

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/41626438>

# Housing and Economic Development: The Evolution of An Idea Since 1945

Article in *Habitat International* · December 2006

DOI: 10.1016/j.habitatint.2005.10.003 · Source: OAI

---

CITATIONS

30

READS

266

2 authors, including:



**Richard Harris**

McMaster University

141 PUBLICATIONS 1,207 CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:



A history of Canadian urban neighbourhoods, 1900-2015 [View project](#)

# Housing and economic development: The evolution of an idea since 1945

Richard Harris<sup>a,\*</sup>, Godwin Arku<sup>b</sup>

<sup>a</sup>*School of Geography and Earth Science, McMaster University, Hamilton, Ont., Canada L8S 4K1*

<sup>b</sup>*Department of Geography and Environmental Studies, Wilfrid Laurier University, 75 University Avenue West, Waterloo, ON, Canada, N2L 3C5*

---

## Abstract

The construction and use of decent housing affects economic development through its impact on employment, savings, investment, and labour productivity. These facts have only recently come to be widely acknowledged. Since 1945, housing experts have articulated three views about the role of housing for economic development. In the early post-war decades most writers viewed housing as a social expenditure and a drag on growth. A minority argued that housing could be an important adjunct to specific development projects, usually in isolated locations. Since the 1970s, housing has increasingly come to be seen as a contributor to growth, not only because house building is a major employer with large multiplier effects but also because housing is seen to have social consequences with diverse economic effects. This historical narrative as to how opinion has changed raises questions as to why it has changed.

© 2005 Elsevier Ltd. All rights reserved.

*Keywords:* Economic development; House building; Housing; Housing policy; United Nations; World Bank

---

## Introduction

In the early 1960s the Venezuelan government established *Ciudad Guayana*, a regional development agency, to plan a large new settlement near a steel works in the eastern sector of the country. As a planner from Harvard-MIT explained at a conference in 1966, this agency made provision for workers' housing, anticipating that this would account for 16% of total investment in the first 15 years, this being split about evenly between public and private initiatives (Corrada, 1966, p. 108). Asked to discuss the merits of the agency's plans, the economist and planner Wingo (1966, p. 148) noted a difficulty: "we don't know whether to treat [housing] as economic overhead because it improves the ability of the productive sector to produce; as social overhead because it ... may make people more useful members of the society, [or] as a consumer good ... that should be distributed by the market itself." Of course it was all those things and more. Over the past half-century or so the balance of opinion about the economic significance of housing has oscillated but generally grown more favourable. The purpose of this paper is to trace these changes; a companion paper will speculate as to why they have occurred.

---

\*Corresponding author.

*E-mail addresses:* [harris@mcmaster.ca](mailto:harris@mcmaster.ca) (R. Harris), [garku@wlu.ca](mailto:garku@wlu.ca) (G. Arku).

We focus upon the economic aspects of housing because these have often been sidelined even though they matter a good deal. For families, housing involves large expenditures of money or labour. Within local, regional, and national economies the construction industry commonly rivals or outranks the transportation sector and most types of manufacturing. Because it is one of the most labour-intensive branches of construction, house building alone employs more than many important industries.<sup>1</sup> With backward linkages to suppliers, with multiplier effects on household expenditures, and with ties to the financial system through residential mortgages, the housing sector plays a key role in any economy. Its organization, or disorganization, has a palpable effect on economic growth. Surprisingly, however, governments and academics were slow to recognize the potential of housing as a sectoral tool of economic development.

The idea of national economic planning became widespread after 1945. At first most development economists assumed, and a few actually argued, that the construction industry, including house building, should at best play a secondary role in development planning. They believed that better housing was a social expenditure, a consequence not an agent of growth. This remained the dominant view until the 1960s, but in the same period there were always those who qualified it by insisting that in some contexts housing was a prerequisite, a necessary adjunct to development. The balance of opinion began to shift in the late 1960s and by the early 1970s the World Bank became active in the housing field. Since then, specialists have more consistently acknowledged the economic significance of housing, although their views have still had limited impact on larger debates about the nature and direction of economic growth. This paper traces the history of the growing, but still limited profile, of housing among those who are concerned with the promotion of development.

## A historical perspective

Very few of those who have written about the relationship between housing and economic development have paid much attention to its history. This relationship first began to attract sustained scholarly attention during the 1970s and 1980s. Influenced by the work of Turin (1967, 1970, 1974, 1978), researchers began to debate whether, in relative terms, investment in building and construction rose with the level of development (e.g. Drewer, 1980; Strassman, 1970, 1985; Wells, 1984, 1985). Hampered by poor data, the results were inconclusive and could not answer the question, more important for policy purposes, as to whether levels of construction influenced, as well as reflected, economic growth (Kafandaris, 1980, p. 305). Partly in an attempt to get at this issue, other researchers began to examine in more detail the nature and organization of the construction industry in the developing world (Edmonds, 1979; IBRD, 1973; Keivani & Werna, 2001; Moavenzadeh, 1987; Ofori, 1990; UNIDO, 1969a; Wells, 1986; Werna, 1994). Typically, they noted its labour intensive character and its significance as a source, especially, of urban employment (ILO, 1983; Kirmani, 1988, p. 24; Tipple, 1994; c.f. ILO, 1945, 1968). By the 1990s, other economic aspects of housing were also receiving attention, including the widespread use of homes as workplaces and as sources of rental income, as well as the links between housing and development finance (Chen, Sebstad, & O'Connell, 1999; Kumar, 1996; Renaud, 1999; Strassman, 1987; Tipple, 1993; UNCHS & ILO, 1995; c.f. US Senate Committee on Banking and Currency, 1963).

