxurious way in which they are fitted up. As a general rule, dwellings built by private enterprise are beyond the means of households with modest incomes.

[1] Including cost of site.

The Housing Policy

Rent Restriction.

The rent legislation introduced during the war severely restricted the landlord's right to cancel contracts, and, in the case of old dwellings, only permitted rent increases corresponding to the rise since 1914 in management and maintenance costs and the rise in mortgage interest rates payable by the landlord. In the case of dwellings built after 1914, rents had to be based on the net building cost. In the towns, this system was maintained unchanged until 1926. It was then amended, with a view to the gradual restoration of equilibrium between rents and the retail price level, and abolished completely in 1931, except in Trondheim and Oslo, where it continued to be enforced, in respect of dwellings of less than three rooms and a kitchen, until the first quarters of 1934 and 1935 respectively. Existing rent legislation has, however, retained certain rules applying to all dwellings and designed to protect tenants against eviction. The Government has now introduced a draft law in Parliament providing, *inter alia*, for the establishment of special boards for the settlement of rent disputes between landlord and tenant.

Government Assistance to the Building Industry.

From 1919 to 1922, the Government granted non-repayable advances to assist the building schemes of local authorities and also to some extent those organised by public utility companies and private builders. The total sum advanced amounted to about 18 million crowns. The number of dwellings built with this form of State assistance was about 7,500. The Government also made various non-repayable advances to enable State officials to build their own dwellings, and, to the same end, it guaranteed certain mortgage loans. Lastly, it undertook itself the building of a certain number of dwellings for State officials. The total expenditure involved by these operations was about 19 million crowns, and the number of dwellings built about 1,800.[1]

Assistance by Local Authorities, 1912-1928.

Government measures to improve housing conditions have admittedly been somewhat limited, particularly as regards urban conditions. Even before the war, it was an accepted principle that the local authorities should be mainly responsible for housing policy. As a consequence, activity by the municipalities was of the first importance so long as private enterprise

[1] Mention should also be made of the State's participation in the operations of the Norwegian State Small-holdings and Dwellings Bank. This mainly concerns the country and small centres of population, and so will be described in connection with rural housing (*cf.* page 112).

In 1938, the Government set up a special committee to study the housing problem as a whole, and the action that should be taken by the State to improve housing conditions.

was still at a standstill. Thus the municipalities have guaranteed mortgage loans, obtained from public or private credit institutions, up to 80% or 90% of the value of buildings and have made non-repayable advances with or without Government aid. They have also undertaken the building of cheap houses. From the war up to 1928, this latter activity has been the most important of all the various measures undertaken. Between 1912 and 1928, total expenditure by local authorities for the improvement of housing amounted to about 200 million kroner, of which Oslo alone was responsible for 133 millions. The total number of dwellings built by local authorities, or with their assistance, was nearly 20,000, of which somewhat less than 10,000 dwellings in Oslo alone.

A number of local authorities, including Oslo, took advantage of a law of 1921 to exempt all new building from the property tax. In Oslo, where this tax represents 0.7% of the rateable value of buildings, tax exemption applies for from five to fifteen years from the date of completion of the building.

Various local authorities have also sold cheaply or let building sites on estates they already owned, or which they bought in order to provide an adequate supply of building land. In some cases, the local authorities defrayed the cost of the necessary development work.

Housing Policy in Oslo during the Last Few Years.

Since 1928, Oslo is the only place where the assistance of the local authorities has been of paramount importance. In order to encourage the erection of cheap houses, the municipality grants a certain amount of financial assistance to joint-stock companies formed by the future tenants of the building and subject to the supervision of the authorities. The scale of assistance is regulated by the following rules :

1. The municipality guarantees second-mortgage loans, which can consequently be obtained at a lower rate of interest.[1] This is the only form of assistance given towards the building of the higher-valued dwellings for the middle classes. Since, as a general rule, first- and second-mortgage loans barely cover two-thirds of the cost of building, a considerable proportion of the necessary capital has to be provided by private lenders and the stockholders themselves.

2. Apart from guaranteeing second mortgages, the municipality itself grants third-mortgage loans as a commercial proposition (rate of interest 5%; redemption by annual instalments over twenty years). Thus the stockholders' contributions are generally sufficient to cover the whole of the expenditure.

3. Interest charges on loans granted by the municipality are

[1] At present 4½% instead of 5% : *cf.* page 107.

reduced in accordance with a special system which involves a decreasing annual subsidy by the local authorities. In certain cases, a larger loan than usual is made, so that the contributions required of stockholders may be very modest.

4. The municipality buys the shares of certain companies for the purpose of providing dwellings at reduced rents for the poorest families (particularly those who have been evicted through the demolition of unfit dwellings).

Since 1934, the municipality has stopped building dwellings itself. After an enquiry had revealed that buildings erected by the municipality cost from 15% to 20% more than those put up by private enterprise and building societies, it was decided that, henceforth, it should co-operate with a public utility company established for this very purpose and known as the Oslo Bolig- og Sparelag.[1] This company is a kind of co-operative association which exercises the dual function of a credit and housing association. It collects the savings made by members so as to accumulate the amount necessary to obtain a dwelling; it obtains first- and second-mortgage loans from credit institutions; and it receives financial assistance from the municipality in the form indicated above. As a rule, contracts for the erection of houses are open to tender and given to private contractors, while the society assumes responsibility for the management of the houses.

The sums expended by the municipality between 1929 and 1938 amount to about 8 million kroner; it has granted loans to the same amount and guaranteed loans of nearly 46 millions. The 7,908 dwellings erected during this period with financial assistance from the municipality represent about 48% of the net increase in the number of dwellings in Oslo itself, and about 31% of the net increase in Oslo and suburbs.

The plans of all buildings erected with financial assistance from the municipality must be approved by the local authorities, and dwellings must be provided with standard installations as prescribed by them (w.-c., bathroom, hot water, central heating, gas stove, etc.). Rents are subject to control by the local authorities. Thus, at the present time, the municipality controls the rents of more than 17,000 dwellings (including those of which it is the owner)—*i.e.*, of more than a sixth of all the dwellings in Oslo.

Slum Clearance.

All efforts to clear unfit dwellings have hitherto been obstructed both by the shortage of houses and the restrictions in the 1924 Building Law on the right of local authorities to acquire compulsorily land already built on. The most important work of this kind so far undertaken is the clearance of certain quarters in the centre of Oslo, covered with seventeenth-century buildings, which have

[1] Since as far back as 1930, municipal building had been carried out by limited companies of which the shares were owned by the municipality.

been compulsorily acquired under the terms of a special law. A town hall and a series of commercial buildings are in course of erection on this site. The whole of the municipality's expenses have been recovered by the sale of sites to private persons. The municipality has assisted the evicted families by enabling them to obtain dwellings at a cheap rental.[1]

B. RURAL HOUSING

Present State of Rural Housing. The commonest type of dwelling in the country is the three-room one, usually consisting of a large kitchen and two bedrooms. According to the 1930 census, a quarter of all rural households lived in dwellings of this type, while 17% and 8% respectively had only either two rooms or one room. About 13% of all households, equivalent to a fifth of the rural population, lived in dwellings with more than two persons per room. These figures represent a considerable improvement on 1920, and this improvement has probably continued as a result of the reduction in the size of families. A detailed enquiry into rural housing is now being carried out.

Measures to promote Small Holdings. The "Norske Stats Småbruk- og Boligbank" (Norwegian State Small-holdings and Dwellings Bank)[2] carried out important work in rural areas to assist the building of small one-family houses and to enable families with modest savings to acquire an agricultural small holding. This form of assistance was introduced before the war and since 1925 has been mainly directed to the establishment of small farms by the breaking-up of virgin soil. A borrower with from 1,000 to 10,000 kroner may obtain an advance for this purpose not exceeding 10,000 kroner or 70% of the value of the property, which may not exceed 25,000 kroner. Such loans, for which a guarantee by the local authorities is generally required in addition to the mortgage security,[3] bear interest at 4% and are repayable from the sixth year by forty-two fixed annual instalments. The State pays the difference between the rate of interest charged by the Bank and the rate it pays itself. In addition, State subsidies consisting of seven years interest and a third of the cost of erecting outhouses are often granted. The maximum loan for the building of small one-family houses (without land for cultivation) is 4,500 kroner, and the maximum amount securable on mortgage is 90% of the value of the building, which must not be more than 10,000 kroner.

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[1] *Cf.* page 111.
[2] *Cf.* page 106.
[3] In certain cases, the State shares with the local authorities in guaranteeing loans.

Interest is fixed at 4 $^1/_2$% and repayment by six-monthly instalments begins with the third and ends with the thirtieth year.

Improvement of existing Rural Dwellings.

Between 1935 and 1938, Parliament voted 2.1 million kroner to be used in subsidies for the improvement of unfit dwellings " in the country and in fishing districts ". At first, no individual grant could exceed 400 kroner, but, since 1937, the maximum has been raised to 500 kroner. Subsidies are only granted to persons whose income is too small for them reasonably to be expected to repair their dwellings entirely at their own expense. Precedence must be given to large families. Subsidies may only be employed for the purchase of materials and are only paid on the completion of the work. More than 6,000 rural dwellings have been repaired, enlarged or in some cases rebuilt with the help of these subsidies during the years 1935-1938. For the financial year 1938/39, a credit of 1 million kroner has been voted for the same object. Enquiries into the results of this scheme have shown that the work carried out has often been far in excess of what was anticipated and that the amount spent on materials was frequently much more than the subsidy. Uncompleted work represents less than 1% of the whole.

SWEDEN

A. URBAN HOUSING

The Extent of the Need

Number, Size and Nature of Dwellings.

After many years of stagnation, there has been a considerable recovery in the building trade from 1923 onwards. During recent years, a marked boom has developed under the influence of conditions particularly favourable for private building. Though the deficit of the first post-war years has been met, the supply of new dwellings has barely kept pace with the demand. The urban population has increased, and the number of households has responded to the rising ratio of persons of marriageable age to total population.[1] Further, the demand for modern housing seems to have been greater in Sweden than in many other countries, because of increase in income.

In the large towns, the principal type of building is the block of flats; in medium-sized towns, numbers of multiple-dwelling buildings are also found, though generally of smaller size and often built of wood. Cottages with one dwelling (or two dwellings, one of which is generally occupied by the owner and the other let) have increased in number since the war, as a result of the movement for home ownership.

Generally speaking, urban dwellings are very small. Three-quarters of them comprise, at the most, two rooms and a kitchen; almost two-fifths consist of only one room and kitchen, while single rooms (with or without kitchenette, fitted with a gas or electric stove) constitute nearly 12% of the whole.[2]

Post-war dwellings mostly have modern conveniences. In the large towns, and particularly in Stockholm, new housing reaches a very high and often even a luxurious standard. On the other hand, although old housing has to some extent been modernised, much of it is devoid of modern hygienic installations, and is either badly built or in bad repair. Of 760,000 urban dwellings (in 1935), the number of insanitary dwellings to be demolished or rebuilt has been estimated at 30,000.

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[1] This latter development has ensued in the case of towns, not only from the fall in the birth rate, but also from immigration, a high proportion of immigrants being aged from 15 to 30 years.

[2] These proportions have been calculated on the basis of the general housing census of 1933 and the Stockholm housing census of 1935.

The Overcrowding of Dwellings.

Since the small dwellings of one or two rooms, with or without kitchen, are to a large extent occupied by families, and even by large families, overcrowding is a most serious problem. Although the density of occupation has been diminishing for the last two or three decades, mainly as a result of the fall in the birth rate, the proportion of dwellings with more than two persons per room (counting kitchens as living-rooms) was, in Stockholm in 1935, 5%, and in other towns and urban areas in 1933, almost 10%. Nearly 9% and 17% respectively of the population was housed in overcrowded dwellings.[1]

A special enquiry has shown that about two-thirds of the families living in overcrowded dwellings are indigent, while, in the other cases, overcrowding would not appear to be due to insufficiency of income. Of the poorer families living in overcrowded dwellings, a particularly high proportion consists of those with more than two children under 15 years of age.

