Dismantling Swedish Housing Policy

ANDERS LINDBOM*

Today it is often argued that welfare state retrenchment is more or less impossible. Even politicians who advocate radical cuts in principle do not manage to execute them in the face of the strong opposition such proposals meet. However, Swedish housing policy has experienced radical change, resulting in big savings for the state budget and dramatically increased housing costs for citizens. In comparison with changes in other parts of the welfare state, the reforms have been radical. This article argues that Swedish housing policy is very complex and technical. Reforms met little resistance because the general public did not understand their effects. Even today, when the effects are known, citizens’ knowledge about the policy area is too meager to allow them to understand that the increased cost of their housing is an effect of political decisions.

INTRODUCTION

Modern theories about the reduction of the welfare state (see Pierson 1994, 1996) claim that it has fundamentally changed politics. The labor movement played a major role during the period of welfare state expansion; according to Pierson, however, labor has less significance for stopping its contraction. The welfare state has created large client groups that defend the political programs from which they benefit. Their opposition to retrenchment is generally so powerful that even politicians who, in principle, advocate radical cuts do not manage to execute them. The microbasis for this thesis consists of two observations, which together would seem to explain why “retrenchment is an exercise in blame avoidance rather than credit claiming” (Pierson 1994, 2):

1) Welfare programs give rise to concentrated and direct services or benefits, while their costs are diffuse and indirect.

That some interests have an easier time exercising influence than others do is common knowledge within political science. Concentrated groups with strong interests in a particular question—farmers, for example—find it easier to solve what game theorists term collective action problems than do diffuse groups such as consumers. Thus, we should expect that relatively concentrated groups, such as tenants, wield greater influence over housing policy than larger but more diffuse interest groups, such as taxpayers.

2) Social-psychological experiments have shown that people tend to react more strongly to losses than to corresponding gains. Applied freely to the welfare

*University of Aarhus

state, this should mean that people react negatively to withdrawn or lost benefits even when they are fully compensated for their loss in the form of tax reductions (Pierson 1994, 18).

It is important to point out that no one claims that marginal cuts are impossible to make. The argument is that retrenchment is impossible. The problem is, of course, that there is no clear line of demarcation between the two (see, however, Lindbom). Pierson’s (1994, 1996) definition of retrenchment makes the concept much narrower than cutbacks: retrenchment of welfare policy programs occurs when they can no longer fulfill their traditional tasks—for example, when the level of an unemployment benefit is so low that it can no longer support a person. In this article, however, retrenchment will primarily be analyzed in a relative sense. The question is, why has housing policy been hit by such large reductions compared to other areas? If the cuts had been marginal, they would have been of limited interest. However, as I will show, they are dramatic (in an absolute sense). Thus, the case is of particular theoretical interest, as it seems—at least at first glance—to be a deviant one.

The reason that retrenchment is “impossible,” according to Pierson’s (1994, 1996) theory, is that radical cutbacks entail a significant risk to politicians who aspire to retain their seats in parliament. Sometimes, however, politicians have such strong support that there are margins for disregarding protests from the clients of welfare programs. Politicians may also have the opportunity to create a broad majority for their proposal, thereby diminishing the electoral risk. The penetration of public consciousness by a prevailing crisis can also facilitate the formation of broad coalitions. Normally, however, such periods of crisis awareness and political consensus do not last very long. Moreover, the need for consensus makes radical political changes more difficult, since it is not easy to create broad agreement about such changes.

Thus, the retrenchment of welfare programs normally occurs when the interest groups supporting the program(s) are weak or when the state is able to hinder their mobilization. Successful retrenchment often presumes strategic action on the part of the state. The state can use strategies like division, compensation, and—perhaps most significantly—obfuscation in order to blur the effects of the changes and who is responsible for them. This reasoning makes it clear that the distribution of information is crucial: when the public lacks information/knowledge, politicians have greater freedom of action.

Studying the information mechanism involves analyzing the filters that prevent certain questions from arising on the political agenda, and those that prevent citizens from perceiving their “objective” interests (Lukes; cf. Kingdon). This may sound conspiratorial in an old and worn Marxist way, but what I wish to stress is that the question of whether retrenchment is good or bad is not central to my analysis. Instead, my point of departure is the observation that citizens tend to react negatively to cuts and that politicians are therefore inclined to avoid them. The
question, then, is why an exception to this rule exists in Swedish housing policy during the 1990s. In contrast, for instance, to an economic crisis, this type of factor can also explain differences between policy areas.

Nor is it central in this analysis whether governments have acted strategically and consciously tried to shape reforms in such a way that citizens find it difficult to understand what is happening and/or who is responsible for it. The studied mechanisms can be equally at work without a government being (consciously) strategic: the government may struggle along, take advantage of the opportunities offered, and withdraw when the opposition becomes too strong (trial and error). However, the bourgeois government’s choice to dismantle the Ministry of Housing in order to weaken the interest organizations in the policy area had clear strategic intentions (Persson).

When Pierson (1994, 1996) accounts for why the resistance to cutbacks in general is too strong, he refers to two types of actors: interest organizations and citizens. He generally deals with these two groups as internally homogenous, and he does not develop a model for their interaction. However, a government’s decision to pursue radical cutbacks marks the kickoff for some of the schematic processes and results outlined in Table 1. This table illustrates six possible outcomes involving three actors, not solely the empirical results Pierson discusses (4 and 6).1 Although there is probably a correlation between the actions of the organizations and the voters, I argue that there are grounds to analytically keep the levels separate. The question is whether one of them is more important than the other.