These studies and reviews have extended our understanding of the varied relationships between housing and economic development, but none sought to trace the evolution of ideas on the subject. Some of this history is dispersed in accounts of international housing policy. In recent years a few writers have traced the evolution of housing policy in the post-war era. In several related papers, Pugh (1986, 1997, 2001) has surveyed shifts in the views of academics and international agencies with respect to housing and urban settlements. Understandably but unfortunately, he focussed on the period since the World Bank entered the housing field in the early 1970s. As a complement, in an account of the changing forms of international housing policy, Harris and Giles (2003) emphasize the early post-war decades, considering the colonial role of the UK as well as the postcolonial influences of the UN and the World Bank. Each of these authors speak unavoidably, but for the most part incidentally, about the economic aspects of housing and housing policy. In particular, they note

<sup>1</sup>For present purposes, “building industry,” and “residential construction” are used synonymously to denote one branch of the construction industry. Except where indicated otherwise, they include those who are active in either the formal or informal sectors.

the emergence in the late 1980s of a broad (though not universal) consensus that housing policy should take a “market enabling” approach with the goal of strengthening a private sector that includes, most notably, builders, suppliers, and credit institutions. But none make a sustained attempt to distinguish the economic from the social and political motives behind housing policy, or to identify the evolution of ideas about the specific role that housing can play in economic development.

### **Housing as a social expenditure, 1945–1960s**

It is not surprising that specialists have sometimes wished to make a claim for the importance of housing. The question is whether anyone else was listening. In the early post-war years there were certainly housing experts who tried to make a strong case. These included the planner Jacob Crane, who until 1953 was head of the international housing office at the US Housing and Home Finance Agency; the architect George Atkinson, who became housing adviser to the British Colonial Office in 1948; Ernest Weissman, head of the Department of Housing, Building and Planning at UN headquarters in New York; and Charles Abrams, an independent scholar and researcher who led a number of UN housing “missions” during the 1950s and early 1960s. Unfortunately the academics, mostly economists, who at that time were defining the nascent fields of development studies and economics, paid little or no attention to the ideas and arguments of housing experts. To the extent that they listened, they were skeptical.

The idea of development planning took shape in the early post-war year. Its nature and scope was defined by economists, most of whom were strongly influenced by a model of economic growth that was framed by the work of Harrod (1939) and Domar (1947). This model stressed the importance of capital formation and investment as a means of raising productivity. From this point of view, the critical problem of the developing world was that capital was in short supply because rates of domestic saving were low due to low wages (Nurkse, 1953, p. 5). Wages remained low because of widespread un-, or under-employment. The only hope, according to an influential argument developed by Lewis (1954), was to concentrate investment in the modern, capitalist sectors of the economy where productivity was higher and where profits could fuel further investment. Within the “dual economies” that characterised so many countries in the developing world, such investment would encourage labour to move from low-wage into higher-wage sectors and hence generate a higher rate of savings. This was the best method of propelling the economy towards a take-off to sustained growth (Rostow, 1960).

Investment in housing did not fit the bill. The house building industry relied on hand-powered technology, used limited capital, and was characterised by low wages and productivity. Worse, housing itself was seen as a consumer good which had a limited and indirect effect on the productivity of its consumers. As Strassman (1970, p. 505) has observed, from this point of view “financing housing without raising productivity was throwing money into a bottomless pit.” Indeed, such investment could appear to be the very worst type of consumer spending since it tied up capital for such long periods of time. As Gilbert and Gugler (1992, p. 133) observe in summarising this point of view, housing “was regarded as the classic means of slowing economic growth” (c.f. Abrams, 1964, p. 106; Drakakis-Smith, 1997, p. 799).

The implications of this view for housing policy were nowhere spelled out more clearly than by Marc Nerfin, while regional advisor at the UN Economic Commission for Africa. Nerfin (1965, p. 555) acknowledged that better housing was a pressing social need, but asserted that “present difficulties can only be solved by development, and by the industrialisation on which development is based.” The immediate goals of national economic planning must be to expand the production of goods such as iron, steel, and cement. If housing was to enter the list of developmental priorities, even at a low level, it could only be in order to secure the services of workers in these “new industries,” while any such housing must itself be built “by industrial methods,” thereby making a small direct contribution to the modernisation process (Nerfin, 1965, pp. 558, 560).

The advocacy of factory production for housing, which implied a great technical leap forward in building methods, was shared by others (e.g. Paraskevopoulos & Larson, 1963). On the whole, however, it was extreme: many economists were willing to countenance a compromise. Those associated with the UN’s Economic Commission for Europe, for example, favoured a graduated process, according to which the more industrialised methods of house building were seen to be appropriate chiefly for the more advanced of the developing nations, such as Singapore (UNECE, 1962, p. 31). The parallels with Rostow’s (1960) model of

economic growth were later made explicit by the UN's Industrial Development Organisation. In the late 1960s UNIDO prepared a series of monographs on industrial development, one of which dealt with construction. The agency's experts argued that developing nations "should achieve 'industrialisation of construction' in stages", a view that was widely shared within the UN (UNIDO, 1969a, p. 86; c.f. UNDESA, 1970, pp. 21–22). But, for Nerfin as for most development economists in the 1950s and early 1960s, this sort of debate was of only marginal interest, since it was relevant only in those rare situations where the promotion of housing was deemed to be appropriate.