Building Trade and Housing Finance.

Organisation and Activity of the Building Industry.

The table on page 116 illustrates residential building activity in urban areas each year from 1917 to 1937. Private enterprise for profit is mainly represented by the series headed "blocks of flats for letting". On the outskirts of large towns, many villas consisting of one or two dwellings are also erected by speculative builders and sold to private persons who almost invariably intend to live in them themselves. But, in the provinces especially, small houses are largely erected by persons building on their own account.[2] Housing co-operatives range third in relative importance. Most active among them are the "Co-operative Saving and Building Societies",[3] consisting, on the one hand, of parent associations which pool the savings of members, build houses and negotiate mortgage credits, and, on the other hand, of affiliated associations which comprise the tenants of a multiple-dwelling

[1] In Stockholm, large families are less frequent than in the rest of the country, and in Stockholm, too, more of the large families belong to the well-to-do classes; this is why overcrowding is less frequent in the capital.

[2] Where these houses contain two dwellings, the income the owner can obtain by letting one of them is of great help towards meeting mortgage charges. For this reason, workers often prefer to build small two-dwelling houses.

[3] "Hyresgästernas Sparkasse- och Byggnadsförening" (H.S.B.). This movement, founded in 1923, had, at the end of 1937, branch associations in sixty-nine towns and had built about 17,000 dwellings of a total value of nearly 250 million kronor.

building and are responsible for its management, while they remain under the supervision of the parent association and contribute towards certain common funds. Members of such associations acquire the tenancy of their flats in return for a reasonable deposit and, in addition to payments to meet current expenses,

Building Activity in all Urban Areas from 1917 to 1937.

Year	Number of new dwellings [1] made available by building or adaptation						
	State and communes	Housing co-operatives	Public utility [2] companies	Industrial undertakings [3]	Private enterprise: Small residential properties [4]	Private enterprise: Blocks of flats for letting [5]	Total
1917	1,175	1,529		772	3,342		6,818
1918	976	1,007		972	2,248		5,203
1919	1,094	1,074		434	2,313		4,915
1920	827	367		575	2,755		4,524
1921	2,204	368		330	3,463		6,365
1922	660	332		118	5,250		6,360
1923	848	563		159	7,891		9,461
1924	1,649	517	672	101	8,962		11,901
1925	1,228	765	1,170	114	9,791		13,068
1926	453	1,973	332	73	11,390		14,221
1927	698	2,252	200	76	11,869		15,095
1928	406	2,339	392	76	13,186		16,399
1929	272	1,484	344	144	14,354		16,598
1930	808	1,980	360	92	19,141		22,381
1931	416	2,334	835	92	4,439	14,504	22,620
1932	533	2,626	1,367	111	4,567	11,269	20,473
1933	641	1,121	220	28	5,506	7,442	14,958
1934	917	854	458	44	6,223	10,667	19,163
1935	1,301	1,731	557	137	8,530	17,508	29,764
1936	930	1,465	832	180	8,980	21,250	33,637
1937	858	1,288	1,078	117	8,753	21,468	33,562

SOURCES : K. Socialstyrelsen. *Sociala Meddelanden*, annual report. *Byggnadsverksamheten i Sverige*, år 1937 (Activity of the Building Industry). Official Statistics of Sweden.

[1] The area to which these statistics apply has been extended from year to year. In 1923, for example, they covered 282 localities comprising 2.07 million inhabitants; in 1928, 315 localities comprising 2.27 million inhabitants, and in 1937, 715 localities comprising approximately 3 million inhabitants.

[2] Including philanthropic foundations and enterprises.

[3] For their own workers or employees.

[4] Total number of dwellings in houses consisting of one or two dwellings.

[5] Total number of dwellings in buildings containing more than two dwellings.

annual contributions, generally for a period of twenty years, which are employed to extinguish a portion of the mortgage debt.[1] Associations of this kind are mainly intended on the erection of blocks of flats; it is only recently that they have begun to build one-family houses on similar principles.

During the war and the following years, a certain amount of building was undertaken by public authorities themselves and, with the help of Government and municipal subsidies, by public utility companies and private persons building villas on their own account. Some industrialists provided dwellings for their own workers and employees.

Reduction in costs (consequent upon the deflation pursued in 1921-1923 [2]) and the repeal, in 1923, of the rent restrictions, restored favourable conditions for private enterprise for profit. As will be seen from the table given above, private building increased rapidly from year to year until 1930/31.[3] After a certain decline in 1932 and 1933, due first to the economic depression and then to a general labour conflict in the building industry, private enterprise has again become very active, owing mainly to falling rates of interest and abundant supply of capital.[4]

Organisation of Housing Credit.

Housing credit is provided by a number of private or public institutions such as insurance companies, annuity societies, savings banks, etc. Advances on first mortgage do not generally exceed 50% or 60% of the value of the security, repayable at a fixed date and renewable every five or ten years.[5] The interest rate is generally fixed anew for each period. Private mortgage banks, whose funds are raised mainly by bond issues, grant credits on both first and second mortgages.

Since before the war, the public authorities have facilitated housing finance by the creation of semi-official mortgage-credit institutions. The first of these was the Urban Mortgage Bank of the Kingdom of Sweden,[6] established in 1909, whose business is restricted to first-mortgage loans. Then, in 1929, came the Swedish Housing Loan Bank,[7] which makes advances on second mortgage and in some places supplies the need for primary credit for small residential properties.

The above-mentioned institutions, operating in towns and urban areas, are organised on co-operative principles. They lend

[1] The activity of such associations in governed by special legislation.

[2] Sweden returned to the gold standard in March 1924 and left it again in September 1931.

[3] The gradual widening of the geographical scope of the statistics accounts for only a minor part of the expansion shown.

[4] *Cf.* page 119.

[5] At the present, first-mortgage loans sometimes extend to as much as thirty or forty years.

[6] "The Konungariket Sveriges Stadshypotekskassa"

[7] "Svenska Bostadskreditkassan".

only through the intermediary of associations of owner-borrowers, who themselves take part in the management of the bank and are jointly liable for loans contracted through their own association.[1] Generally speaking, in each province there is one association co-operating with the Urban Mortgage Bank and another co-operating with the Housing Loan Bank. The activities of both institutions are carried on on a commercial basis; State participation is limited to a certain amount of supervision [2] and to the constitution of a guarantee fund for each bank at the time of its establisment. Loan funds are provided by the sale of bonds as and when applications for loans are received by the bank. The interest paid by borrowers is equal to the net interest on the selling price of bonds, plus certain contributions to administrative expenses and reserve funds.

Loans granted by the Urban Mortgage Bank must be secured by first mortgages not exceeding 50% (in large towns 60%) of the value of house-property. They may be either redeemable or repayable in their entirety after a period varying between ten and twenty years, after which they are generally renewed; this latter method is that usually preferred by borrowers. Loans by the Housing Loan Bank, on the other hand, are always redeemable, the period of redemption being from twenty to forty years. They are granted on second mortgages registered as under 75% of the value of the security or, in the case of small properties, against first mortgages amounting to 50% or 60% of the value of the property.

The Urban Mortgage Bank, which came into existence during the pre-war years, increased its activities as soon as the money market permitted. It is now of outstanding importance. At the end of 1938, its bonded debt—and total loans—amounted to more than a milliard kronor. The corresponding figure for the Housing Loan Bank, in operation since 1930 only, amounted at the same date, to about 125 million kronor.[3]

Interest Rates.

Since the war, capital has become abundant and interest rates have decreased. The export of capital, which assumed considerable proportions during the first post-war decade, has subsequently fallen off, because of political and economic disturbances abroad. A favourable balance of payments (except in 1931) has led the Bank of Sweden, in order to prevent the krona from appreciating

[1] The liability of each individual member is limited to the unrepaid balance of such loans as he has received. In practice, members are obliged to contribute to a guarantee fund for each association and a reserve fund at the parent bank.

[2] The State has reserved the right, among others, of appointing a proportion of the governing bodies.

[3] There are also other mortgage institutions of a semi-public character such as the Stockholms Tomträttskassa, *cf.* page 126.

in relation to sterling, to purchase quantities of foreign exchange. The attempts of sellers of foreign exchange to invest their capital in Sweden, resulted first of all in a rise in Government stocks and then, as a consequence, in a heavy influx of capital into the building market. As shown in the table below, the net yield of Government bonds was about 4% in 1933, about 3% in 1937, and below 3% in 1938. Mortgage institutions were able to convert old loans and issue fresh ones at low rates of interest.[1]

Interest Rates in Sweden from 1923 to 1938.

Yearly average	Official discount rate	Net yield of Government bonds [2]	Yearly average	Official discount rate	Net yield of Government bonds [2]
	%	%		%	%
1923.....	4.64	4.00	1933.....	3.17	4.02
1925.....	5.17	4.83	1934.....	2.50	3.47
1927.....	4.15	4.58	1935.....	2.50	3.19
1929.....	4.74	4.56	1936.....	2.50	3.12
1930.....	3.72	4.18	1937.....	2.50	3.04
1931.....	4.10	4.22	1938.....	2.50	2.88
1932.....	4.39	4.32			

SOURCE : Kommerskollegium : *Kommersiella Meddelanden.*

Interest rates on new loans have sunk to about 2.8% on first mortgages and 3 % on second mortgages, not including contributions by borrowers to general expenses amounting to 0.1% and 0.5% respectively. Loans repayable at notice have been obtained even more cheaply from private individuals and commercial banks. Naturally, such competition has to some extent affected the activity of mortgage institutions. The savings banks and insurance companies have now agreed between themselves not to reduce the interest rate on mortgage loans below 3%.

Building Costs.

It is estimated that, in 1923, the cost of building was 110% above the pre-war level, with rents 69% higher than the 1912/1914 average. Despite a rise after the removal of official control, the rents of old dwellings have never since reached the level of building costs. Industry has therefore concentrated on the production of dwellings of a far better type than pre-war ones, and with rents proportionate.

The table given below illustrates building costs from 1924 to

[1] During 1938, the 3% bonds issued by the Urban Mortgage Bank in 1935 were sold at 104; 2½% bonds issued during 1938 were sold at about 95%.

[2] Seven Government issues up to 1930; six Government issues from 1930 to August 1934; a 3% loan of 1888 from that date until November 1937; from then onwards, a 3% loan of 1934.

1938. The index of prices of materials shows a continuous fall up to 1933, amounting to nearly 25%; the rise from 1933 to 1937 of almost the same extent is mainly due to iron and timber.

Index Numbers of Building Costs, 1924-1938.
(1929 = 100.)

Year	Materials[1]	Labour		Total cost[1]
		Rate per hour[1]	Net earnings per hour[2]	
1924	109	98	94	104
1925	109	100	93	105
1926	105	100	90	103
1927	103	100	91	102
1928	101	100	91	101
1929	100	100	100	100
1930	99	100	112	100
1931	92	100	119	96
1932	86	100	102	93
1933	84	100	81	92
1934	87	96	83	91
1935	89	96	91	92
1936	89	96	92	92
1937	104	100	92	102
1938	99	105	.	102

A fall in these prices brought down the index figure a few points in 1938.

Most labour is paid at piece rates, and index figures of actual earnings per hour afford a more accurate guide than those for rates per hour. From 1926 to 1932, for example, labour costs increased considerably, especially in large towns, because the labour recruited by the building trades was insufficient to meet an increased demand. Competition for labour between contractors became sharp. At the beginning of 1934, after a conflict of nearly a year, the trade unions accepted not only a reduction in wage rates per hour and in piece rates, but also an amendment to collective contracts to enable new methods and materials to be introduced, and certain types of local arrangements between employer and worker to be prohibited.[3] During the last few

[1] *Svenska Handelsbanken :* " Index ". The figures relate to an average apartment block in Stockholm. Calculations of index numbers in relation to total cost are based on prices of materials and hourly wage rates.

[2] K. Socialstyrelsen : *Lönestatistisk Årsbok.* These figures relate to the country.

[3] Recent legislation has made the terms of collective contracts binding on the parties for the duration of such contracts, and this measure has also helped to restore order in the labour market.

years, despite more active recruitment, a certain labour shortage has developed, and both hourly and piece rates have again increased, although labour costs have not reached the level of the years 1929-1931.