In the Swedish context, many would probably argue for the organizational level (e.g., Anderson). This is due to the fact that in Sweden corporatism is heavily established. Interest organizations’ strength is usually defined in terms of power resources—for example, number of members, degree of organization, and economic resources. This power resource approach, which has been formulated by Korpi (1983) and others, presumes that the organizations’ members obediently follow their leadership. In the early days of the labor movement and the welfare state, this may have been the case. However, a number of recent studies show that

### Table 1

<table>
<thead>
<tr>
<th>MOBILIZATION OF ORGANIZATIONS?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE GOVERNMENT?</td>
<td>Advances</td>
<td>Withdraws</td>
</tr>
<tr>
<td>THE VOTERS PENALIZE?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
citizens have become increasingly less obedient, less loyal, and more independent in their voting habits; therefore, the situation today is—or at least may be—different (e.g., Petersson, Hermansson, Micheletti, Teorell, and Westholm). Thus, the focus here is on the ability of interest organizations to mobilize support for their demands. In contrast to the previous situation, this mobilizing potential is currently dependent upon members’ and citizens’ knowledge of a certain policy area and their ability to process new information about it. This means that an interest organization’s strength can vary depending on the character of the question at issue and, of course, between policy areas.

Table 1 can easily lead to voters being considered as least important in the causal chain, since they occupy the last position in it. However, for a bourgeois government, it is hardly the resistance from Social Democratic-affiliated interest organizations (like, for example, the Tenants Union and the HSB [the National Association of Tenants’ Savings and Building Societies] in itself that is important. In contrast to LO (the Swedish Trade Union Confederation), these organizations cannot threaten or use political strikes. Thus, their power resources—to a greater extent than LO’s—rest upon their ability to influence the public opinion. For a bourgeois government, housing or tenants’ organizations are only a threat to the degree that they can get voters to penalize government parties in coming elections. Therefore, the actions of politicians, as well as those of organizations, are greatly determined by their conceptions of how voters will react. Of course, their understanding of voter reactions is not always correct. For the politicians, the reactions of organizations are particularly important as indicators of future voter reactions. However, the indicator is not altogether trustworthy; sometimes voters do not react, even though organizations do, and vice versa. Therefore, it is important to differentiate conceptually between the two.

Obviously, organizations can affect voters’ knowledge and attitudes. A constant political struggle over winning the attention of the public exists. Organizations in different policy areas face very different chances of winning public opinion for their cause. My thesis is: first, that political programs (or parts of them) that are difficult for citizens to understand or the effects of which are difficult to observe directly are the losers in this struggle; and, second, that housing policy is such a program. Thus, it is not certain that organizational mobilization necessarily leads to the intended result. The change in the Swedish housing policy may be an example of the second variant in Table 1: that is, organizations mobilize (to a degree, anyway), but the government goes ahead with its plans without being penalized by the voters. Hence, in this case, it is theoretically more interesting to focus on the voter level rather than on the well-known organizational level.

Many research results indicate that such an “information effect” exists. Cuts are often made decrementally through changes in indexing, which is thought to make them more difficult for the voters to discover. Or the state chooses to sharpen the conditions for qualifying for benefits instead
of lowering the benefit levels. This means that changes tend to affect few in the short term, but to entail large savings in the long run. Furthermore, it is not unusual for the state to decide on savings for which county councils and/or municipalities bear the responsibility; in this way, the state makes itself less accountable for cutbacks (Pierson 1994, 1996). In his study, Pierson shows that the construction of political programs has a decisive effect on whether changes are transparent—that is to say, on whether citizens detect cuts. This, in turn, has a decisive effect on whether citizens can be mobilized.

Housing policy distinguishes itself from other welfare programs in several ways. For instance, in comparison with the unemployment benefit, the housing benefit demonstrates certain particular characteristics. Whereas cuts in the unemployment benefit have an “immediate” impact on those affected, cuts in housing financing—because of housing’s character as a long-term investment—have their main impact on the future. Reduced housing construction has no immediate effect on the housing stock. This “time lag” means that the effects of the cuts are less visible. The state’s responsibility for raised rents and housing costs is also less clear than for reductions in unemployment benefit. Rents are set on the “market”; even if decreased subsidies and increased taxes cause rising rents, the chain of responsibility is less obvious than it is for unemployment benefits. Moreover, in the past people were used to having their rent raised, if for no other reason than inflation. When inflation suddenly began to decline, massive net raises could occur without the general public finding them particularly remarkable. The great complexity and abstruse nature of the system of housing financing probably also provided good opportunities to carry out cuts. Since the general public did not understand the effects of reforms, they met little resistance.

Thus, the political room for maneuvering is greater in housing than in other areas, in which the citizenry are better informed. The housing organizations are aware of the problem. In a joint statement, they have claimed that “Swedish housing policy is incomprehensible for most people. A mess of interest subsidies, the Danell system, real estate taxes, etc. means that housing policy as a system can only be understood by experts” (Arbetet Nyheterna; author’s translation).

One concrete example of the difficulty in comprehending housing policy concerns the so-called Danell system. This system of subsidies of housing construction has often been described as a successive phasing out of the interest subsidy (e.g., Riksdagens årsbok, 72). However, the housing policy enquiry (SOU 1996, 57) describes the Danell system in the following way: “[it] means that the state makes a permanent undertaking to pay an annual subvention to rental and tenant-owner housing produced from 1993 [onwards].” Both statements are “true,” per se, if incomplete. Contradictory statements like these make housing policy seem incomprehensible.
The Danell system is intended to ensure that present-day interest subsidies for rental and tenant-owner housing are brought down to a level that corresponds to homeowners' interest deductions; homeowners' interest subsidy is phased out completely. Homeowners’ deductions are seen, in their turn, not as a support but as a logical consequence of the principles of taxation on capital. Interest subsidies for rental housing are paid in order to maintain neutrality between the different types of housing as regards taxation. This measure compensates for the fact that rental housing is affected by both real estate taxes and taxes on profits in the enterprise (“double taxation”; cf. Englund, 9). This is neither simple nor easy to understand. Housing policy offers a combination of taxes, tax deductions, and subventions in which different rules apply for different forms of housing and their consequences depend on in what part of the country the house is located and when it was built. Housing cuts are singularly inappropriate for media dramaturgy: “winners” and “losers” cannot be pointed out in a 15-second report.