Some specialists tried to insert housing more systematically into the Harrod-Domar model by arguing that the promotion of owner-occupied housing, in particular, might provide a significant stimulus to savings. This idea was aired, for example, by a number of the experts who presented their views to a US Senate subcommittee on housing in the early 1960s, at a time when the Senate was debating whether it should support the establishment of an International Home Loan Bank (e.g. Cowan, 1963; Hollander, 1963; US Senate, 1962). These views had little immediate effect. Skeptics could argue that, after all, any savings prompted by the prospect of better housing would, in the end, be largely spent on housing, which by definition was unproductive.

It is difficult to determine in retrospect the exact balance of opinion about housing in the early post-war period. Most development economists did not find it necessary to articulate in any detail their views on the matter. Fortunately, a litmus test of opinion was applied, in the form of a debate that occurred in the mid-1950s over the appropriate activities of the British Colonial Development Corporation (CDC). The CDC had been established in 1948 "for developing resources of Colonial territories with a view to the expansion of production therein of foodstuffs and raw materials, or for other industrial, agricultural, or trade development therein" (Roberts-Wray, 1955a, p. 1; c.f. Rendell, 1976). It was given a narrow mandate, akin to the goals of those "5% philanthropists" who built model housing in Britain in the late nineteenth century. The agency was expected to fund high risk projects that private investors might avoid; however, it was to make only those investments that would at least break even, albeit over the long run (UK, 1952).

From the beginning the CDC funded housing schemes, both as an adjunct to other development projects and also in their own right. It perceived these to be medium-risk investments that fitted its mandate rather well. One of its earliest schemes, for example, was to help establish a building society in Singapore. Soon such activity was attracting the attention of the economists who staffed the British Treasury, which oversaw CDC operations. In 1954 Treasury challenged the right of the CDC to invest in housing. It obtained a legal opinion that such investment lay "outside the spirit, the letter and the intention of the Act," excepting only those housing schemes that were intended for workers employed at specific development projects, such as an isolated factory or dam (Roberts-Wray, 1955a). The CDC secured a contrary legal opinion that the funding of housing schemes could often be deemed "essential" for development and, although not specifically identified in the legislation that had established the CDC, was very much "implicit" (Clarke, 1955). The Secretary of State for the Colonies referred the issue to the Crown's own law officers, who agreed with Treasury's position in all essentials (UK, 1955). Reviewing each project in turn they concluded, for example, that the Singapore building society was not "in itself" trade development, and lay outside CDCs mandate. The issue was not allowed to go to court, since if the decision had gone against the CDC it would have been compelled to withdraw from a number of projects, to the political embarrassment of the British government. Instead, new legislation was rushed through to give the agency more flexibility: in a classic compromise, the Secretary of State was given new, vague, discretionary powers.

At the time William Rendell, the corporation's General Manager, is reported to have expressed the opinion that "all economists ... accepted ... the relation between housing and economic development" (Melville, 1955). This statement, however, was designed to serve a rhetorical purpose and was palpably untrue. Staffed by economists, Treasury was (and remained) convinced that housing projects did nothing to promote growth (Roberts-Wray, 1955b). The British Government had little faith that its counsel could rebut this view. Indeed, after the issue was resolved by being fudged, the Colonial Office acknowledged the weight of Treasury's case. In a communication to Treasury in 1957, a Principal Secretary in the Colonial Office freely conceded that "housing is not direct development of the type which the CDC is primarily intended to undertake..." (Harris, 1957). The CDC wanted to invest in housing. Believing that such investments had valuable economic as well as political payoffs, the Colonial Office and the British Government backed the

agency. But in so doing they conceded that the economic argument went against prevailing expert, and hence legal, opinion.

### **Housing as an adjunct to development, 1950–1960s**

During the 1950s and early 1960s, those development economists who considered the economic significance of housing found it impossible to dismiss the subject entirely. In their different ways Marc Nerfin, and legal advisors to the British Treasury, both grudgingly acknowledged that there were circumstances in which housing investments could be justified even on narrowly economic grounds. Several contemporaries elaborated this view.

By the 1940s, the most widely accepted view about the economic role of house building was that it was a useful counter-cyclical tool. In the late 1930s and early 1940s the Keynesian revolution turned into the conventional wisdom. Economists came to believe that the state was responsible for managing the national economy and that one of government's most important roles was to pull economies out of recession through public spending. They recognised that, being so large and labour-intensive, the construction industry could be a prime tool of economic management: during downturns, expenditures in this sector would employ relatively large numbers of people, whose spending would help restore growth. Even while Keynes was writing the *General Theory* (Keynes, 1936) such ideas were being put into practice in Roosevelt's New Deal, notably through the establishment of the Federal Housing Administration (Fish, 1979, p. 182; Radford, 1996). The twin goals of stabilising the building industry, and of deploying it as a balance-wheel of the economy, preoccupied experts at the FHA from the very beginning, including its technical director Miles Colean (Colean & Newcomb, 1952; Lange & Mills, 1979; Mitchell, 1985, p. 5; c.f. Grebler, 1942). By the mid-1940s the same goals were being advocated for other countries by the International Labour Office (1945, p. 26-7; c.f. U.N.D.I.E.S.A., 1988).