As regards the total costs of private building, reliable information is lacking. For some fifteen years, new dwellings have been equipped with increasingly expensive installations, and costs—already high by reason of the solidity of construction required by the climate—have increased, according to some estimates, in Stockholm to some 7,000 to 9,000 kronor per room, or 280 to 360 kronor per square metre net floor space, including cost of site, which (with urban development costs) is generally reckoned at about 20% of the total. The rents of such houses, which are equipped with installations of a much better type than most houses in other countries, are generally between 1,200 and 1,400 kronor per year for a flat consisting of one room and kitchen, and between 1,600 and 1,900 kronor per year for a flat of two rooms and kitchen, heating included. The Co-operative Saving and Building Society offers its members a little less luxurious accommodation at a rent of 750-1,100 kronor for one room and kitchen, and 1,400-1,700 kronor for two rooms and kitchen (including interest at 6% on the original deposit of 1,000-1,600 and 1,900-2,400 kronor respectively).[1]

The figures quoted above are for Stockholm; for provincial towns, they should be reduced by 10%-30%.

New housing, even built by the Savings and Building Co-operative Society, is much too dear for families with small incomes, which are generally obliged to be content with more or less out-of-date dwellings. Only pre-war dwellings, without central heating and often in bad repair, are within the means of the poor.

A committee set up by the Government to enquire into possibilities of reducing building costs by rationalisation, recommended, in 1938, certain measures designed to diminish the seasonal and cyclical variations in building. Industries manufacturing building materials could economise greatly if not compelled by fluctuations in building activity to maintain an irregular schedule of production. Labour costs can be lowered without reducing the annual earnings if workers can be assured of more regular employment.

[1] The lower limits relate to dwellings which have been built by co-operative associations with financial assistance from the municipality in the shape of second-mortgage loans.

The Housing Policy

Rent Restriction.

The application of rent restrictions, introduced in 1917, was fairly elastic. New dwellings were exempt, and the system was abolished as from September 1923.[1] The only part of this legislation to be retained was certain provisions preventing immediate eviction for non-payment of rent, and giving time to pay off arrears. Legal protection of tenants is, in some respects, still inadequate. A new law has therefore been passed by Parliament in 1939, introducing a conciliation procedure for collective disputes between tenants and landlords,[2] and laying down certain restrictions on the rights of the latter to terminate leases or tenancies.

State Assistance to the Building Industry prior to 1933.

In 1917, the Government established a system of non-recoverable subsidies charged at first on the ordinary State budget, and then on the yield of a special tax on owners of old houses. This system was suspended at the end of 1922, when the cost of building had fallen sufficiently to permit building to revive without public support.

From 1920 onwards, the State also granted second mortgage loans. Such loans plus the subsidy were not to exceed 50% of the cost price of the building. Moreover, no builder could receive a loan of more than 15,000 kronor, and this figure was subsequently reduced to 12,000 and then to 8,000 kronor. The interest rate was first 5%, then 4%; the period of redemption was fixed at thirty years, but the annual instalment of 2% was not payable until after the fifth year. The communal authorities were responsible for the payment of interest and of the annual redemption charges. The capital was provided mainly from the liquor tax. This cheap credit policy was continued for several years after direct subsidies had been abandoned. In 1929/30, the whole system was replaced by the Housing Loan Bank.[3]

The following table summarises the efforts made by the State from 1917 to 1930 to improve housing conditions.

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[1] Although there are no rent restrictions at the present time, certain towns, particularly Stockholm, are able to control the rents of a large number of dwellings to the building of which they have contributed in one way or another (*cf.* page 126).

[2] In a number of towns, both tenants and landlords have formed unions for the defence of their interests by collective action.

[3] *Cf.* page 113.

Years	Amount (in thousands of kronor)		Buildings erected with the assistance of subsidies and credits			
	Of subsidies	Of credits	Number of dwellings	Number of buildings		
				Blocks of flats	"Co-operative houses"	Small properties
1917-1919	8,903	—	5,852	621	—	234
1920-1921	7,771	29,371	7,252	148	28	3,660
1922-1930	—	56,932	18,724	244	205	5,860
Total.....	16,674	86,303	31,828	1,013	233	9,754

SOURCE : Memorandum submitted by the Committee for the building of dwellings (Bostadsproduktionsakkunniga) set up in 1932, to the Minister of Social Affairs in February 1933 on certain measures designed to encourage building as a means of reducing unemployment.

State Measures since 1933.

From 1933 onwards, direct State action to improve housing conditions was resumed on a new basis. As part of its anti-depression programme, the Government took measures to stimulate building with a view to promoting general industrial recovery. Also, anxieties aroused by the fall in the birth rate have led the authorities to adopt special measures for the improvement of housing conditions, particularly among large and poor families.

To combat unemployment, Parliament has voted since 1933 considerable sums to promote the building and re-conditioning of dwellings, chiefly in rural areas.[1] Towns and urban areas have received 13½ million kronor for the granting of third mortgages, up to 90% of the value of houses, to private enterprise for the construction of dwellings approved by the municipal authorities, and for such reconditioning as would prevent the growth of new slums. At the end of February 1938, the loans granted amounted to 10 million kronor. About 3,800 new dwellings had been completed, and about 500 old ones, reconditioned. It should be mentioned that the "reserve budget" which was first voted in 1938 and is only to be applied in the event of a fresh economic crisis includes a credit of 12 million kronor for loans to encourage the building and re-conditioning of dwellings in towns.[2]

The most important measures are in favour of large and needy families. The Government both lends on favourable terms and makes direct grants to enable rents to be reduced. Thus, between 1935 and 1938, Parliament voted 30 million kronor [3] for

[1] *Cf.* page 130.

[2] Most of this sum is for housing large and needy families.

[3] This sum represents the credits allocated to towns or urban areas. In 1938, certain credits were also allocated to rural communes for the same purpose (*cf.* page 130).

loans to communes or to public utility societies for the construction or conversion of dwellings for families with at least two children under 16 years of age. Loans must not exceed 45% of the value of the property, not including cost of site, and must be secured on mortgages of under 95% of such value. The redemption period is from thirty to forty years in the case of new buildings, but for the conversion of old houses it is reduced according to the age and condition of the buildings. The interest rate is fixed according to the rate at which the State can borrow; for the year 1937/38 it was 3.3%. When the State makes a loan, the communes undertake to provide the balance of the capital, to supply sites free of charge to builders, and to guarantee rents. These are based on " standard rents " corresponding to the cost price with a reduction of 30% for three children, 40% for four, and 50% for five. Since 1938, the reduction has been 60% for families with six or seven children, and 70% for those with eight or more.[1] Direct State grants, for which 3,650,000 kronor have so far been voted, are equal to the amount of rent reduction in each individual case.

Since 1936, large families have been eligible both for loans and direct grants for building a small house, or for reconditioning it if they already own one. In these cases, advances may amount to 90% of the cost of the undertaking; two-ninths are generally granted outright, while the balance is repayable over twenty or thirty years. The communes undertake liability for payment of the annual instalments. Direct grants are made in accordance with the above rules, " standard rent " being defined as the total of normal cost of interest plus debt redemption, maintenance, heating, land tax, etc. Whether a dwelling is located in a one-family house or in a block, it must comprise at least two rooms and a kitchen.

By April 1938, more than 16 millions of the credits had been allocated to the construction of 3,750 dwellings, of which 3,224 were already completed. The following figures show the effects on the standard of housing :

	Percentage of families occupying dwellings consisting of kitchen and				Average floor area of dwellings (square metres)	Average annual rent (kronor)
	1 room	2 rooms	3 rooms	4 rooms		
Before removal	55.8	38.5	5.1	0.6	37.0	527
After removal	0.6	66.2	33.1	0.1	50.8	510

[1] These rules are based in part on the systems of differential rents in force in certain towns in England, but they have been simplified as far as possible.

Most families' former dwellings consisted of only one room and kitchen, often in bad repair. Their new dwellings comprise 2 or 3 rooms and a kitchen, and are fitted with modern equipment, and generally have a bathroom, the annual rent being no higher, and representing about 18% of the average family income. The number of large and needy families in towns and urban areas has been estimated at about 20,000. Barely one-fifth have as yet received the assistance intended for them.

Municipal Intervention.

Very extensive independent action in the matter of housing is taken by the municipal authorities of large towns. The Stockholm municipality has granted sites on favourable terms to co-operative building societies, public utility companies, and, in some cases, private entrepreneurs. It has also guaranteed second-mortgage loans, and has in some cases itself made loans up to 60%, 80% or even 95% of the value of the security.

Under a scheme operated by Stockholm from 1929 to 1933, entrepreneurs and even private persons were offered sites at a 50% reduction in price, temporary credits for the building period, and second-mortgage advances, the municipalities reserving the right to nominate the tenants and control the rents. More than 5,000 dwellings were erected under this scheme, representing a quarter of all the dwellings built in Stockholm during these years. The cost in land to the city was 3 to 3½ million kronor. But about 17,000 of the city's inhabitants had the benefit of rents from 30% to 50% lower than those then being paid for modern dwellings of the same size in privately owned blocks of houses. However, the rents were still too high for the poorer classes for whom such dwellings were intended, and the dwellings were too small for the large families it was hoped to house in them.[1]

For some years past, in conformity with the recent departure in Government policy, the municipality has, with the aid of public utility societies, been providing cheap dwellings for large and needy families.[2]

Even before the war, Stockholm municipality had acquired vast estates in the neighbouring communes, subsequently absorbed by the capital. These estates are being developed on a comprehensive plan, the better sections being reserved for garden cities. The authorities will only lease building sites for a period of sixty

[1] In actual fact, three-quarters of these dwellings consisted merely of one room with kitchen or kitchenette fitted with gas stove.

[2] *Cf.* page 123. At the end of October 1938, the number of dwellings built in Stockholm for large and needy families was 825. Nearly 600 others were under construction, and it was planned to construct a further 1,000 for which the necessary credits had not yet been granted. The aggregate cost of these 2,400 dwellings, either constructed or projected, is estimated at 31½ million kronor.

years and, except in special cases, the rent is calculated so as to cover the interest on capital outlay, including the cost of site development, construction of roads giving access to the site, etc. As these restrictions make it difficult to obtain credit on first mortgage, the city has established a special credit institute called "Stockholms Tomträttskassa", the capital of which has been largely subscribed by the municipality. It is empowered to issue bonds guaranteed by the municipality. The rate of interest on its advances is a little higher than in the case of freeholds.

For some years past, the municipality has been endeavouring to help families with small incomes to acquire their own homes, the idea being that the necessary capital can be supplied by the beneficiary in the form of work in his spare time. The municipality prepares building plots averaging 500 square metres in sections specially reserved for this type of house, and these are granted to the beneficiary for a period of sixty years in exchange for a payment averaging 250 kronor per annum. The city provides all materials, and these are standardised so that the beneficiary may either do his own building according to instructions, or merely help in the building.[1] Water and gas, drainage, electricity, heating, and a cellar bathroom, are all fitted by the municipality. Of the building costs, 90% is covered by a communal loan, which helps to pay for the materials and part of the labour costs. Where a beneficiary gives his own labour, his house costs him only about 300 or 400 kronor the first year (one year's ground rent and various costs). The loan is repayable in thirty years. The annual charges include interest and redemption of capital, ground rent, taxes, chimney-sweeping, refuse removal and water supply, amounting to some 300 or 400 kronor per annum, plus heating, estimated at about 100 kronor per annum. These little houses generally consist of two to three rooms with kitchen. A smaller dwelling in a block of flats costs at least 1,000 kronor a year. This activity, which was begun in 1924, has developed considerably in the past ten years. The number of small houses completed at the end of 1938 was 2,809.

The other large towns' activity follows the same general lines. The Stockholm system for the construction of small houses has been adopted elsewhere.

Slum Clearance.