This illustration of the abstract technicalities of housing policy helps to support my thesis. I go on in this article, using survey data, to test the thesis of citizens’ limited knowledge of housing policy. Some recent research has raised doubts about Swedish citizens’ ability to “punish” governmental parties if their performance has been less than satisfactory. The Council on Democracy has recently shown that citizens’ knowledge of elementary political conditions is remarkably bad: only 55 percent of the respondents knew which institution makes Sweden’s laws, and only 48 percent knew that Sweden was governed by a Social Democratic minority government (Petersson et al.). However, it must first be shown that a dismantling of housing policy has taken place. The next section deals with this subject.

HAS HOUSING POLICY BEEN DISMANTLED?

Why is it justified to say that housing policy has been dismantled? I will argue this point on two different analytical levels: the macrolevel of the state budget and the microlevel of effects on households (cf. Alber). I will maintain that a dramatic shift has occurred on both levels.

State Budget

Traditionally, housing policy has revolved to a large extent around financial support for construction, tax deductions for mortgage costs, income-tested housing allowances, and so on. However, taxes on housing partly financed these subsidies. In the late 1980s, the net costs of these measures amounted to 25–35 billion Swedish crowns. However, after a series of reforms, in 1999 the state received a net income from the housing sector of 31 billion crowns (SOU 1999). This change provides one argument for the claim that housing policy has been dismantled.
Tax raises are—at least superficially—more responsible for this change than are cuts. As Pierson’s theory was developed for cuts, this might be seen as a problem. However, there is a strong link between tax raises and cuts in Swedish housing policy, making the distinction unclear. For example, although the VAT (value-added tax) for housing construction was raised, this could just as well be described as dismantling former tax expenditures. This change was compensated for by a new subsidy of six billion crowns (\textit{investeringsbidrag}), but only a year thereafter this measure was removed. Only the latter change had a net effect on the budget.

In any case, big cuts were made in both interest subsidies and housing allowances. The interest subsidies amounted to 32 billion crowns in 1992–1993, but had fallen to seven billion crowns by 1999 (Prop. 2000/2001, expenditure area 18, table 3.1). The difference arose, not solely from political decisions, but also from declining interest rates and declining construction. However, in 1992 Danell’s reform cut the subsidization of interest costs to half their former share. At the time of this decision, the estimated yearly savings from the reform was 15 billion crowns (Prop. 1991/92:150, I 5, 68–70; SOU 1992, 88). Moreover, interest subsidies suffered cuts within the existing system amounting to another three billion crowns. Housing allowances were raised in 1991 to compensate people with low wages for the expected effects on housing costs of the Swedish tax reform. More households became eligible for the benefit. A few years later, however, the costs were cut again, particularly by reducing the number of beneficiaries once more. Between 1995 and 1998, total expenditure on housing allowances declined by about 40 percent—in absolute figures, about 3.5 billion crowns. The number of recipients also declined by about 40 percent (Prop. 1999/2000:1, appendix 14, tables 4.23 and 4.24).

In spite of these cuts, expenditure on housing allowances since 1998 has been higher than expenditure on interest subsidies—that is, the “structure” of housing policy has become more selective (Turner; cf. Esping-Andersen; Pierson 1996). The costs of tax expenditures for interest have declined as well, but this is an effect of lower marginal taxes, which have made interest deductions less valuable. However, this change leaves the individual better off, meaning that the “logic” of retrenchment politics does not apply. Therefore, when I turn in the next section to effects on the household, I focus on rents.

**Individual Households**

As can be seen in Figure 1, rents increased dramatically after the Swedish tax reform. As a consequence, housing costs amount to more than 30 percent of the average household’s net income, whereas they took about 25 percent in the 1980s (SOU 1996, 97). Rents are set in the market, but rents within social rented housing are cost-based. In this instance, the rising costs were consequences of political decisions. As we can see, rents rose
dramatically between 1989 and 1991—18 percent, in real terms. Calculations show that 16 of those percentage points were effects of political decisions (Englund, Hendershott, and Turner). More recent estimations have argued that about 70 percent of the increased rents between 1989 and 1997 were due to political decisions (Danneman).

Comparisons with Other Welfare Sectors

How big are these changes compared to cuts in other welfare programs? Again, the question can be answered on both a macro- and a microlevel. At the time of the reform of construction support in 1992, it was expected to save the state 19 billion crowns. This can be compared to changes in the sickness benefit the same year, which introduced a waiting day and lowered the replacement rate from day 91 from 90 to 80 percent and from day 365 from 90 to 70 percent. These changes were estimated to save 7 billion crowns. Similarly, the changes in the unemployment benefit—five waiting days, lowered replacement rate from 90 to 80 percent, and somewhat lowered maximum amount per day—were expected to save 4.7 billion crowns (Prop. 1992/93:100, 2, 26). Apparently, on an aggregate level, the estimated effects of the interest subsidies reform were comparatively huge.