Keynes' ideas were designed for an industrial economy such as Britain's where something close to full employment could reasonably be regarded as the norm. They required modification if they were to be applied in the developing world, where there was widespread unemployment and underemployment (Lewis, 1954). One approach was to argue that the house building industry was even more important as a tool of economic management in the developing world, a semi-permanent rather than a merely temporary recourse which could help absorb the stream of unskilled labour that flowed from country to city. This was the view that was eventually to be developed most fully by Lauchlin Currie, a protégé of the New Deal (1966, p. 89, 1976; c.f. Sandilands, 1990). In the early post-war years, however, this argument was neglected. Instead, housing economists focussed on the impact that better housing might have on productivity in other sectors of the economy. A typical and influential line of argument was developed by Jay Howenstine (1957), who in the early 1950s was the I.L.O.'s housing advisor. Howenstine acknowledged that better housing might lead to higher productivity, by improving health, reducing absenteeism and so forth. However he argued that, from an economic point of view, raising the work capacity of those who were unemployed or underemployed was not a priority. He even questioned the effects of improved housing on those who were employed full-time. He pointed out that in situations where unemployment rates were high and where many industries required workers with only limited skills, employers could readily handle absenteeism by hiring replacement workers at short notice (Howenstine, 1957, p. 24.) This harsh calculus led Howenstine to conclude that, from an economic point of view, investments should be made in housing only where these were "clearly necessary" as an "adjunct" to the success of other, industrial projects (Howenstine, 1957, p. 25). Moreover, even when unemployment rates fall, priority should be given to those workers "whose contribution to national productivity could be expected to benefit most from better housing" (Howenstine, 1957, p. 25).

Howenstine's line of argument was, in effect, a fuller justification of the views expressed by Nerfin (1965) and advocated by the British Treasury. It was also consistent with the recent practice of both companies and governments. In the early twentieth century employers throughout Europe and North America commonly built homes for workers in mining and company towns (Crawford, 1995). By the 1940s, several British colonies had built, or helped employers to build, housing for workers employed in new, modern industries, most obviously in the mining communities of the African Copperbelt

(Heisler, 1971; Parpart, 1983; Tipple, 1981). Then again, during World War II the US government had allocated key matériel to the building industry in order to provide homes for war workers near new, suburban defence factories (Colean, 1940; Nenno, 1979, pp. 248–252). It was widely agreed, then, that in economic terms housing investment was justifiable as a handmaiden to development, but appropriate chiefly for specific workers in particular locations, and/or for limited periods in time (c.f. Grebler, 1955, p. 53; Millikan, 1955).

The difficulty was in knowing where to draw the line between productive and unproductive investment in housing, and then being able to defend that line. Howenstine was unusual in not only acknowledging the difficulty but in exploring it with some rigour. He noted that housing policy was shaped by social and political considerations as well as the purely economic. On these other grounds there were powerful arguments to improve housing conditions even for those who were unemployed and apparently unproductive. His compromise was to argue for a policy of aided self-help. Soon after WWI, a number of European governments had developed programs in which they provided assistance to owner-builders. The idea was systematised, and labelled aided self-help, by Jacob Crane in the late 1940s (Crane & McCabe, 1950; Harris, 1997). Crane himself saw this idea as something close to a panacea, and advocated it to anyone who would listen, including Howenstine. As an economist, Howenstine was more skeptical, but he did make a place for self-help as an interim adjunct to economic development. In the developing world, owner-builders commonly used (and still use) local or found materials that have a limited life and that would not otherwise be utilised for economic purposes. Arguably, in places where unemployment and underemployment is high, owner-construction removes little or no labour from the economy. Government programs of aided self-help might add little or nothing to the formal economy, but they have only a small opportunity cost. In this manner, Howenstine argued that a quite active housing program could be justified. His views were echoed by other housing economists such as Max Millikan, who spoke at a conference on housing and economic development that was organized at MIT in 1953 (Millikan, 1955, pp. 25–26; c.f. Grebler, 1955). They also helped shape the policy of the International Labour Office. At a regional ILO conference in the same year, Howenstine helped to persuade Asian delegates that the construction of permanent housing could only be justified when it would have a direct effect on raising the productive capacity of the economy, but that temporary housing was always acceptable (ILO, 1953a, 1953b).

The argument that Howenstine and Millikan sought to develop rested on nice distinctions between temporary and permanent materials; productive and unproductive labour; isolated and accessible workplaces. These distinctions were easier to make in theory than in practice, and their difficulties of application in turn challenged their theoretical logic. The use of dried mud, a local material that had no economic value except in traditional buildings, was clearly acceptable, while imported cement which could be used in building dams and factories was seemingly not. But what if that cement was used in small quantities to stabilise the clayey soils that owner-builders often used to make dried bricks? Then again, the provision of permanent housing for workers employed at a remote factory or mine was obviously acceptable since otherwise the project might founder. Did it matter what the factory produced? Steel would be acceptable; soft drinks not. But what about a brick-works? Should its workers be housed if the bricks were destined for factory buildings, but not if they went into the workers' own dwellings; or if the bricks were destined for dwellings in another country, so that they would count as exports, but not if they were intended only for domestic use? Arguably, there was a logic to the making of such distinctions, but it could easily seem arbitrary.