On the recommendation of the medical service, the municipal authorities have power to clear tenants out of unhealthy apartments. Slum clearance has, however, been hampered by the shortage of cheap dwellings within the means of the poorest families. Inspection of dwellings has recently been made stricter. In

[1] This system is obviously rendered much easier by the fact that these little houses are built of wood. The various parts are mass-produced in special factories, and all that has to be done is to assemble them.

some towns, the municipal authorities, with the co-operation of the landlords, recondition certain quarters which contain a huddled mass of old and often dilapidated buildings. The Government, moreover, is making a general study of the problem of slum clearance.

B. RURAL HOUSING

Present State of Rural Housing.

A special enquiry during the 1936 census, covering 100 rural communes with a largely agricultural population, reveals that the majority of dwellings, about 63%, are occupied by their owners, 10% by farmers, that 11% belong to the employer of the occupants, while 9% are let. No less than 13% of the dwellings were built during the past ten years. Thus, despite migration to the towns, the number of households in the country is constantly increasing.[1]

Nearly three-fifths of all rural dwellings comprise at the most two rooms and kitchen; those consisting of only one room and kitchen account for more than a quarter of the whole, while single-room (or kitchen) dwellings constitute 6%.[2] Half the families with cultivable land of less than a hectare have only one room and a kitchen.

Although rural dwellings are generally a little more spacious than those in towns both in number and size of rooms, overcrowding is found to be just as serious, because large families are commoner in the country. Thus, the density of occupation of 13% of rural dwellings is more than two unit persons per unit room,[3] children under 15 being counted as half-persons and kitchens as half-rooms. Overcrowding is made worse by the long-established practice, which is especially widespread in the country, of keeping a " best room " which is not used as a bedroom. Actually, in 31% of dwellings with one room and kitchen, only the kitchen is used as a bedroom. Of the population living in dwellings of at the most two rooms and kitchen, 29% sleep in a room or kitchen in which there are at least four persons. These disadvantages are aggravated by lack of ventilation; the enquiry showed that, in winter, in 38% of the dwellings, the windows could not be opened.

Rural dwellings are often defective: 9% are damp; in 21% of those consisting of at most two rooms and kitchen, the height of the room is less than 2 metres 10; 44% have no wardrobe and

[1] Even if migration became so heavy as to bring rural population figures to a standstill or even to bring about a certain reduction, the number of households would probably continue to increase for ten or twenty years.

[2] In this classification, the fact that a certain number of living-rooms (12% of the total) cannot be heated has been disregarded.

[3] The corresponding figure for towns is 12.6%.

15% no pantry; 23% are on the ground floor of houses with either no basement or a basement with no ventilation. Moreover, 15% are described as being in more or less bad repair.

State Assistance to the Small Homestead.

Since before the war, the Government has pursued a small-homestead policy.[1] From 1905 to 1937, loans for this purpose amounted to 357 million kronor, the greater part (226 millions) of which was allocated to small cultivators, numbering 52,359, for creating farms or for the improvement of existing farms, while the balance (some 131 million kronor) was allocated to the construction of 36,561 small residential properties.

As a rule, such loans are granted only for buildings not exceeding 20,000 kronor in value, in the case of agricultural properties, or 10,000 kronor for homesteads. They may not exceed five-sixths or three-quarters of the respective values. They must be secured by first mortgages. The rate of interest, which is fixed in relation to the Government borrowing rate, is at present from 3.6% to 4% for farms and from 4% to 4.5% for homesteads. Loans are redeemable after five and three years respectively: two-fifths of the capital must be redeemed within thirty-six or twenty-nine years; at the end of this period, the balance must be repaid in a lump sum—a provision which must often compel borrowers to have recourse to private financial concerns.

During the years 1923-1937, 38,182 borrowers received in addition subsidies amounting in all to 11 million kronor. Individual subsidies may not exceed 1,500 kronor and must not represent more than 50% of labour costs.[2]

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[1] Originally intended mainly to check overseas emigration.

[2] The above regulations have just been amended by Parliament. Loans will henceforward be granted for the establishment of small properties not exceeding 30,000 kronor in value, in the case of small agricultural properties, or 12,000 kronor for homesteads.

In the first case, the loans are primarily intended for the establishment of small properties sufficiently extensive to provide for all the needs of the owner and his family without the use of much hired labour. Loans may also be granted for the enlargement or improvement of small undertakings for the same purpose. Furthermore, loans may be advanced for the creation of small undertakings, known as " auxiliary " undertakings, to provide the owner and his family with an additional source of income. Finally, they may be granted for the erection of small homesteads.

Loans may in future amount to 90% of the value of the fullye quipped property, in the case of small agricultural holdings, or 75% in the case of homesteads. For redemption purposes the loans will be divided into a fixed part (60% and 50% respectively of the value of the property) and a redeemable part, which will be repaid over a period of 25 years, from the fifth or third year respectively. The rate of interest must not be lower than the average rate paid on State loans during the previous three years, plus 0.25%. In certain cases, the borrower may be granted an " encouragement " loan, not exceeding 15% of the value of the property, which is free of interest and, subject to special conditions, is remitted to the borrower at the rate of one-tenth every year.

Small Homesteads for Workers.

Since 1933, advances have been made on favourable terms to provide workers engaged in lumbering, agriculture, road-making, etc., with a dwelling and a little land in order to make life somewhat easier when they are out of work. Such loans are granted only to persons with no resources and on condition that holdings thus acquired shall never be encumbered with other debts. Individual loans may amount to 100% of the value of the property, less the value of the labour furnished by the borrower himself. The amount a borrower may receive was at first fixed at a maximum of 6,000 kronor; but since 1938, as a result of a rise in building costs, the maximum has been increased to 7,000. The loans are free of interest and are non-redeemable during the first five years. At the end of this period, two-thirds of the capital sum are repayable by annual instalments of one-thirtieth. No interest is paid for thirty-five years, and then only on the unredeemed balance of the capital; the communes must guarantee the whole amount of any advance until it becomes redeemable; afterwards, they are responsible for only a quarter of any possible loss. Between 1933 and 1938, a sum of 34.5 million kronor was allocated under this scheme to the establishment of 6,000 small properties for workers.

Improvement of Existing Rural Dwellings, and Slum Clearance.

In 1933, originally as an attempt to reduce unemployment, an important movement was initiated for the purpose of improving existing rural housing and replacing insanitary dwellings. A sum of 57.5 million kronor was allocated by the State for the years 1933-1939, about three-quarters of it in the form of subsidies and the balance in the form of public loans. Individual subsidies, which are obviously determined by the financial circumstances of the grantee, may amount to 1,000 kronor (since 1939, 2,000 kronor) or a maximum of 80% of the total cost, while loans may, in individual cases, amount to 3,000 kronor (since 1938, 3,500 kronor) or to a maximum of 70% of the total cost.[1] Loans bear interest at 4% and are redeemable over twenty years. About 68,000 dwellings have been improved or rebuilt during the years 1933-1937 under this scheme.[2]

Agricultural Workers' Dwellings.

In 1935, Parliament voted special credits to be allocated in the form of mortgage loans to farmers wishing to build or adapt dwellings for their workers. Little use has been made of these credits,

[1] If the grantee receive both a loan and a grant, the total amount he may receive is fixed at a maximum of 80% of the cost.

[2] The above loans are intended for the construction of new houses to replace slum dwellings. In addition, loans for the improvement of property have also been granted under similar conditions in 1939, but these are free of interest for the first ten years.

however. In 1939, Parliament voted a scheme for improving the conditions on which such loans are made. In individual cases, loans may amount to 80% of the cost of the undertaking and will be free of interest for the first half of the period of redemption, which is to be twenty years. Subsidies will be granted for central heating and water-supply and for the construction of dwellings consisting of more than two rooms and kitchen.

Housing of Large and Necessitous Families.

Since 1938, the scheme for assisting large and needy families by enabling them to construct or adapt small one-family houses has been applied to rural areas on the same principles as to urban areas.[1]

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[1] *Cf.* page 124.

URBAN HOUSING

UNITED STATES OF AMERICA

URBAN HOUSING

The Extent of the Need

The Housing Shortage.

The post-war housing shortage seems to have reached its most acute point at the end of 1921. It was then estimated at about one and a-quarter million dwellings. Subsequently, building activity revived and, by 1928, the shortage was overcome; in some cities, supply even outstripped demand. During the depression, unemployment and reduced incomes temporarily checked the demand for new accommodation. A considerable surplus of vacant dwellings appeared, especially in industrial areas. Building activity came to an almost complete standstill, from which it has been late in recovering. The improvement in general economic conditions since 1933/34 has brought about an increased demand; the apparent surplus has vanished and, during the past few years, a considerable shortage of dwellings has again developed.

According to statements before the Senate Committee on Education and Labour, more than three million new dwellings would have been required from 1930 to 1938 in the country as a whole, merely to house additional families, without any allowance for demolition. But the number of dwellings built since 1930 is no more than one million, and several hundred thousand houses have probably been demolished in the same period. As approximately 30 million families were reported in the 1930 census, the numerical shortage of dwellings may therefore be estimated at about 7 % of the present number of families.

Size and Nature of Dwellings.

Real property surveys were conducted between 1934 and 1936 in 203 representative urban areas, including over two-fifths of the urban families in the United States. Except in New York City, where multi-family structures were in the majority, a single-family house (generally with exterior of wood) constituted the typical urban structure. In New York, only 12 % of the dwellings were located in single-family houses and 67 % in multi-family structures; for all other regions combined, these proportions were 57 % and 18 % respectively.

Dwellings tended to be larger in the north-eastern cities (except New York) than in other parts of the country. Almost half

of the north-eastern urban dwellings had six rooms or more, while approximately a third in the south-east and north-west and only a quarter in the south-west and in New York City were of that size.

Over-crowding of Dwellings.

In 17 % of all occupied urban dwellings covered by the real property surveys, there were more than one person per room. The proportion varied from about 15 % in the northern regions to about 25 % in the southern regions. In New York City, 20 % of the dwellings were overcrowded according to this criterion, whereas, in California, such dwellings only represented 9 %.

Substandard Dwellings.

Of all the dwellings covered by the surveys, 15 % had no private indoor flush toilets, 20 % were without private bath tubs (or showers) and over 40 % lacked central heating equipment. In several respects, conditions were worse in the south-eastern cities than in other parts of the country; private flush toilets and bathing facilities, for example, were less common. Only about 5 % of all urban dwellings outside New York City were without running water, but, in the southern cities, this proportion rose to 15 %.

The data collected on the physical condition of urban residential structure indicate that 16 % of the dwellings outside of New York City were either unfit for use or in need of major repairs, the proportion ranging from 15 % in the north-east to 23 % in the south-east. In New York, the corresponding proportion was found to be 7.7 %.

Technical improvements in the last few decades, together with the progress of town-planning, though often hampered by confusion resulting from the rapid growth of suburbs, have endowed the country with a great many up-to-date dwellings located in well-planned communities. But there are still a considerable number of dwellings dating from the last century which do not satisfy even elementary requirements. Such are, for example, the " old-law tenement houses " erected before 1901 in New York, of which there are still 67,000 with 524,000 appartments.

From these and other data, the Senate Committee on Education and Labour concluded, in 1938, " that, even before the depression commenced, over 10 million families in America, or more than 40 million people, were subjected to housing conditions that did not adequately protect their health and safety ".[1]

Housing conditions are generally worse among negroes than among the white population. Though this may be due partly to a lower cultural standard, the main cause is evidently to be found

[1] This estimate refers to both urban and rural areas. *Cf. Senate Reports*, seventy-fourth Congress, second session, Public Vol. 7, Washington, 1936, Calendar No. 2270, page 5.

in the low income of the majority of coloured wage-earners. In addition, negroes are often not admitted into ordinary tenement houses. When other families are constrained to abandon a tenement because of extreme decay, negroes pay premia for the privilege of huddling within it. These people are often forced to spend as much as 50% of their normal earnings for shelter. To cope with these conditions, two or several families may combine to take one apartment. They commonly receive lodgers and bed-renters. With shrinking incomes, unemployment and the present shortage of dwellings, similar conditions seem to have spread to other groups of the population.[1]

Building Trade and Housing Finance

Organisation and Activity of the Building Industry.