At the level of household effects, the same conclusion must be drawn with regard to the importance of rising rents. The lowered replacement rate within the unemployment benefit cost an unemployed industrial worker about 880 crowns per month after taxes. The lowered replacement rate within the sickness benefit cost a long-term sick industrial worker 1,062 crowns after taxes. By comparison, the rent of an average two-room apartment rose 1,613 crowns per month between 1990 and 1998 (material from Socialtjänstkommissionen 1999; author’s calculations). Thus, the rising rents were more important, even for the unemployed or long-term sick industrial worker, than the lowered replacement rates.

Source: Turner

FIGURE 1
Rents per square meter in 1999 prices

Source: Turner
WHY HAS RETRENCHMENT BEEN POSSIBLE?

As shown above, resistance to cutbacks consists of a chain of some actors’ actions and others’ reactions. In the first instance, the question is whether interest groups try to raise an opinion against the proposed cuts. The Tenants’ Union represents the group that was most affected by reduced expenditures for housing policy during the 1990s. The organization was generally positive about the tax reform, but it criticized the fact that the housing sector was to bear the brunt of the financing burden (National Tenants’ Union). However, it was unable to influence the Social Democrats, who had their agreement with the Liberal Party to consider. The Tenants’ Union seems to have made no serious attempts to mobilize an opinion against the proposal. Instead, it relied on its normal channels: it traditionally had good relations with the Social Democrats, and thus had well-established channels into the government.

The tax reform also had fairly significant and stable public support. In three opinion polls taken in 1991 and 1992, about 45 percent of the population considered it justified to introduce a new tax system. However, it is worth noting that many answered “don’t know”: in each of the polls, about 35 percent of the respondents were this uncertain (Åberg, 36). This high level of uncertainty may be taken as an indication that many considered themselves insufficiently knowledgeable about the reform. Unfortunately, no data exists on the level of public support for increases in housing costs in order to finance the tax reform. Later in this article, I will analyze citizens’ knowledge of the tax reform’s effects on housing costs.

When the bourgeois parties formed a government, the Tenants’ Union was suddenly deprived of its informal channels into the government (Palmstierna interview). The organization then began to concentrate on campaigns to influence public opinion. One prominent example of this is the campaign against the so-called market rents—that is, the deregulation of the Swedish system of rent regulation (bruksvärdessystemet)—during the election campaign of 1991—that is, before the bourgeois government came to power. Among other things, the Tenants’ Union published advertisements in three of Sweden’s largest daily papers. The mobilization against market rents continued after the election and caused a dilution of the bourgeois government’s spring 1992 proposal to deregulate the system for rent-setting. One aspect of the campaign was highlighting opinion polls that showed that the proposal was unpopular amongst the citizenry (cf. Hyresgästen 1996:6; Petersson and Holmberg 1998).

As for the Danell reform, the proposal came so fast that the Tenant’s Union seems to have been taken by surprise. Danell’s one-man enquiry was carried out in just a few months. During the spring of 1992, the union launched another campaign, parallel to the one concerning market rents, against the proposal to change interest subsidies. A number of protest meetings occurred (see Hyresgästen 1992:3, 1992:5), but the interest subsidy issue apparently fell a bit by the wayside.
The varied outcome of these two bourgeois proposals may be explained by two interacting factors: 1) rent regulation is the Tenants’ Union’s raison d’être, so the organization was particularly highly mobilized on that question; and 2) the issue of market rents was less politically important to the bourgeois government. It would not produce any savings, but was “merely” of ideological interest—as opposed to the interest subsidies, where both ideology and savings argued in favor of cuts.

What did people think of the subsequent bourgeois government’s comprehensive reductions in interest subsidies? Two polls reveal that little public support existed for cuts in interest subventions. In 1992, only 32 percent of the population supported a reduction, and in 1994 only 23 percent did so (FSI, quoted in Bengtsson and Rothstein; Svallfors). Thus, the simple explanation of why retrenchment was possible in housing policy—that people support cuts in this area—can be rejected.

However, if the public opinion was negative, why did the bourgeois government continue to pursue the Danell reform? According to Persson’s thesis it would seem to be irrational, since it was likely to make the voters dissatisfied. However, it is possible that people were not aware that the cuts were made or of their effects. Furthermore, it is not generally certain that voter dissatisfaction will necessarily penalize the government. Therefore, it is hard to interpret the government’s actions. They may have had indications that people did not know about the contents of the reform, or that public opinion would not lead to any palpable consequences in the election. Their actions may also be viewed as an example of acting with a lack of certainty (dearth of information), at which point what is rational is primarily determined by an actor’s propensity for risks.

Apart from the general overhaul of the interest subsidies, the bourgeois government also made cuts within the prevailing system—for instance, during the so-called crisis settlements. The context was that the Swedish crown’s fixed exchange rate lacked credibility on the international currency market and was being attacked by speculators. To strengthen the credibility of their economic policy, the four-party coalition government and the Social Democrats agreed on heavy reinforcements of the state finances on two occasions during the autumn of 1992. According to a survey by SIFO (the Swedish Institute for Public Opinion Research), the first settlement, which included reduced interest subsidies, was considered “good” by 75 percent of Swedish people (Teorell, 60). In that context, it seems that cuts were accepted. However the question of why politicians chose housing instead of other areas remains.

Have the voters, then, in response to cuts in housing policy, voted to punish the ruling parties? Housing policy is but one of many political issues, so it is not certain that voters’ views as regards housing policy will be reflected in their voting behavior. Voter behavior is investigated through data that indicate the importance of different issues for voters’ choice of party. This is particularly true for voters who shifted from the
former government parties to other parties. What questions determined their change of vote?

The tax reform made the Social Democratic party unrecognizable to many of their sympathizers, and it played a large part in the change in government in 1991. However, this was probably due more to the discrepancy between the distribution policy rhetoric from the election of 1988 and the general orientation of the tax reform than to the reactions of tenants and residents to increased housing costs (cf. Åberg; Korpi 1993). When researchers in an open question gave voters the opportunity to indicate what was the most important issue in the election to them, the housing question was not very prominent (Gilljam and Holmberg 1993).