There was arbitrariness, too, about the geographical aspects of the argument. The reason to build housing at isolated sites was to attract a labour force. In an economy with a labour shortage and a high standard of living this made sense. It carried less weight where many workers were so desperate for work that they were increasingly willing to migrate to urban centres where there was already widespread unemployment. This, of course, could be used as an argument not to build any housing anywhere. But having potential labour nearby is only part of the battle for an employer. There are also questions of turnover and productivity. Employers in accessible locations were often concerned about such issues, as were the shipping companies in Mombasa in the 1940s and 1950s (Cooper, 1987). Logical distinctions in practice became blurred, and once exceptions were admitted they multiplied. As Abrams (1964, p. 109) observed, this line of argument became a slippery slope, one which led to the conclusion that in general housing should be regarded as a productive investment.

## Housing as an investment, 1960s-present

Housing is obviously an investment: costs are incurred over a period of months in order to produce a stream of services that are enjoyed for decades (Malpezzi, 1990, p. 1008, 1999, p. 1816). The question is what economic effect those investments, and their associated stream of services, will have. Throughout the 1940s and 1950s, most of those associated with the promulgation of housing programs were convinced that housing contributed to economic development. In the United States Catherine Bauer Wurster, who more than anyone had shaped the US public housing program in the 1930s, spoke to this effect at the MIT housing conference in 1953 (Wurster, 1955; c.f. Oberlander & Newbrun, 1999). In the following year Ernest Weissman, head of the UN's housing office, argued that housing was a critical element in the "social overhead projects" that are "basic to economic development" ("The Place of Housing...", 1954; c.f. Weissman, 1955). The same point was made by Jacob Crane (Harris, 1997). At the British Colonial Office, and in the Colonial Development Corporation, until 1955 everyone seems to have assumed that housing investments contributed to economic growth. So, too, had a number of politicians, including successive Secretaries of State (Melville, 1955). But for many years such views were not widely shared among those academics who took an interest in the analysis and promotion of economic growth.

In the 1960s more people, including development economists, began to listen. In 1960, under the Alliance for Progress, the US Agency for International Development (USAID) began to make substantial housing loans, especially for lending institutions in the Americas. As the chief of USAID's Latin American branch explained, such investments were thought to contribute directly to economic growth and in a variety of ways (Robinson, 1963). Within 3 years, the US Senate was debating the merits of an International Home Loan Bank that would help establish "thrift institutions in the less developed ... countries" (US Senate Committee on Banking and Currency, 1963, p. v). In the mid-1950s the balance of opinion had been that a building society in Singapore did not count as economic development; the tone of expert submissions solicited by Congress in 1962–1963 make it clear that by the early 1960s such an idea was becoming uncontroversial (e.g. Newcomb, 1963). More attention was again given to the fact that the building industry was a valuable source of employment for unskilled rural migrants (Currie, 1966, 1976; ILO, 1968), to the prospect that home ownership might divert money from consumption into savings (US Senate Committee on Banking and Currency, 1963), and to the manner in which house building had multiplier effects, especially on the demand for materials (UNIDO, 1969a, 1969b). By the early 1970s, then, the scene was set for a significant shift of opinion, which in 1973 saw the World Bank enter the housing field for the first time.

The significance of the World Bank's entry into the housing field, and the evolution of its thinking, are widely appreciated (e.g. Pugh, 1997). It is clear that political motives and social concerns were very prominent in this shift. Michael Cohen, who led the Bank's Urban Poverty Task Force in 1974–1975, and later spent two periods (1980–1986, 1989–1994) as Chief of the organization's Urban Policy Unit, has observed that the Bank moved into this area "largely" because of pressure from "a number of governments" (Cohen, 1983, p. 93). Its concern was, above all, with the alleviation of poverty, this being expressed through a program of addressing "basic needs." (Cohen, 1983; Finnemore, 1997). Even so, the Bank also became persuaded that housing, and related urban services, could play a role in promoting economic development. These views had always been articulated by some within the United Nations, and were emphasized after the formation of the United Nations Centre for Human Settlements (UNCHS-Habitat) in 1978. As is well-established, UN and World Bank experts supported specific demonstration projects, in the form of "site and service" schemes that owed a good deal to the tradition of aided self-help.

One aspect of the shift in Bank policy that has been overlooked is its implications for views of the construction industry. Until then, Bank projects had been carried out by international companies using imported materials. The competence of these companies, and their familiarity with financing procedures, were things that the Bank could take for granted. The new housing and urban infrastructure projects, however, rarely appealed to internationals and the Bank found itself dealing with indigenous contractors, whose inadequacies were soon apparent. Realising that the domestic construction industry was the weak link in many of its new projects, by the mid-1970s the agency was considering how this industry might be improved (ILO, 1983, p. 1; Kirmani, 1988, pp. 7-8, 41-2). It hired economists to supplement the engineers on whom it had previously relied, and began research on the social organization of construction (Kirmani, 1988, p. 131). Serendipitously, the Bank's new urban emphasis brought home just how important the construction industry was for economic development.

Sites-and-services projects were less successful than their designers had hoped. By the early 1980s, a rising wave of neo-liberal thinking within both the World Bank and the IMF found expression in the “Washington consensus” that argued for the replacement of state-led by market-led reforms (Gore, 2000). Both the World Bank and the UN shifted emphasis towards a market enabling strategy (UNCHS, 1987; World Bank, 1993). In the urban field the new emphasis was upon improved management, including service provision (Cohen, 2001). In terms of housing, it targetted the resolution of disputed land titles, the training of both workers and entrepreneurs, and the development of new mechanisms of housing finance. In the process, housing increasingly came to be seen not just as a positive influence on economic growth but as an intrinsic part of it. One aspect of this view has been developed, very influentially, by de Soto (2000). De Soto’s argument is that development occurs when people mobilise existing wealth to generate growth. Their capacity to do so depends on whether wealth is represented in socially agreed forms, such as land registries, on the integration of those representations into a single, fungible system, and on a means of enforcement. One of the major forms of wealth in the developing world is real property, and so a priority for development planning must be that of integrating housing into the framework of a formal economy. Instead of being a mere by-product of economic growth housing, and more specifically the mobilisation of the wealth that it embodies, becomes a precondition.