As in Europe, the building industry suffers from lack of integration. In contrast to most other industries, it is "a loose, heterogeneous group of interrelated sub-industries and crafts—large and small contractors, architects, material manufacturers and dealers, carpenters, electricians, bricklayers, painters, real estate companies, mortgage banks and bankers and building and loan associations—each of which has its separate organisation and interests".[2] Consequently, it is burdened with a series of overhead costs and scarcely benefits from technical progress. A survey of the construction industry conducted by the Bureau of the Census has shown that the average volume of residential construction reported from 1929 by 10,881 contractors doing a business of more than $25,000 per year was about $100,000, and that the total business done by this group was less than a third of that done by the contractors doing less than $25,000 per year. A study of the Bureau of Labor Statistics in 1932, covering about 10,000 building construction establishments, showed an average of eight employees per establishment. Residential building is therefore a small-scale industry.

As seen from the table on the following page, residential construction made rapid progress during the early post-war years. The peak was reached in 1925, but the output remained fairly high until 1928. Thereafter, it declined sharply until 1934, as a

[1] A series of studies has been made in different cities as to the interrelation between bad housing, high municipal costs and frequency of juvenile delinquency, crime, infant mortality, rickets, tuberculosis and other communicable diseases. *Cf.* "Slums and Blighted Areas in the United States," Edith Elmer Wood, published in 1936 by the Federal Emergency Administration of Public Works (Housing Division, *Bulletin*, No. 1).

[2] *Cf.* National City Bank of New York, *Monthly Bulletin*, February 1938, page 22.

result of shrinking incomes and unemployment, which made rents fall by more than 30% of their 1929 average and caused a general slump in urban property values.

New Residential Building Construction in 257 "Identical" Cities, 1921-1937.

Index numbers : 1929 = 100.

Year	Estimated expenditure		Families provided for	
	Million dollars	Index numbers	Number	Index numbers
1921	933.9	65	224,545	92
1922	1,614.9	113	377,305	154
1923	1,998.4	139	453,673	186
1924	2,038.4	142	442,096	181
1925	2,390.4	167	491,032	201
1926	2,222.9	155	462,208	189
1927	1,906.0	133	406,095	166
1928	1,859.4	130	388,678	159
1929	1,433.7	100	244,394	100
1930	601.3	42	125,322	51
1931	426.3	30	98,178	40
1932	103.5	7	27,381	11
1933	91.3	6	25,879	11
1934	76.6	5	20,997	9
1935	212.0	15	55,522	23
1936	472.7	33	115,365	47
1937	475.8	33	117,394	48

SOURCE : United States Department of Labor, Bureau of Labor Statistics, *Bulletin* No. 650 : Statistics of Building Construction, 1920 to 1937, as shown by building permits issued—Part I.

There has been a recovery in recent years owing to the stabilisation of the mortgage market—partly a result of Government action—shortage of dwellings and a rise in rents.

Organisation of the Housing Credit.

A financial survey of urban housing was conducted in 1934 [1] as a supplement to the real property inventory already mentioned. It covered a sample of the same residential properties in fifty-two cities. It was found that nearly three-fifths of the owner-occupied and somewhat more than two-fifths of the rented dwellings were mortgaged, the mortgage debt bearing an average ratio of 55.6% and 60.4% respectively to the value of the property.

[1] *Cf.* U.S. Department of Commerce : *Financial Survey of Urban Housing : Statistics on Financial Aspects of Urban Housing*, Washington, 1937.

The following table shows the estimated outstanding mortgage loans on non-farm one- to four-family houses and the amount of new mortgage loans for construction made by selected types of institutions in 1937 :

	Outstanding mortgage loans (end of 1937)	New loans for construction
	$(000,000's)	
Savings and loan associations	3,480	234
Commercial banks	1,400	100
Mutual savings banks	2,700	35
Life insurance companies	1,330	67
Home Owners' Loan Corporation [1]	2,398	.
Individuals and others [2]	6,000	.

SOURCE : Federal Home Loan Bank Board, *Sixth Annual Report*, for the period 1937/38.

The *Savings and Loan Associations* (often called building and loan associations) are private societies promoting home-ownership and individual thrift, thus acting like the building societies in the United Kingdom. "Varying somewhat in their organisation in different parts of the country, they are, in their essence, groups of persons who make regular monthly savings and invest them in first mortgages in homes."[3] The borrower is usually required to become a member and to amortise his debt by regular monthly service payments. "Very simply organised, with very little overhead, no full-time employees, little or no rent, depending on the sagacity of their board of directors in making loans, and their first-hand acquaintance with neighbour-borrowers, protected in most States by legislation which puts their books under close supervision and auditing by State authorities,[4] they provide a safe and easy way of saving . . ." and "an advantageous way of borrowing . . . for the economic classes able to meet their conditions.[3]

The savings and loan associations have made substantial progress since the war. After a six-year period of decreasing resources, caused by the economic depression, the downward

[1] *Cf.* page 140.

[2] Include trust departments of commercial banks, real estate bond companies, title and mortgage companies, philanthropic institutions, construction companies, etc.

[3] *Cf.* Edith Elmer WOOD : *Recent Trends in American Housing*, New York, 1931, pages 190 and 191.

[4] Some associations, known as "federal savings and loan associations," are chartered by the Federal Government under the Home Owners Loan Act, 1933, and submitted to Federal control.

trend has recently been reversed. It is estimated that, by the end of 1937, there were in the whole country nearly 10,000 associations holding assets of $5,737 million.

While mortgage banks proper have never played the same prominent rôle in the United States as in certain European countries, there is a fairly large number of small *mortgage companies* which issue bonds on the security of a single large apartment house or of a group of houses or other mortgages.

The most widely used type of first mortgage loan on residential property seems to be the 60 % loan at a rate of interest of 6 %. Savings and loan associations are sometimes willing to lend 75 %, whereas the other lending agencies often restrict their advances to 50 %. Until recently, the home-purchaser who had not funds amounting to 25 %-50 % of the purchase price at his disposal sought a second or even a third mortgage. As such mortgages, where accepted by a speculative builder as part of the payment for a house, could only be sold at a substantial discount, the vendor, in order to protect himself from loss on the transaction, usually increased the selling price of the house considerably to the detriment of the home-purchaser. Second mortgages were seldom granted by mortgage companies and then only at an effective interest rate, which might exceed 10 % or even 20 %. Conditions were made easier by the establishment, in 1934, of the Federal Housing Administration. Mortgages insured by this institution may run as high as 80 % of the appraised value (since 1938, 90 % in respect of small one-family houses), at an interest rate of 5 %.[1]

In the past, savings and loan associations have been practically the sole makers of fixed period mortgage loans, the average term of redemption being eleven years. Loans insured by the Federal Housing Administration are now amortised over periods up to twenty years. Banks and other lenders who used to make straight mortgages for three or five years with a prepayment privilege are now making an increased use of mortgages subject to amortisation over longer periods.

Interest Rates.

Unlike the situation in most European countries, the interest rates charged on mortgage loans in the United States are largely conventional and do not react markedly to the changing conditions in the capital market. When conditions are unfavourable, mortgage lenders withdraw entirely and little mortgage money can be obtained. Interest rates vary greatly in different parts of the country, being generally higher in the western than in the eastern States. In recent years, however, owing to the activity of the federal institutions described in the following paragraphs, there has been a tendency both towards greater uniformity and

[1] *Cf.* page 142.

towards a decline in keeping with the general decline of interest rates in the money market. The average effective rate of interest (including all service charges and other loan fees) charged in 1931 by savings and loan associations was 8 %; in 1937, however, the average effective interest rate charged by the federal savings and loan associations was 6.31 %, a decrease of somewhat more than 20 %.

Government Intervention in the Organisation of Housing Credit.

Faced with bank failures, increasing real estate foreclosures and a general standstill of the building industry, the Federal Government initiated in 1932 a series of measures intended to restore confidence in mortgage investments and to make available a larger volume of credit for housing purposes.

The *Federal Home Loan Bank Board* was created in 1932, following the President's Conference on Home Building and Home Ownership (in 1931), to encourage and assist private capital in providing an adequate volume of long-term home-mortgage credit and in improving at the same time the sound investment of small savings.[1] It administers the following institutions :

1. *The Federal Home Loan Bank System,* with twelve regional banks, furnishing a permanent credit reserve system through which home-financing member institutions (savings and loan associations, homestead associations, co-operative banks, savings banks and insurance companies) may obtain short- or long-term loans, the latter secured by approved home mortgages.—The Federal Home Loan Bank System is designed to perform the same function in the field of home-mortgage credit that the Federal Reserve System performs as a credit reserve for commercial banks. By the end of June 1938, the twelve Federal Home Loan Banks grouped 3,956 member institutions and held, together with these institutions, total assets of $4,308 million. The capital stock of the Federal Home Loan Banks is made up by subscriptions of member institutions ($37 million) and of the Federal Government ($125 million). By the middle of 1937, the banks found it necessary to raise additional money by the issue of debentures. Up to July 1st, 1938, such issues were made to a total of $143 million, of which $53 million were repaid at maturity. The total amount of advances outstanding was, at the same date, $196 million. Interest on advances to members range from 3 % to 3¾ %. The

[1] The legislation on this body and its connected institutions is contained in the Federal Home Loan Bank Act (1932), the Home Owners Loan Act (1933), Act to Guarantee Bonds of Home Owners' Loan Corporation (1934), National Housing Act (1934), Act to provide Additional Home Mortgage Relief (1935).

banks served in the fiscal year ended June 30th, 1938, dividends to their members ranging from 1 % to 2 % per annum, the Government receiving the same return on its capital.

2. The *Federal Savings and Loan Insurance Corporation*, which insures against loss up to $5,000 the accounts of individual investors in all federal savings and loan associations and acceptable State-chartered institutions of the savings and loan type. —This institution was created in 1934.[1] On June 30th, 1938, 2,014 savings and loan associations were taking advantage of the protection offered by the Corporation. Their total assets reached $1,978 million and the number of their investors was about 1.9 million. During the fiscal year 1938, the fee was $0.04 for each $100 of the aggregate of creditor obligation of an insurable type.

3. *The Home Owners' Loan Corporation*, which was created in 1933 with a view to relieving distress by refinancing on a long-term basis at moderate interest the mortgage indebtedness of individuals faced with foreclosures or tax sale.—It was provided with $200 million in cash by the Federal Government and, in addition, was authorised to issue bonds guaranteed by the Government as to principal and interest. On June 30th, 1938, the gross amount of bonds issued was nearly $4,500 million, of which about $1,500 million had been refunded or retired. Lending operations ceased altogether on June 12th, 1936. By that day, the Corporation had closed about a million loans for an amount of $3,093 million. In addition, about 8,000 supplementary loans for reconditioning were made to borrowers who had previously received refinancing loans. In connection with the refinancing operations, interest rates were redueed and loan terms improved to the borrowers' advantage. Practically all the Corporation's loans now bear 5 % interest per annum, as against 6 % or 8 % which many borrowers paid before their loans were refinaneed. Through the exchange of its readily marketable interest-bearing bonds for the frozen mortgages held by financial institutions, the Corporation helped materially to re-establish liquid market conditions.

Insurance of Mortgages.

Under the National Housing Act of 1934, with amendments, the *Federal Housing Administration* insures banks, trust companies, mortgage companies, savings and loan associations and other approved financial institutions against losses which they may sustain as a result of loans of the following types: (1) first mortgage long-term loans on homes; (2) first mortgages on large-scale fixed-dividend housing projects; (3) short-term loans made for the repair and modernisation of homes and other buildings.

[1] It followed by one year the creation of the Federal Deposit Insurance Corporation, which protects individual deposits in commercial banks up to $5,000.