Was the bourgeois government of 1991–1994 penalized in the elections for the Danell reform and other cutbacks in housing? On the basis of election investigations, Gilljam and Holmberg (1995, 49) claim that economy and employment questions dominated in the group of voters who changed from the four bourgeois governing parties to the Social Democrats, but welfare was also mentioned “relatively often” (cf. Österman). However, there is little to suggest that housing questions in particular were very important for the voters, despite the fact that the Social Democrats tried to focus on the question. On one question put to tenants by Hyresgästen and the Swedish Central Bureau of Statistics (SCB) in 1994—whether they would let housing policy questions influence their voting—over half (56 percent) answered no, while only 20 percent said yes (P. Palmstierna, personal communication). As the affirmative alternative did not state that housing questions were decisive, only that they would influence voting, the significance of housing policy issues in the election seems to be of minor importance.

One might argue that if voters had not had other reasons to punish the bourgeois government, it would have been chastised for its housing policy. However, the voters do not seem to have devoted much interest to housing questions. The portion of voters (58 percent) that indicated a “best party” as regards housing policy was smaller than those who did so for, for example, health care (76 percent), care of the elderly (73 percent), and the unemployment benefit (66 percent). Furthermore, the difference between the Social Democratic and the bourgeois government’s portion of voters was smaller for housing policy (5 percent) than for, for example, the unemployment benefit (14 percent), health insurance (10 percent), or health care (13 percent) (Österman, 24, 39, 57). This suggests that housing policy was not considered a party-differentiating issue and that it was not, perhaps, considered particularly interesting.

However, the great private economic importance of housing (see the second part of this paper, above) should make housing policy interesting to voters. Hence, the question becomes: what is it in the nature of housing policy that causes voters to give it only negligible regard? My thesis is that the specific character of housing policy (see the first part of this paper, above) makes it difficult for voters to penetrate. Thus, it
is time to analyze citizens’ knowledge of welfare policy, especially as regards housing.

CITIZENS’ KNOWLEDGE OF WELFARE POLICY

The discussion below of citizens’ knowledge of housing policy is based on an assumption that their knowledge has not changed very much, or that it has at least not declined. On the one hand, one might imagine that less talk occurs around these questions today than in 1991–1994, when the Social Democrats actively opposed the sitting government’s proposal. However, as I have shown, there is little evidence to suggest that an opinion was mobilized. On the other hand, people today can see the effects—raised housing costs—while previously they only had abstract and disputed calculations, which indicates that the level of knowledge should be better today. This, naturally, complicates the testing of my thesis.

What, then, does current research have to say about citizens’ knowledge of welfare policy in general and housing policy in particular? Not much, actually. Gilljam and Holmberg (1990, 138) write that “the question of voters’ competence has a long history, although it is seldom discussed in modern research. The subject is perhaps a bit sensitive.” However, in 1989, SIFO surveyed 1001 citizens on how much they knew about the effects of the tax reform on their housing costs. Of those asked, 7 percent answered “a lot,” 39 percent answered “quite a lot,” 31 percent answered “not very much,” and 17 percent answered “practically nothing at all” (SIFO). For such a large and complicated reform as the tax reform, these figures are surprisingly positive. Nonetheless, half the population still answered that they knew either not much or practically nothing at all about the effects. The problem is, of course, that it is difficult to know whether the respondents have correctly assessed their degree of knowledge. They may, for example, have underestimated how great the increase in housing costs would be.4

During the autumn of 1997, the Research Group for Society and Information (FSI) posed a number of direct questions to randomly selected citizens concerning knowledge of housing policy, especially real estate taxes. The answers indicated relatively good knowledge of the level of real estate tax: 47 percent answered correctly (that the level was 1–2 percent) and only 27 percent answered that they had “no idea.” However, significantly fewer of those polled were able to say what the costs of real estate taxes meant to them. To the statement “Today, most people living in rental accommodation pay one to two months’ rent per year in real estate tax,” 51 percent of the respondents answered that they “did not know” if it was correct or not. Thus, although many knew the formal level of the real estate tax, few could translate it into effects on their own wallets. Moreover, few knew how income from real estate taxes related to the state’s costs for the various types of subsidies on the housing market. To the statement “The state’s income from real estate tax is greater than the
state’s costs for support (interest subventions) for residential housing,” 31 percent answered correctly (true), but 56 percent answered “don’t know” (FSI).

It may be added that both the consequences of the real estate tax for housing costs and their size relative to state housing subventions had begun to be noted in the media at the time of the survey. People’s knowledge of these things was therefore probably less proficient before this began to happen. However, data on this is lacking. Moreover, people have a tendency to agree with statements, which probably means that their knowledge was overestimated. In general, the three questions about real estate taxes show that people have relatively good knowledge about tax levels, but know much less about the effects of these levels on rents—that is, on their everyday lives. Other forms of housing support, such as interest subsidies, are much more complicated.

These results can be compared with corresponding results from other sectors. For example, election surveys have produced a time series regarding the level of the sickness benefit, which seems somewhat comparable to the questions regarding levels of knowledge on housing. However, it is often problematic to make precise comparisons of citizens’ knowledge about different programs.