## Conclusion

In the post-war period, expert opinion has articulated three arguments about the possible role of housing investments in promoting economic growth. Many writers have regarded such investments as a purely social expenditure and hence a low priority; a significant minority have argued that, in certain contexts, expenditures on housing are necessary for the promotion of growth; a growing number have come to recognise housing investments as productive, because house building is a significant industry in its own right and also because its social consequences also contribute to growth. These three views have always co-existed, but the balance among them has shifted. In the 1950s, the dominant view saw housing expenditures as a drag on growth; today, at least in principle, they are seen as integral to the process of development.

By showing *how* expert opinion has changed, we are naturally led to consider *why* it has changed. Our narrative has largely been one of progress—of the rise of a broad and (we believe) more accurate view about the economic significance of housing. It would be easy to infer that this historic shift has simply reflected the steady accumulation of better information, and the deepening of our understanding of housing markets. It is true that we do know more now than we did in 1945, but whether this knowledge has led or followed the shift in opinion is unclear. We address this question in a companion paper, to be published in the next issue of this journal.

## Acknowledgements

The first author acknowledges the financial support of the British Academy and of the Social Sciences and Humanities Research Council of Canada and the practical assistance of Aurora Tangkeko at the U.N. Archives. The second author is grateful for the support of an Ontario Graduate Scholarship. Both wish to thank Charles Choguill and an anonymous reviewer for their comments on an earlier draft, and Caroline Moser and Michael Cohen for sharing their thoughts about World Bank policy. None bear any responsibility for the arguments presented here.

## References

(CO: Colonial Office Archives, Public Record Office, London; Note: U.N. catalogue reference numbers are provided for material that received limited circulation.)

- Abrams, C. (1964). *Man’s Struggle for Shelter in an Urbanizing World*. Cambridge, MA: MIT Press.  
 Chen, M., Sebstad, J., & O’Connell, L. (1999). Counting the invisible workforce. The case of homebased workers. *World Development*, 27(3), 603–610.