The long-term home mortgages eligible for insurance shall not exceed $16,000 or 80% of the appraised value of the properties, and these may not contain more than four dwellings. Since February 1938, mortgages on newly constructed, single-family houses occupied by their owners may, however, be insured up to 90% of the appraised value, provided that the owner has himself paid down 10%.[1] The rate of interest shall not exceed 5% (under certain circumstances, 6%) and the loans shall be redeemed by periodical instalments during twenty years at a maximum (until July 1st, 1939, twenty-five years in the case of single-family, owner-occupied houses). The additional cost to the borrower is an insurance charge of ½% (¼% in the case of mortgages on single-family owner-occupied houses insured before July 1st, 1939).[2] By the end of 1938, the Federal Housing Administration had insured about 410,000 long-term home mortgages for a total amount of $1,705 million. Such mortgages accepted for insurance in 1938 alone numbered nearly 150,000 and amounted to $648 million. Some 70% of this amount was on behalf of homes yet to be built, or to be completed within twelve months.[3]

Privately made loans to public agencies, private corporations, co-operative societies, trusts, etc.—for the purpose of rehabilitating slum or blighted areas, or providing houses for rent or sale—are also insured by the Federal Housing Administration, provided that the projects are restricted by Federal or State housing laws, or by the Administration, as to rents, charges, capital structure, rate of return and methods of operation in such a manner as to provide reasonable rentals to tenants and, on the other hand, a reasonable return on investment. Initially, such projects were intended only for persons of low income, but this restriction was abolished in 1938 in order to give new impetus to the construction of rental dwellings. The projects may consist of multi-family houses or groups of single-family houses. There are two categories subject to partly different regulations, into which they may fall—the maximum mortgage insurable being fixed in one case to $200,000 (or to $1,150 per room) and in the other case to $5,000,000 (or to $1,350 per room).[4] In both cases, the insured mortgage may not exceed 80% of the appraised value of the project as accomplished, the rate of interest being limited to 5% and 4½% respectively.

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[1] In most States where the ratio of mortgage loans to the value of houses was restricted by law to a lower percentage, new legislation has been passed in order to permit these higher ratios.

[2] Prior to 1938, the mortgagees could make a service charge up to ½%. An *initial* service charge of 1% (or 2½% on new construction loans) is still allowed.

[3] As from July 1st, 1939, the insurance of mortgages on houses already built will be restricted.

[4] In the first case, the insurable mortgage must not be less than $16,000, whereas, in the second case, no minimum limit is fixed.

Large-scale housing mortgages insured under these provisions totalled 261 in number and $116 million in amount at the end of 1938. The number of mortgages accepted during 1938 alone was 138 and their face value amounted to more than $62 million.

Losses on insured house mortgages and large-scale housing loans are paid by the Federal Housing Administration in Government-guaranteed 2¾% or 3% debentures of the Mutual Mortgage Insurance and the Housing Insurance Fund, respectively, which have at present a ready market at par.

The authorisation to ensure modernisation and repair loans expired on April 1st, 1937, but was revived in February 1938 for the period up to July 1st, 1939. The insurance granted may not exceed 10% (prior to April 1st, 1936, 20%) of such loans and the Administration's outstanding liabilities may not exceed in the aggregate $100 million. Until April 1st, 1937, nearly 1½ million loans at a face value of more than $560 million had been insured. Under the revived title, 375,000 loans at $172 million had been accepted for insurance by the end of 1938.

Creating a Market for Insured Mortgages.

Under the National Housing Act, the Federal Housing Administration may also promote the creation of National Mortgage Associations in order to develop a market for insured mortgages. These associations will buy such mortgages and, in order to raise funds, they may issue their own debentures and sell them to the public. The *Federal National Mortgage Association* (originally chartered as the National Mortgage Association of Washington) was organised in 1938 with a paid-up capital of $10 million and a surplus of $1 million all contributed by the *Reconstruction Finance Corporation.*[1] In March 1939, this Association had issued $84 million of its notes based on mortgages insured by the Federal Housing Administration and bought from mortgagees (largely country banks which are glad to do business in originating home mortgages but do not feel in a position to retain them). The existing legislation has been amended in such a manner as to facilitate the dealings of banking institutions with insured mortgages. During the past few years, definite progress has been made in this sense. More than 1,800 lending institutions (life-insurance companies, savings banks, commercial banks, trust companies and other fiduciaries, savings and loan associa-

[1] This institution was created by Congress early in 1932 in order to relieve distress during the financial emergency by making commercial credit available for banks and industries. Already before the creation of the Federal National Mortgage Association, it had undertaken to purchase and sell insured mortgages through the *Reconstruction Finance Corporation Mortgage Company.* By the end of 1937, this agency reported purchases of nearly 10,000 mortgages with a principal amount of $39 million. It had sold about 1,500 mortgages, with an original principal amount of $6.5 million, to State employees' retirement funds and other sinking and trust funds.

tions, etc.) have bought insured mortgages which they themselves had no part in originating. In all, mortgages for about $400 million have changed hands.

Building Costs.

The fluctuations in the costs of construction will be seen from the table below.

After declining in 1922, union wage rates in the building trades rose each year until 1930; they fell sharply during 1932 and 1933, but started to rise again in 1934. By 1937, they had nearly reached their 1929 level. Wholesale prices of building materials, on the other hand, declined from 1923 to 1927/28. A slight rise occurred in 1929, to be followed again by three years of declining prices. Since 1933, the trend has been mainly upward. The effect of these fluctuations on the total cost of construction was a considerable rise from 1922 to 1924, then a slight decline in 1925. From that year until 1930, the total cost of construction remained almost unchanged. In 1931 and 1932,

Fluctuations in the Costs of Construction, 1921-1937.

Year	Union wage rates per hour in the building trades	Wholesale prices of all building materials	Construction costs [1]	Average cost of dwellings actually built	
	Index numbers: 1929 = 100			Dollars per one-family dwelling [2]	Index numbers: 1929 = 100
1921.....	77	102	97	3,972	81
1922.....	72	102	84	4,259	87
1923.....	79	114	103	4,189	85
1924.....	86	107	104	4,342	88
1925.....	89	107	100	4,593	93
1926.....	95	105	101	4,763	97
1927.....	98	99	100	4,830	98
1928.....	99	99	100	4,937	100
1929.....	100	100	100	4,919	100
1930.....	104	94	98	4,993	102
1931.....	104	83	88	4,834	98
1932.....	89	75	75	3,943	80
1933.....	87	81	82	3,844	78
1934.....	87	90	96	4,059	83
1935.....	88	89	94	4,227	86
1936.....	92	91	100	4,432	90
1937.....	98	.	.	4,352	89

SOURCES: United States Department of Commerce: *Statistical Abstract of the United States, 1937.*
United States Department of Labor: Bureau of Labor Statistics, *Bulletin* No. 650: *Statistics of Building Construction, 1920 to 1937*, Part I.

[1] Based upon the cost of lumber, steel, cement and the rates paid common labour.

[2] In 257 "identical" cities. Does not include land costs.

there was a marked drop and then again a sharp rise which, by 1936, had brought the total cost back to the same level as before the depression. The average cost of dwellings actually built shows a somewhat different development. It rose, on the whole, from 1921 to 1930, presumably on account of better equipment. It shared fully the general slump of wages and prices in 1931 and 1932 and reached its lowest level in 1933. As from 1934, it has again risen, but not in the same proportion as the cost of construction index. The ratio of small dwellings may have been greater in recent years as a result of the new credit facilities opened in favour of such constructions.

The *National Resources Committee* has made an enquiry into American family incomes,[1] from which it appears that, of all urban families of two or more persons which did not receive relief at any time during the year 1935/36, half had incomes of less than $1,500 and a fifth incomes between $1,500 and $2,000. Applying to these data the rule of thumb that a family is justified in investing in a home not more than two and a half times its annual income, the Federal Home Loan Bank concludes that half of all urban non-relief families could not purchase houses costing more than $3,750. Only one family out of every three could afford a house costing more than $5,000. On a similar basis, it is found that the maximum price which the typical wage-earning family can afford to pay for a home ranges from $2,900 in small cities to $3,750 in large cities. On the other hand, an enquiry made by the Bureau of Labor Statistics shows that the average cost of dwellings actually built in cities with more than 25,000 inhabitants was $3,778 and $4,073 in 1935 and 1936 respectively.[2] As these figures do not include land costs, they seem to indicate that most of the dwellings aetually built are within reach of only the upper half or even the upper third of urban families.[3]

Data collected by the Federal Home Loan Bank Board show that the cost of building a detached six-room house with living-room, dining-room, kitchen and lavatory on the first floor, three bedrooms and a bath on the second floor, ranged in December 1938 in twenty-nine representative cities from $4,741 to $6,838, not including the cost of land.

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[1] National Resources Committee : Consumer incomes in the United States. Washington, 1938.

[2] Average cost per new dwelling unit in all types of houses (one-family, two-family and multi-family houses).

[3] It is estimated that the building permit values on which the reported figures are based ought to be increased by some 50% in order to arrive at the market value of new houses.

The Housing Policy

War and Post-war Emergency Measures.

With the exception of certain local experiments in rent restriction during and following the war, the determination of rentals has always been made by the landlord, subject only to the influence of supply and demand. The Massachusetts Emergency Rent Law was in force until 1927. The New York Rent Restriction Laws, enacted in 1920, did not come to an end until 1929, though, for several years previously, their scope had been gradually reduced. The New Jersey statute ended somewhat earlier.

The housing shortage in the new centres of war industry induced the Federal Government to take measures with a view to providing houses for the workers. Housing was provided for 45,000 persons by the Ordnance Department, 55,000 by the Shipping Board and about 38,000 by the United States Housing Corporation, created for this purpose. At the end of the war, this activity terminated.

In New York City, in order to stimulate private building, new constructions begun before April 1st, 1922, were exempted from taxation for a period of ten years. The time for starting the building was first extended up to April 1st, 1923, then for another year. The subsidy to which this tax exemption was equivalent for those who obtained the full ten-year exemption amounted to one-third of the capital cost. Even those who did not build until 1924 received a benefit equal to about 22 % of capital cost. These measures seem to have been very effective in encouraging residential construction, but the houses built are said to be lacking in distinction though bearing a rental which limits them to higher income groups.

As from 1926, in New York City, dwellings built for social purposes by limited-dividend companies enjoy tax exemption for a period of twenty years.

Measures to enforce Minimum Standards.

Regulatory efforts in the pre-war period took largely the form of local or State tenement house or housing codes. Many of these were modelled upon the *New York Tenement House Law*, of 1901. This prohibited the building of certain types of multiple-family houses, known as " old-law tenement houses ", and established regular inspection by public officers in order to enforce repairs and improvements. During the past ten years, further progress has been made in this sense. In the State of New York and in some other States, laws have been enacted defining the minimum requirements as to sanitation and safety. The authorities have power to close or demolish dwellings which do not conform to these requirements. At

present, the shortage of housing accommodation seems, however, to raise an obstacle to the full application of these provisions.

Substantial progress has been made since the war in the field of zoning and town-planning under fresh State legislation.

During recent years, the newly established federal housing agencies have exercised an increasing influence on housing standards. This is especially true of the *Federal Housing Administration*, which makes the insuring of mortgages on new constructions conditional upon the adoption of detailed minimum requirements as to the lay-out of the dwellings, light and air conditions, services and equipment, etc., and assists in the planning of new communities.

Provision of Low-rental Dwellings and Slum Clearance.

Prior to 1933, only scattered efforts were made by municipalities or States to provide good dwellings for the lower income classes and for the purpose of clearing slums. The only outstanding result of these efforts was realised in California under the Land Settlement Act and the Veterans' Farm and Home Purchase Act.

The intervention of the Federal Government in the field of housing is quite recent. As shown in the foregoing section, this intervention has largely aimed at the reorganisation of housing credit during and after the economic depression of the early 'thirties. As far as the rates of interest on housing loans are reduced by these measures, they will be profitable to large groups of the population and enable them to buy or rent better dwellings than hitherto. In favour of the lowest income earners, the Government has taken a number of measures to provide cheap dwellings by the direct action of Federal or State agencies or in co-operation with private limited-dividend companies.