At the elections of 1985 and 1988, 76 percent and 82 percent, respectively, of those asked answered correctly (yes) the statement that “Sickness benefit from the social insurance office is at present for most income earners 90 percent of their income.” In 1991 and 1994, 65 percent and 81 percent respectively of those asked knew that a statement with the supplement “from the first day of illness” was wrong (VU 1985, 1988, 1991, 1994). Thus, knowledge about these programs was relatively good. In contrast to the real estate tax and particularly other housing policy instruments, the sickness benefit is easy to translate into comprehensible consequences for people: to stay at home costs a certain percent of wages. According to my thesis, it is thus more difficult to carry out drastic cuts in sickness insurance than in, for example, interest subventions.

The unemployment benefit is similar to the sickness benefit, the biggest difference being that the eligibility rules are stricter. Therefore, the benefit level has been difficult to change, and cuts have prompted great protests, while stricter qualification rules have not. Citizens seem to be much more aware of the effects of cuts in certain areas than in others. These results give reason to pursue the investigation further with data that have been more systematically collected in order to test my thesis.

With this in mind, I conducted a small survey of how much people know about housing policy. For economic reasons, I confined myself to four questions. I formulated questions that measure knowledge of housing policy in two different ways:

- **subjective** questions, which allow the respondents to assess their own knowledge, and **objective** questions, which measure their knowledge...
on the grounds of my constructed measurements. It is difficult to formulate objective questions about knowledge, since it is difficult to find credible but clearly wrong alternatives, which is one reason to complement these questions with subjective ones.

- **absolute** questions, which deal with knowledge of housing policy itself; and **relative** questions, which place knowledge of housing policy in relation to knowledge of other policy areas.

If one combines the first oppositions with the second, one ends up with a fourfold table (Table 2). Questions 1 and 2 were asked by SIFO in telephone interviews amongst a random selection of 500 Swedes aged 15 years and older (excluding nonrespondents) during September 1998. Questions 3 and 4 were asked by the SCB in a written questionnaire sent to 1,200 randomly selected persons between 18 and 74 years old during October and November 1998, of whom approximately 75% responded. In principle, telephone interviews are preferable to mailed questionnaires regarding questions of knowledge, because the latter make it possible for the respondents to search for the correct answer. However, economic reasons made it necessary to use a questionnaire for questions 3 and 4. I also used preformulated alternative answers. This means that the knowledge people have appears much greater than it would had I used open response alternatives, because it makes correct guesses a lot easier and the knowledge needs only to be passive—amongst the available alternatives, one is more probable than the others. My thesis was thereby exposed to significantly harder testing than if I had chosen another design.

**Question 1:**
**In which of the following areas do you think state expenditures have decreased most over the last five years?**

- pensions
- interest subsidies for housing construction
- unemployment benefit
- subsidies for county health care

The thesis is supported if the respondents do not know that expenditures have dropped most within housing (see row for “interest subsidies” in

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>Typology over the Different Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Relative</td>
</tr>
<tr>
<td>Objective</td>
<td>Question 1</td>
</tr>
<tr>
<td>Subjective</td>
<td>Question 2</td>
</tr>
</tbody>
</table>
Expenditures on both pensions and unemployment benefits have actually increased, and state contributions to the county councils have diminished less than interest subsidies, in both absolute and relative figures.

The answers show that most citizens have an incorrect picture of where the cuts have been made. Thirty percent correctly answered that interest subsidies have decreased the most. Forty percent thought that the state had saved a great deal on health care, which is totally wrong. However, given the media coverage of the “crisis in health care,” it is not especially surprising that people were wrong about savings in that area. (This crisis arises more from the increase in the number of old people—which is why the need for health care is increasing—than from cuts per se.) On the one hand, significantly more people knew that cuts in interest subventions have been radical—many more than those who erroneously thought that state expenditures for unemployment benefit (7 percent) and pensions (11 percent) have declined the most. On the other hand, only 30 percent of the respondents knew that interest subventions have undergone dramatic reductions in comparison with the other programs mentioned. However, with four alternatives given from which respondents could pick, even random guesses would result in a fair share for the correct alternative. Therefore it is noteworthy that far less than half of the respondents knew the correct situation about which objectively there is no doubt. The fact that the correct answer did not even have the highest response frequency further reinforces the credibility of my thesis.

Question 2:
Which of the following areas do you think you know least about as regards changes during the 1990s?

- health care
- unemployment benefit
- housing policy
- old age pensions

Instead of trying to formulate equally difficult questions for the different policy areas (which is tantamount to impossible), I asked the respondents themselves to assess their relative knowledge. This question poses a stronger test than the first. My hypothesis is supported if the respondents believed they have least knowledge about housing policy.

The result was that respondents thought they knew least about old age pensions (34 percent) and housing policy (34 percent). Other alternatives—including “don’t know”—received far fewer answers (about 10 percent each). Housing policy just barely competed with pensions, and it did not reach 50 percent. However, this test must be considered quite tough against the background of a very extensive and complicated alteration of
the pension system that took place just before the survey. Knowledge about pension reform and housing policy should therefore be analogous. A survey about the pension reform carried out in October 1998 showed that, according to the respondents themselves, little is known about the new pension system. Of the respondents, 19 percent did not know that a new pension system had been legislated, a further 12 percent did not know anything about its contents, and 50 percent knew “rather little” about it (RFV). Therefore, knowledge of housing policy is to be expected to be rather bad, not just in comparison with knowledge of other policy areas, but also in absolute terms. The next two questions investigate this. I declined to ask a corresponding question about “housing policy” because what the respondents are actually thinking of when they answer would be rather unclear. As can be seen below, there are substantial differences between the various housing policy programs.

Question 3 deals with causes of increases in housing costs. Unfortunately, it was not possible to ask a question about housing costs in general, as it is difficult to formulate alternative answers that are valid for all types of housing, and those that can be generally formulated—for instance, interest costs—are difficult because they are partly an effect of parliamentary decisions (i.e., interest subventions) and partly an effect of the market. Therefore, the question refers only to the rental market.