- Clarke, E.C.G. [Solicitor to the Colonial Development Corporation] (1955). The Corporation and Overseas Resources Development Act 1948. Housing Loans. Opinion. Typescript, 28 July 1955. [CO 852/ 1525].
- Cohen, M. (1983). The challenge of replicability. Towards a new paradigm for urban shelter in developing countries. *Regional Development Dialogue*, 4, 90–99.
- Cohen, M. (2001). Urban assistance and the material world. Learning by doing at the World Bank. *Environment and Urbanisation*, 13, 37–60.
- Colean, M. L. (1940). *Housing for defense. A review of the role of housing in relation to america's defense and a program for action*. New York: Twentieth Century Fund.
- Colean, M. L., & Newcomb, R. (1952). *stabilizing construction. The record and the potential*. New York: McGraw Hill.
- Cooper, F. (1987). *On the African waterfront. Urban disorder and the transformation of work in Colonial Mombasa*. New Haven, CN: Yale University Press.
- Corrada, R. (1966). The housing development program for Ciudad Guayana. In C. F. Frankenhoff (Ed.), *The economic role of housing in a developing economy. Housing policy seminar* (pp. 107–134). Rio Vedras, PR: University of Puerto Rico.
- Cowan, E. (1963). US Spurs Latin Americans to Mobilize Savings to Finance Homes. *New York Times* July 28, 1963, pp. 1, 11.
- Crane, J. L., & McCabe, R. E. (1950). Programmes in aid of family housebuilding. 'Aided self-help housing'. *International Labour Review*, LXI, 1–18.
- Crawford, M. (1995). *Building the workingman's paradise: The design of American company towns*. New York: Verso.
- Currie, L. (1966). *Accelerating development: The necessity and the means*. New York: McGraw-Hill Book Company.
- Currie, L. (1976). *Taming the megalopolis. A design for urban growth*. New York: Pergamon.
- De Soto, H. (2000). *The mystery of capital*. New York: Basic Books.
- Domar, E. (1947). Expansion and employment. *American Economic Review*, 37, 34–55.
- Drakakis-Smith, D. (1997). Third world cities: Sustainable urban development III—basic needs and human rights. *Urban Studies*, 34, 797–823.
- Drewer, S. (1980). Construction and development: A new perspective. *Habitat International*, 5, 395–428.
- Edmonds, G. A. (1979). The construction industry in developing countries. *International Labour Review*, 118, 355–368.
- Finnemore, M. (1997). Redefining development at the World Bank. In F. Cooper, & R. Packard (Eds.), *International development and the social sciences. Essays on the history and politics of knowledge* (pp. 203–227). Berkeley and Los Angeles: University of California Press.
- Fish, G. S. (1979). Housing policy during the great depression. In G. S. Fish (Ed.), *The story of housing*. New York: Macmillan.
- Gilbert, A., & Gugler, J. (1992). *Cities, poverty and development: Urbanization in the third world*. New York: Oxford University Press.
- Gore, C. (2000). The rise and fall of the Washington consensus as a paradigm for developing countries. *World Development*, 28, 789–804.
- Grebler, L. (1942). Housing policy and the building cycle. *Review of Economics and Statistics*, 24, 66–74.
- Grebler, L. (1955). Possibilities of international financing of housing. In B. Kelly (Ed.), *Housing and economic development*. Cambridge, MA: MIT Press.
- Harris, I. H. [Treasury] (1957). Letter to J. H. V. Davies, Colonial Office, London, 15 Aug. 1957. [CO 852/1666].
- Harris, R. (1997). 'A Burp in church'. Jacob L. Crane's vision of aided self-help housing. *Planning History Studies*, 11, 3–16.
- Harris, R., & Giles, C. (2003). The agents and forms of international housing policy, 1945–1973. *Habitat International*, 27, 167–191.
- Harrod, R. (1939). An essay in dynamic theory. *Economic Journal*, 49, 14–33.
- Heisler, H. (1971). The creation of a stabilized urban society: A turning point in the development of Northern Rhodesia/Zambia. *African Affairs*, 70, 125–145.
- Hollander, E. D. (1963). Relationship between housing and economic development. In US Congress. In Senate Committee on Banking and Currency (Ed.), *Study of international housing*. USGPO, Washington, DC.
- Howenstine, J. W. (1957). Appraising the role of housing in economic development. *International Labour Review*, 75, 21–33.
- International Bank for Reconstruction and Development (IBRD) 1973. A framework for the promotion of construction industries in the developing countries. Staff working paper no. 168. IBRD, Washington, DC.
- International Labour Office (ILO) (1945). *Housing policy, housing standards, the organization and financing of low-cost housing and the relations of housebuilding to the general level of employment*, ILO, Montreal.
- International Labour Office (ILO) (1953a). *Workers' housing problems in Asian countries*, ILO, Geneva.
- International Labour Office (ILO) (1953b). Proceedings, Asian regional conference of the international labour office. *International Labour Review*, 36, 85–99.
- International Labour Office (ILO) (1968). *Social aspects of prefabrication in the construction industry*, ILO, Geneva.
- International Labour Office (ILO) (1983). *Guidelines for the development of small-scale contractors*. Management Development Branch, Training Department, ILO, Geneva.
- Kafandaris, S. (1980). The building industry in the context of development. *Habitat International*, 5, 289–322.
- Keivani, R., & Werna, E. (2001). Modes of housing provision in developing countries. *Progress in Planning*, 55, 65–118.
- Keynes, J. M. (1936). *The general theory of employment, interest and money*. London: Macmillan.
- Kirmani, S. S. (1988). *The construction industry in development. Issues and options*. Discussion paper, Infrastructure and Urban Development Department, World Bank, Washington, DC.
- Kumar, S. (1996). Landlordism in third world urban low-income settlements: A case for further research. *Urban Studies*, 33, 753–782.
- Lange, J. E., & Mills, D. Q. (Eds.). (1979). *The construction industry. Balance wheel of the economy*. Lexington, MA: Lexington Books.
- Lewis, W. A. (1954). Economic development with unlimited supplies of labour. *The Manchester School of Economic and Social Studies*, XXII, 139–191.
- Malpezzi, S. (1990). Urban housing and financial markets. Some international comparisons. *Urban Studies*, 27, 971–1022.