The *National Industrial Recovery Act* of 1933 contained provisions for various types of public works, including " construction, reconstruction, alteration or repair under public regulation or control of low-cost housing and slum-clearance projects ". The carrying-out of the special housing programme was entrusted to the *Housing Division* of the *Federal Emergency Administration of Public Works*. The Public Works Administration was empowered to make loans and grants on housing projects to State and local agencies with adequate powers to undertake the construction and operation of low-cost housing projects. As there were practically no such agencies in 1933, the Public Works Administration had to rely primarily upon limited-dividend companies. Loans were made to such bodies up to 85 % of the estimated cost of the projects, the applicant being required to furnish an equity of at least 15 %. The loans bore interest at 4 % and were to be amortised in thirty years.[1] It was found, however, that the

[1] By 1932, a few such loans had been made to limited-dividend companies by the Reconstruction Finance Corporation.

rents in the projects carried out by limited-dividend companies could not be fixed at the low levels which were required in order to reach the low income groups, the rentals in a typical project averaging about $10 per room per month. The main reasons for this were the ineligibility of such companies to receive direct Government grants, their lack of power to condemn property and thus avoid unreasonable land prices, the efforts of promoters to dispose of land at unreasonably high prices and the provision for profit, even though limited.

In February 1934, the suspension of the loans to limited-dividend companies was announced and it was decided that only public housing projects would be constructed with the funds available. The Housing Division of the Public Works Administration turned to the only method then available—namely, direct federal construction. In undertaking such projects, the Housing Division was empowered in 1936 to give tenants the benefit of a 45 % capital grant, the rents being fixed on the basis of 55 % of the actual capital outlay; also the item of profit was entirely eliminated. The Housing Division advertised for tenders in the usual manner and had the work performed by private contractors.

By the middle of April 1937, the Housing Division had undertaken fifty-eight housing developments, of which fifty-one were federal projects and seven were limited-dividend projects. The credits allotted to the projects amounted to $134 million and $10.6 million respectively. The limited-dividend projects, including 3,113 dwellings, were all completed, whereas, of the federal projects, including in all 21,769 dwellings, only seven projects have been completed by the above date, thirty-six being scheduled for completion before the end of 1937 and the remaining eight projects early in 1938.

Originally, the Housing Division endeavoured to include slum clearance as part of the projects undertaken. In acquiring the necessary slum properties, its practice was to secure options from as many owners as possible; then a blanket condemnation suit would be instituted for the acquisition of the entire area sought. In some cases, condemnation was also instituted to force sale by a few recalcitrant owners. In 1935, however, a Federal District Court ruled that the Federal Government could not condemn property for a housing project being constructed directly by it. This decision, which was affirmed by the Court of Appeal, resulted in the abandonment by the Housing Division of most of its slum-clearance projects, as it found that titles to properties in slum areas could no longer be acquired within a reasonable time or at a reasonable price. Of the fifty-one federal projects named above, twenty-seven involved slum clearance where the housing projects were constructed upon the site of

the former slum, whereas twenty-four were constructed on vacant sites.[1]

The housing policy of the Federal Government was reorganised on a new basis by the adoption, in September 1937, of the *United States Housing Act* (known as the Wagner-Steagall Act). This act established a *United States Housing Authority,* to which the housing or slum-clearance projects formerly carried on by other federal agencies have been transferred. It is provided, however, that the main activity of the Authority shall consist in co-operating with State or local agencies in undertaking public housing projects.[2] Such co-operation has been made possible through fresh legislation in many States, whereby slum clearance and the providing of low-rental dwellings for the lowest income groups have been declared a matter of public concern. A fairly large number of State or local housing agencies have been created in the past few years.

The *United States Housing Authority* has the power to issue $500 million of Government guaranteed securities to finance sixty-year loans to such agencies. Interest rates may not exceed the current rate on Government borrowings by more than ½%. Periodical subsidies towards part of current expenses (or, in certain cases, capital remissions) may be given to provide low rentals. The subsidies towards current expenses for any project shall be fixed in uniform amounts over a fixed period of years. The State, city or county in which such project is situated is required to contribute, in the form of cash or tax remissions, general or special tax exemptions, at least 20% of the annual contributions provided. These shall be charged against the regular budget.

As a rule, the housing projects undertaken with financial support from the Housing Authority shall include the clearance of an equal number of slum dwellings, except where the shortage of decent housing available to families of low income is so acute as to force dangerous overcrowding of dwellings. The new projects shall not cost more than $4,000 per family dwelling or more than $1,000 per room (excluding land, demolition and site developments). The dwellings shall be available solely for families whose net income at the time of admission does not exceed five times the rental (including the value or cost to them of heat,

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[1] A special housing programme was undertaken by the *Resettlement Administration,* created by authority of the Emergency Relief Act of 1935. It has constructed rural-industrial communities beyond the metropolitan limits and near points of industrial opportunity for low income groups from cities, to demonstrate a new method of land use in which farmers and city workers are citizens of the same town. The *Alley Dwelling Authority,* created by Act of Congress in 1934, operates only in the district of Columbia.

[2] The projects taken over from the Public Work Administration have been or will be transferred to such agencies.

light, water and cooking fuel). In the case of families with three or more minor dependants, such ratio shall not exceed six to one. The term " families of low income " means families who are in the lowest income group and who cannot afford to pay enough to cause private enterprise in the locality or metropolitan area in which they live to build an adequate supply of decent, safe and sanitary dwellings for their use.

The projects planned by the Housing Authority involve a total cost of $889 million, of which the Authority will contribute 90 %. About 77 % will be utilised for construction and 15 % for demolishing purposes.

CANADA

URBAN HOUSING

The Extent of the Need

The Housing Shortage.

After the war, housing shortage was a serious problem. But building proceeded (almost exclusively by private enterprise) and the most urgent needs seem to have been met in the first ten post-war years. From 1929 to 1933, there was a big slump and, although there has been some recovery since 1934, a very great deficiency in housing remains. According to the Dominion Bureau of Statistics, about 27,500 dwellings should be erected yearly in the whole country to provide accommodation for additional households. In 1935, the cumulative shortage had attained at least 55,000 units, or nearly 2½% of the total number of existing households, without counting houses unfit for human habitation.[1]

The Size and Nature of Dwellings.

Nearly 59% of Canada's urban population live in single houses, and 46% of all dwellings are owned by their occupiers.[2] Even in towns with more than 30,000 inhabitants, the proportion of owned dwellings is as large as 37%.

According to the 1931 census, two-thirds of all households in urban areas were occupying dwellings with from four to seven rooms.[3] The six-room unit was the most common type, as it accommodated more than one-fifth of all households. A special enquiry based on the 1931 data for three large urban areas—viz., Montreal, Toronto and Winnipeg—shows that overcrowding as measured by the criterion most used in European countries (more than two persons per room) was exceptional. The proportion of persons falling within this limit was 3.7%, 1.5% and 3.6% respectively. If it be assumed that one room per persoon is adequate,[4] it will be found that in the towns mentioned above 40.5%, 24.2% and 35.7% of the population were inadequately housed. Even then, relatively little crowding appears to exist among families of four

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[1] More recent estimates of the actual shortage, including replacement, range from 4% to 10% of the number of households. *Cf.* Horace L. Seymour, " Canada's Housing Problem ", *The Legionary*, March 1938.

[2] Seventh census of Canada, 1931.

[3] Kitchens counting as rooms.

[4] This is the standard adopted by the Dominion Bureau of Statistics.

persons or less, but the percentages rise rapidly for family groups of more than five persons and the great majority of households of more than six persons seemed to occupy inadequate dwellings.

The situation has grown worse since 1931, owing to the fall in incomes and building inactivity. This has frequently led to "doubling up" of households. Local surveys indicate that families receiving unemployment relief are as a rule poorly housed, many living in one or two rooms only.

Hygienic Standard of Dwellings.

Fresh construction is in most cases regulated by provincial health regulations and municipal by-laws. Progress has been made in recent years in town planning, new dwellings representing a fairly high standard of design and site as well as of hygiene and comfort. But, although some local authorities have enforced improvements of old houses, there still remain many dwellings dating from the last century, which fail to satisfy elementary requirements.

According to a cross-section survey of working-class dwellings in the city of Montreal and Verdun,[1] among 1,376 dwellings investigated, four-fifths had from three to five rooms; all had kitchens and 30% refrigerators. More than four-fifths were heated by the cooking-stove, only. All possessed inside water supply but less than 10% had hot water. More than three-fourths had no bath. Water-closets were found throughout but for the most part they failed to meet with modern standards of hygiene. Nearly 30% of all dwellings were more or less dilapidated.

In 1935, 25,000 dwellings (out of some 172,000) were classed by the Board of Health of the City of Montreal as more or less insanitary. In Toronto (with about 140,000 dwellings in 1935), it was estimated that at least 2,000 houses, and in all probability 3,000 or over, were unfit for human habitation. A report on housing in Ottawa presented in 1935 and covering 3,500 dwellings (out of some 27,000) with 5,625 families, all in receipt of social service relief, indicates the pressing need of demolition (576), reconditioning (1,369) and the construction of 1,189 new dwellings to improve sub-standard dwellings and to deal with overcrowding.

Building Trade and Housing Finance

Building Activity.

The table on the following page resumes the main data available on building activity. In spite of the high cost of materials and skilled labour, private building made rapid progress after the war, as it was not hampered by any form of legal rent restriction. Residential

[1] This survey was carried out in January 1937 by the Department of Planning and Research of the Montreal Metropolitan Commission. The results were confirmed by a more comprehensive investigation undertaken somewhat later.

building reached its peak in 1928, whereas the activity in other branches of construction (business, industrial, engineering) culminated in 1929, as did industrial production in general.[1] The subsequent decline in residential building was not due to any previous surplus of dwellings, but to a drastic drop in rents, caused by unemployment and general shrinking of income. From 1930 to 1934, rents dropped by about 25%. The demand for dwellings

Building Activity, Elements of Building Cost and Employment in Building Construction (1910-1938).

Period	Value of construction contracts (Canada)[2]		Value of building permits in thirty-five cities[3]	Average index numbers of		
	Total	Residential		Prices of building materials	Wages in the building trade	Employment in building construction
	(Millions of dollars)			(1929 = 100)		
Average of years:						
1910-1914 ...	356.9[4]	.	134.8	64[6]	51[6]	.
1915-1919 ...	111.6	30.4[5]	44.2	118[6]	75[6]	.
1920-1924 ...	283.6	84.9	113.3	108[6]	86[6]	53[6]
Year:						
1925	298.0	96.5	110.3	104	86	56
1926	372.9	109.6	143.1	101	87	74
1927	419.0	124.9	164.8	97	91	80
1928	472.0	139.2	197.6	98	94	83
1929	576.7	128.9	214.3	100	100	100
1930	457.0	93.3	152.4	92	103	99
1931	315.5	81.7	101.8	83	99	77
1932	132.9	28.9	38.4	78	90	40
1933	97.3	23.9	19.9	79	80	28
1934	125.8	30.6	24.9	83	78	35
1935	160.3	36.4	42.8	82	81	41
1936	162.6	42.9	36.3	86	81	41
1937	224.1	56.2	49.7	95	84	44
1938	187.1	57.0	.	.	.	44

SOURCE : Dominion Bureau of Statistics : *The Canada Year-book.*

[1] Actual building may present a certain lag with regard to contracts issued as well as permits issued.
[2] As compiled by MacLean Building Reports, Ltd.
[3] As compiled by the Dominion Bureau of Statistics.
[4] Average for the years 1911-1914 only.
[5] Average for the years 1918 and 1919 only.
[6] Index number for the last year of the given period only.

was reduced by " doubling up " and by a fall in the marriage rate and immigration. There was a general slump in real estate values and prices of residential houses had to establish themselves on a lower level before a recovery could take place. The following table indicates the value of residential building work actually performed since 1934 :

	1934	1935	1936	1937
	(Millions of dollars)			
New construction	9.9	14.2	24.8	32.1
Alterations, maintenance, repairs.	4.1	4.3	6.5	8.6
Total	14.0	18.5	31.3	40.7

SOURCE : Dominion Bureau of Statistics : *Reports on the Construction Industry in Canada, 1934-1937.*

Although the recovery has been relatively important, the amount of residential building contracts awarded in 1937, if divided by an approximate cost of building index, was only half of the corresponding average value for the period 1925-1929. Public authorities' action has contributed to recovery.[1]

To what extent unemployment results from stagnation in the building industry may be seen from the fact that, in September 1937, out of 89,000 fully employable male workers in receipt of material aid to which the Dominion contributed, no fewer than 19,000 or about 21% had been employed in construction.[2]

Organisation of Housing Credit.