**Question 3:**

Rents have been raised substantially during the 1990s. What do you think this is **mainly** due to?

- private landlords have pushed through rent rises and increased their profits
- increased administrative costs in municipally owned housing companies
- costs for the many empty flats
- parliamentary decisions about increased taxes and decreased subventions within the housing sector
- don’t know

The correct answer is “parliamentary decisions” (see the second part of this paper, above). My thesis is supported if the respondents do not know this.

The parliamentary answer was the choice of the largest number of respondents (40 percent). Many (24 percent) believed that empty flats are responsible, while “don’t know” received 18 percent of the responses. *The importance of the respondents’ own type of dwelling was not statistically significant at the 95% level.* The correct alternative had a lower response percentage amongst renters than amongst the population as a whole (36 percent),
suggesting that those living in a rental flat were even less aware of the significance of the political decision for their economy than others. This group is especially interesting, since it is the group one might expect to want to hold politicians responsible for the rent rises.

Again, 36 percent and 40 percent are not negligible numbers. However, with five alternative answers presented to respondents, a fair number will be right even if they make a pure guess; an even larger share may make informed guesses.

Question 4:
Have changes during the 1990s in the following housing policy program affected your economy?

In Table 3, the yes and no answers have been combined in order to clarify respondents’ assessments of their own certainty as regards their answers. (The full table is presented in Appendix 2.) The programs listed are those that have the greatest economical significance. The question measures only whether the respondents are aware that the changes have affected their economy, not how much or in what way, so we can expect relatively high values.

The first thing apparent from Table 3 is that there is significant variation between the different housing policy programs. While the respondents in general expressed themselves fairly certain regarding housing allowances and real estate taxes they were uncertain about interest subsidies and VATs. Particularly with regard to the last program, deviance from a purely random division of response is quite small. All alternatives received between 13 and 19 percent, while “don’t know” received the most answers (23 percent; see Appendix 2). It is likely that the number of pure guesses is large.

Housing allowances and real estate tax have the highest values for “certain.” However, they have diametrically opposing responses as regards whether the respondents were affected or not. While 45 percent of respondents were entirely certain that changes in the real estate tax have affected their personal economy, 47 percent of the respondents are

<table>
<thead>
<tr>
<th></th>
<th>Certain (percent)</th>
<th>Believe (percent)</th>
<th>Uncertain (percent)</th>
<th>Don’t know (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing allowances</td>
<td>60</td>
<td>23</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Real estate taxes</td>
<td>53</td>
<td>30</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Tax deductions</td>
<td>48</td>
<td>31</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Interest subsidies and</td>
<td>39</td>
<td>34</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>VAT on construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT on costs for services</td>
<td>35</td>
<td>29</td>
<td>13</td>
<td>23</td>
</tr>
</tbody>
</table>

TABLE 3
Table for Question 4: Have Changes During the 1990s in the Following Housing Policy Program Affected Your Economy?
certain that changes in housing allowances have not. Probably, knowledge about the content of the reforms is much greater with regard to the program that affects many than with regard to the program under which few are affected. Thus, we should expect that relatively good possibilities exist for mobilizing an opinion against increases in real estate taxes, but that is far from certain with regard to housing allowances. This observation fits with actual political development. Demonstrations against the real estate tax caught momentum, the issue was discussed in the media, and the result has been a series of decisions lowering the tax rate from 1.7 percent to 1.2 percent (and 0.7 percent for rental housing; Prop. 2000/2001:1). By contrast, housing allowances have not been raised, nor has a proposal to do so arisen on the political agenda.

In combination with previous results, Table 3 also tells us something about levels of knowledge. Changes in real estate tax are relatively well known. At the same time, we should recall that, even here, those interviewed were generally unable to calculate how the program affected their personal economic conditions.

Summary

To sum up, the result of my poll indicated that citizens know fairly little about housing policy, both relatively and absolutely speaking. On each and every question some doubts may be raised, but taken together they form a pattern. Whether knowledge about housing policy is measured subjectively or objectively, in an absolute sense or relatively, the same general result prevails.

CONCLUDING DISCUSSION

In this article, I have shown that housing policy in Sweden during the 1990s underwent a dramatic shift. This has meant a dismantling of policy in both an absolute sense—through the state improving its financial situation in the area by more than of 50 billion crowns—and a relative sense, since the cuts in housing are much greater than in other areas such as health care and unemployment.

This shift is particularly interesting theoretically, since leading scholars believe programmatic retrenchment is more or less impossible. This theory has been verified by development in the 1990s in a number of other welfare areas and in many other countries (see, e.g., Ferrara and Rhodes; Pierson 2001). I have explained the retrenchment of housing policy mainly by reference to the particular difficulties citizens encounter in observing the effects of cuts in this area, since policies are incredibly complex and citizens do not know much about them.

My investigation concerning what citizens know has shown that many of those asked wrongly assume that health care has undergone greater cutbacks than have interest subsidies for housing construction.
Furthermore, they believe themselves to possess relatively better (albeit incorrect) knowledge of changes within health care during the 1990s than of pensions and housing policy. Considering people’s ideas about the size of the reductions in health care coverage, it is not surprising that the topic was at the top of the political agenda during the elections of 1998. During the election campaigning, most parties also pledged more money to the health services. It would be presumptuous to believe that the citizens’ erroneous picture of the reality of health care cuts is the only explanation for the present weight wielded by the health services on the political agenda, but it is equally difficult to exclude the possibility that it is an important factor.