- Malpezzi, S. (1999). Economic analysis of housing markets in developing and transition economies. In P. Cheshire, & E. Mills (Eds.), *Handbook of Regional and Urban Economics. Applied Urban Economics*, Vol. 3 (pp. 1791–1864). Amsterdam: Elsevier.
- Melville, E. (1955). Colonial Office, Memo to Alan Lennox-Boyd, Secretary of State for the Colonies, 16 Sept. [CO 852/1525].
- Millikan, M. (1955). The Economist's view of the role of housing. In B. Kelly (Ed.), *Housing and economic development*. Cambridge, MA: MIT Press.
- Mitchell, J. P. (1985). Federal housing policy and programs. Past and present, Center for Urban Policy and Research, Rutgers.
- Moavenzadeh, F. (1987). The construction industry. In L. Rodwin (Ed.), *Shelter, settlement and development*. Boston: Allen and Unwin.
- Nenno, M. K. (1979). Housing in the decade of the 1940s. In G. S. Fish (Ed.), *The story of housing*. New York: Macmillan.
- Nerfin, M. (1965). Towards a housing policy. *Journal of Modern African Studies*, 3, 543–565.
- Newcomb, R. (1963). *Housing and economic development*. In US Congress Senate Committee on Banking and Currency (Ed.), Study of international housing. USGPO, Washington, DC.
- Nurkse, P. A. (1953). *Problems of capital formation in underdeveloped countries*. London: Oxford University Press.
- Oberlander, H. P., & Newbrun, E. (1999). *Houser. The life and work of Catherine Bauer*. Vancouver: UBC Press.
- Ofori, G. (1990). *The construction industry. Aspects of its economics and management*. Singapore: Singapore University Press.
- Paraskevopoulos, S. C. A., & Larson, C. T. (1963). *Homebuilding techniques and materials*. In US Congress, Senate Committee on Banking and Currency (Ed.), Study of international housing. USGPO, Washington, DC.
- Parpart, J. L. (1983). *Labour and capital on the African copperbelt*. Philadelphia: Temple University Press.
- Pugh, C. (1986). Urban bias, the political economy of development and urban policies for developing countries. *Urban Studies*, 33, 1045–1060.
- Pugh, C. (1997). Poverty and progress? Reflections on housing and urban policies in developing countries, 1976–96. *Urban Studies*, 34, 1547–1595.
- Pugh, C. (2001). The theory and practice of housing sector development for developing countries, 1950–99. *Housing Studies*, 16, 399–423.
- Radford, G. (1996). *Modern housing for America. Policy struggles in the new deal era*. Chicago: Chicago University Press.
- Renaud, B. (1999). The financing of social housing in integrating financial markets. A view from developing countries. *Urban Studies*, 36, 755–773.
- Rendell, W. (1976). *The history of the commonwealth development corporation*. London: Heinemann.
- Roberts-Wray, K. (1955a). [Legal advisor to Colonial Office] Memo re. Colonial Development Corporation, 2 Sept. [CO 852/1525].
- Roberts-Wray, K. (1955b). [Legal advisor to Colonial Office] Memo to the Law Officers of the Crown, 2 Nov. [CO 852/1525].
- Robinson, H. (1963). Inter-American housing financial sources and policies. In W. Harris, & J. Gillies (Eds.), *Capital formation and housing in Latin America*. Washington: Pan American Union.
- Rostow, W. W. (1960). *The stages of economic growth. A non-communist manifesto*. London: Cambridge University Press.
- Sandilands, R. J. (1990). *The life and politics of Lauchlin Currie*. Durham, NC: Duke University Press.
- Strassman, W. P. (1970). Construction productivity and employment in developing countries. *International Labour Review*, 101, 503–518.
- Strassman, W. P. (1985). Employment in construction: Multi-country estimates of costs and substitution elasticities for small dwellings. *Economic Development and Cultural Change*, 33(2), 395–414.
- Strassman, W. P. (1987). Home-based enterprises in cities of developing countries. *Economic Development and Cultural Change*, 36, 121–144.
- Tipple, G. (1981). Colonial housing policy and the African towns of the copperbelt: The beginning of self-help. *African Urban Studies*, 11, 65–85.
- Tipple, G. (1993). Shelter as workplace: A review of home-based enterprise in developing countries. *International Labour Review*, 132, 521–539.
- Tipple, G. (1994). Employment from housing: A resource for rapidly growing urban population. *Cities*, 11, 372–376.
- The Place of Housing and Community Improvement in National Economy (1954). Ideas and methods exchange, 15, (May 1954), Item B. Washington, DC: Housing and Home Finance Agency.
- Turin, D. A. (1967). Housing in Africa. Some problems and major policy issues. In A. A. Nevitt (Ed.), *The economic problems of housing*. London: Macmillan.
- Turin, D. A. (1970). Construction and development. *Habitat International*, 3, 33–45.
- Turin, D. A. (1974). The role of construction in development strategies. *International Development Review*, XVI, 13–19.
- Turin, D. A. (1978). Construction and development. *Habitat International*, 3, 33–45.
- UK (1952). Colonial Development Corporation. Report and Accounts for 1951, HMSO, London.
- UK (1955). The Law Officers of the Crown. Overseas Resources Development Act 1948. Opinion, to Alan Lennox-Boyd, Secretary of State for the Colonies, 25 Nov. [CO 852/1525].
- UNCHS [United Nations Centre for Human Settlements] (1987). Global report on human settlements. UNCHS, Nairobi.
- UNCHS [United Nations Centre for Human Settlements] & I.L.O [International Labour Office] (1995). Shelter provision and employment generation, ILO, Geneva.
- UNDESA [United Nations. Department of Economic and Social Affairs] (1970). Trends in the industrialisation of building, UN, New York.
- UNDIESA [United Nations. Department of International Economic and Social Affairs] 1988. Housing and economic adjustment, UN, New York.
- UNECE [United Nations. Economic Commission for Europe] 1962. Report on the seminar on housing surveys and programmes with particular reference to problems in the developing countries, Zagreb, UN, Geneva.

- UNIDO [United Nations Industrial Development Organization] (1969a). Construction industry. UN, New York.
- UNIDO [United Nations Industrial Development Organization] (1969b). Building materials industry, UN, New York.
- US Senate 1962. Report on international housing programs. Subcommittee on housing, committee on banking and currency, USGPO, Washington, DC.
- US Senate Committee on Banking and Currency (Ed.) (1963). Study of international housing. USGPO, Washington, DC.
- Weissman, E. (1955). Importance of physical planning in economic development. In B. Kelly (Ed.), *Housing and economic development*. Cambridge, MA: MIT Press.
- Wells, J. (1984). The construction industry in the context of development: A new perspective. *Habitat International*, 8, 9–28.
- Wells, J. (1985). The role of construction in economic growth and development. *Habitat International*, 9, 55–70.
- Wells, J. (1986). *The construction industry in developing countries*. London: Croom Helm.
- Werna, E. (1994). The provision of low-cost housing in developing countries. A post- or a pre-fordist process of production. *Habitat International*, 18, 95–103.
- Wingo, L. (1966). [Comments on Ciudad Guayana]. In C. F. Frankenhoff (Ed.), *The economic role of housing in a developing economy. Housing policy seminar*. Rio Vedras, PR: University of Puerto Rico.
- World Bank 1993. Housing. Enabling the markets to work, World Bank, Washington, DC.
- Wurster, C. B. (1955). The case for regional planning and urban dispersal. In B. Kelly (Ed.), *Housing and economic development*. Cambridge, MA: MIT Press.