Among private institutions granting mortgage loans, the most important by far are the loan and trust companies and the insurance companies.[3] The *loan companies* derive from " building societies " established during the past century. Their principal function is the lending on first mortgage, the funds being secured mainly by the sale of debentures and by savings deposits. By the end of 1936, the liabilities to shareholders amounted to $36 million (inclusive of reserve funds) and liabilities to the public to $101 million (debentures and debenture stock = $74 million; deposits = $26 million). Among the assets, real estate counted for nearly $10 million and mortgages on real estate for $98 million, of which more than 60% is said to represent urban property.

[1] Cf. page 156.

[2] Final report of the National Employment Commission, January 26th, 1938.

[3] The chartered banks of Canada are not allowed to make advances on real estate.

The *trust companies* act as executors, trustees and administrators under wills, marriage or other settlements, as guardians of minors, etc. Their lending of actual trust funds is restricted by law. By the end of 1936, their loans on real estate totalled $26 million. On the other hand, the *insurance companies* held mortgage assets for over $350 million.[1]

Mortgage loans seem generally to be on a twenty or thirty years instalment basis. First mortgages generally cover 50% or 60% of the value of the property. Since the crisis, the assessed value seems often to have been considerably lower than the total cost of building, and the lending bodies have imposed reassessment at short periods.

Rates of Interest.

The long-term rate of interest, as measured by the actual yield of Ontario Provincial Bonds, varied between 4.43% and 4.90% from 1926 to 1931. In 1932, it reached 5.21% but afterwards declined, and, in 1938, was only 3.22%. This is largely a result of the Dominion cheap-money policy, pursued by the refunding of bonds, the issue of new bonds at lower rates and the development of a short-term money market for Treasury bills.[2]

This policy has also influenced quotations of private corporation bonds. Their actual yield levelled about 5½% 1929-1931, went beyond 6½% in 1932, but dropped to 4% in 1937. Available data indicate that the fluctuations in yields on high-grade long term bonds have been reflected, but to a lesser degree, in the movement of interest rates on mortage loans. Before the slump interest on first mortages seem to have been generally 6½%, while 6% was charged on large and particularly desirable loans. In 1929, the average of rates charged in Ontario and Montreal by a representative company was as high as 7%. It dropped to 5.74% in 1936.[3]

Cost of Building.

The wide fluctuations in the cost of building over the past ten years are illustrated by the index numbers on page 152.

Evidence collected in 1935 by a Special Committee of the House of Commons indicated that a " three-bedroom, livingroom-kitchen unit type of housing ", considered as a normal standard of family accommodation, cost $2,500 to $2,700, on an

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[1] From 1931 to 1935, the total value of mortgages held by loan companies dropped by 10% and that of mortgages held by Canadian life insurance companies by 13%.

[2] To some extent, this policy has been inflationary in character, in that easy money has been brought about by expansion of bank reserves and bank credit used by Government to finance deficits.

[3] *Cf.* Stanley E. Nixon : " Interest Rates in Canada, 1929-1937 ", *The Canadian Journal of Economics and Political Science*, Vol. III, August 1937, No. 3.

average.[1] The economic rent of such a dwelling was calculated as set forth below :

	Dollars per year
Taxes (land and building) [2]	55
Management	15
Insurance	4
Maintenance	40
Amortisation in fifty years	17
Interest on $2,700 at 6%	162
Total	293

If the net return on total capital outlay could be reduced to $108, or 4%, the economic rent would be $239 per year.

On the other hand, it was adduced in evidence that the normal rent which the less well paid wage-earners could afford was only $150 per year (or $12.50 per month), on an average. The Committee concluded that special measures were needed for the provision of minimum standard dwellings for families belonging to the lower income groups. But it especially recommended the issue, for building purposes, of national funds under State guarantee at minimum rates, with a view to " widening the range of houses which could be rented at an economic rent without the assistance of subsidy ".[3]

The Housing Policy

Post-war Emergency Measures.

In 1919, the Federal Government made available to municipalities, through the provinces, a maximum of $25 million to be drawn on as loans to assist housing construction. In the following five years, nearly the full amount was expended and, throughout Canada, some 6,250 houses were built, housing about 32,000 persons,[4] but subsequent records showed mismanagement of funds and inefficient administration of these projects by the municipal housing authorities; the only outstanding record of success was the City of Winnipeg's. General improvements in economic conditions rather than Government aid apparently were responsible for the amelioration in the housing situation after 1920.

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[1] In Montreal, on expensive sites, the average cost was estimated at about $3,500, inclusive of slum clearance.

[2] Real property taxes are the major source of local government revenue. Their level varies widely. In recent years, increased municipal services and the costs of unemployment relief have in many cases forced their rate to an excessively high level, thereby increasing the cost of housing and retarding the construction of new houses.

[3] No. 64, *Votes and Proceedings of the House of Commons of Canada*, Ottawa, April 16th, 1935.

[4] The houses were intended mainly for returned soldiers.

As from 1935, the Federal authorities entered upon a housing policy the main objectives of which are: (1) to enable existing residential property to be modernised and improved, (2) to enable credit-worthy borrowers to build and own homes of their own, (3) to assist the lower income groups, who find it difficult to pay an economic rent, to occupy sanitary dwellings. In addition, this policy has been outlined with a view to assisting in the absorption of unemployment by stimulating the construction and building materials industries.

Improvement of Existing Accommodation.

Under the *Home Improvement Loans Guarantee Act, 1937*, the Government is authorised to guarantee loans made by chartered banks and other approved lending institutions to owners of residential property for improvements, alterations or additions (including the installation of permanent or built-in equipment). The lending institution is garanteed against loss to the extent of 15% of the total amount of such advances. The loans are repayable monthly or at other convenient periods within three years if they amount to $1,000 or less, within five years if they amount to more than $1,000. Up to $2,000 may be borrowed on a single-family house, while, in the case of multiple-family houses, the maximum is fixed at $1,000 plus $1,000 for each family unit provided for. The loans are obtained at a discount rate of $3\frac{1}{4}$% which produces an effective interest not in excess of $6\frac{1}{3}$%. Home Improvement Plan loans numbering about 40,000 and amounting to nearly $14 million were reported at April 30th, 1938.

Assistance in the Construction of New Dwellings.

Under the *Dominion Housing Act, 1935* (re-enacted with amendments and additions in the National Housing Act, 1938), the Minister of Finance was empowered to enter into agreements with approved lending institutions (insurance, trust or loan companies) and local housing authorities, whereby the Government makes an advance of 20% of the cost or appraised value of the property, over and above the loan of 50% to 60% which would ordinarily be made by a private lending institution. The security is a first mortgage up to 80% of the cost or appraised value, running jointly to the lending institution and to the Dominion Government. Since 1938, in the case of a small family house to be constructed for an owner for his own occupation, the total advance may reach 90%. The Dominion's share may not exceed one-fourth of the joint advance. The borrower's "equity" may be in the form of a building lot, available cash or both.

The interest paid by the borrower is limited to 5% per annum; the Government's fund being advanced on an interest basis of 3%, the rate earned by the lending institution is approximately $5\frac{1}{2}$%. The mortgage is for ten years, subject to renewal for

another ten years upon revaluation. Amortisation of principal is effected at a rate sufficient to pay off the loan in twenty years. Originally, the Government undertook to share any losses sustained by the lending institution. Since 1938, such undertakings can only be made in regard to small loans in small or remote communities.[1]

By the end of March 1938, the loans made under the Dominion Housing Act amounted to $15 million and the number of family units provided to nearly 3,600. Whereas the average loan per family unit was $4,184, just over 1,000 family units had been financed by loans not exceeding $3,000 and may thus have been working-class dwellings. The houses constructed must conform to certain minimum standards of construction laid down by the Minister of Finance.

Low Rental Housing Projects.

Under the *National Housing Act, 1938*, Part II, the Minister of Finance is empowered to make loans to local housing authorities (*i.e.*, municipalities and approved housing societies, associations or limited-dividend corporations) for the purpose of assisting in the construction of dwellings to be let at low rents to families of low income. Any such loan shall not exceed 90% (in the case of a limited-dividend corporation, 80%) of the cost of construction, nor an average sum of $2,700 ($2,400 respectively) for each family housing unit provided. The loans bear interest at the rate of 2% per annum payable half-yearly ($1\frac{3}{4}$% in the case of a limited-dividend corporation). Redemption is to be made by equal semi-annual payments of interest and principal at the rate of 2% ($1\frac{7}{8}$% respectively) of the principal amount of the loan. These payments are to be guaranteed by the government of the province (or by the municipality, if the local housing authority is a limited-dividend corporation).

The loans may be granted only for the purpose of low-rental housing projects intended to remedy shortage, overcrowding or the sub-standard character of existing housing accommodation in urban areas. The projects must satisfy certain requirements as regards planning, number of family units types of construction, etc. (in order to assure reasonable economies in the construction and management of the houses). The dwellings shall be let to families whose total family income does not exceed five times the "economic rental", this being defined as a rental at the rate of $9\frac{1}{2}$% per annum of the cost of construction plus annual taxes levied by the municipality and attributable to the particular family housing unit.[2] On the other hand, the rent to be charged

[1] In order to encourage the making of such loans, the Government may contribute to the costs entailed by their administration.

[2] The municipality has to agree that taxes of all kinds levied on the property of the local housing authorities shall not exceed 1% of the cost of construction and that no taxes shall be levied on the income of the local housing authority.

for each dwelling, not including charges for water and heating, shall not, in principle, be more than one-fifth of the total family income, provided, however, that the aggregate income from rents is sufficient to cover all expenses (including 5% on the paid-up capital of limited-dividend corporations). If, as a result of the high cost of the site or for other reasons, the rents are too burdensome for families with low incomes, the government of the province or the municipality may undertake to grant periodical contributions to a rent reduction fund to be used by the local housing authority for the purpose of allowing further reductions in the rents charged.

The total amount of loans may not exceed $30 million, and no contracts shall be entered into under these provisions on or after March 31st, 1940.

Tax Exemption.

Under Part III of the National Housing Act, 1938, the Minister of Finance is authorised to pay, during three successive years and at a falling rate, a certain part of the municipal taxes on real estate, in respect of houses built for persons who will own and occupy them, provided that the owners get a proportionate relief from taxation. The Government's contribution is payable only in respect of houses which do not cost more than $4,000 and the construction of which is begun between June 1st, 1938, and December 31st, 1940. The municipalities concerned have to secure the supply of a sufficient number of lots at prices which, as a rule, should not exceed $50 per lot to persons who agree to begin the construction of houses for their own occupation within one year.

Housing Policy of the Provinces.

Even before the intervention of the Dominion Government, some of the provinces had started measures to promote better housing. In 1932, the *Province of Nova Scotia* offered long-term low-interest-rate loans and remission of all incorporation taxes and provincial fees. The municipalities were enabled to grant relief from taxation for a period of twenty years to dwellings constructed under the Act. The public, by means of limited companies, puts up the supplementary capital, erects, owns and manages the enterprise, under the supervision of the Nova Scotia Housing Commission appointed in 1934. In 1935, the Government of Nova Scotia made available a sum of $200,000 for housing loans, up to 75% of cost of construction or appraised value of houses, at only 3½%. In the same year, the Halifax Council approved exemption from taxation for twenty years to all dwellings complying with the provisions of the Act. The Halifax Housing Corporation has started building blocks of modern apartments involving slum clearance. In 1937, the provincial authorities passed an Expropriation Act extending the application of powers of expropriation to the need for better housing.

The *New Brunswick* Housing Commission Act was passed in 1935 to establish housing commissions in that province. Loans could be made for the repair of old houses up to the standards established by the commissions. Houses could be closed or demolished, in which latter case loans could be made for the erection of new houses to take the place of those demolished.

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