Comparison with health care reinforces confidence in the hypothesis that ignorance of the system shift in housing policy has given the state the ability to execute dramatic reforms. The example of health services shows that, when people believe that large cuts have been made, they react. I have also argued that unemployment insurance has undergone very limited cuts in relation to those in housing. People assess their own knowledge of housing policy as much less than their knowledge of unemployment benefits, strengthening the credibility of my hypothesis.

Both pensions and housing policy underwent considerable reforms during the 1990s. Nonetheless, citizens believe themselves to be less informed about them than about health care and unemployment benefits, which have not changed very much. The correlations are clear. What are the primary causal directions? Is it people’s ignorance that gives politicians free reign, or do changes in programs give rise to uncertainty about the content of policy? We have limited access to time series in the area, but the questions that have been asked about health benefits during a series of elections indicate that while reforms cause uncertainty, they do so only to a limited extent. This suggests that ignorance facilitates cuts more than cuts generate ignorance.

My thesis that the specific character of housing policy makes it difficult for citizens to understand cutbacks is, in part, contrary to claims that legitimate welfare programs are also relatively resistant to cuts. The same element in housing policy that, according to Bengtsson and Rothstein, makes it legitimate—the fact that it is carried out via the market—also facilitates cutbacks, because the responsibility for rising rents becomes unclear.6 Retrenchment is not simple to carry out, because a social policy lacks popular legitimacy. Thus, it has been difficult to implement dramatic cutbacks in social assistance and other needs-tested programs in Great Britain, despite their insufficient legitimacy (Pierson 1994; cf. Alber).

As I have said, my ambition here is not to show whether the retrenchment in housing policy has been bad or good. Regardless of our views on particular cases of retrenchment, most of us are willing to accept that democracy presumes that a new government should be able to change the direction of public policy. We are also inclined to accept that priorities
must be made in a world of limited resources. What is regrettable is when these priorities are not made on “objective” grounds, but rather are determined according to the areas for which it is difficult to mobilize a defense. In this paper, I have aimed to show that housing policy is one such “weak” policy area.

This is not to say that objective grounds for a restructuring of state support for housing financing are lacking. My thesis is that these reasons do not explain why such a large burden was borne by housing while other areas managed better. It has been argued frequently—and sometimes also well—that cuts should be made in other policy areas. However, in these areas—as opposed to housing—reform failed.

If my analysis and conclusion hold, then democracy faces a real dilemma. On the one hand, it presumes that governments have the ability to carry out the priorities that they have been elected to make or that have become economically necessary. At times, at least, this can involve radical cutbacks. On the other hand, the same corps of voters—or at least important sections thereof—opposes such cuts so strongly that they are almost impossible to carry out openly. Governments are then forced to use strategies that go directly counter to demands placed by our democratic ideals for open debate, transparency, and citizen education.

NOTES

1. Of course, reality is more complex than this, since the variable “conflict” has been reduced to a dichotomy. It would be more realistic to see it as a scale. In Pierson’s analysis, outcome 1 is mostly a contrafactual reference alternative. His approach is influenced by rational choice theory, and outcome 1 assumes that politicians act irrationally, which is why it is not seen as a realistic empirical result.

2. Swedish rent-setting is heavily regulated. The cost of public housing decides the general rent level all over the market—that is, rising demand does not in and of itself generate higher rents.

3. The most common answers to the first question were: “don’t know” (29 percent), “the government” (7.9 percent), and “the Justice Department” (3.7 percent). The rest of the answers were divided between “the Supreme Court,” “the Justice Ombudsman,” and diverse bits and pieces (“Law Council,” “Social Democrats,” “the king,” “the County Board,” “the Council of Justice,” and so on).

   On the second question, another 5.4 percent of the respondents thought that Sweden had a two-party government consisting of Social Democrats and the Centre Party, which at least was less wrong than other alternative answers (Teorell, personal communication).

4. On one question about how much more expensive per month they expected their housing to be next year because of the tax reform, most (35 percent) answered “100–300 crowns more.” In the subgroup “tenants in rental housing,” 52 percent thought that in 1990 their rents would go up by 100–300 crowns per month, 15 percent by 300–500 crowns, and 25 percent responded “don’t know” (SIFO 1990:3). In reality, the rents in publicly owned housing between 1989–1990 rose on average (per square meter) by 13.1 percent (SCB). The average rent among the respondents was 2,377 crowns per
month, so their average rent increase would have been around 311 crowns per month. Thus, their own assessments of the potential rise were not entirely wrong, even though most guesses were below the actual increase (which, as we have seen, was more or less completely due to the effects of the tax reform).

5. The Association of Swedish County Councils asked a question about what authority has the main responsibility for health care, partly through telephone interviews and as an open question and partly through a questionnaire with four response alternatives. In the first case 50 percent answered correctly, in the latter 88 percent (Andersson 1997).

6. I am grateful to Nils Hertting for this observation.

REFERENCES


Arbetet Nyheterna. 1997. Hans Alsén (HSB), Ove Bengtsberg Byggnads (Construction Workers’ Union), Jan Danneman (Tenants’ Union) and Bengt Owe Birgersson (SABO/the Swedish Association for Public Housing Companies), on the debate page. April 2.


*Hyresgästen* [The Tenant]. 1992 (3).

_____ 1992 (5).

_____ 1996 (6).


National Tenants’ Union. 1989. Remiss, October 5.


Palmstierna, Pontus. 1998. Interview with PR person for National Tenants’ Union, March 12, Stockholm.


Socialtjänstskommitten [Commission on Social Assistance]. 1999. Personal communication with Committee Secretary Tom Nilsson, January.


APPENDIX 1:
National expenditure (in billions of crowns) on:

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1998</th>
<th>Change</th>
<th>References:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age pensions</td>
<td>52.2</td>
<td>52.5</td>
<td>+0.3</td>
<td>1992–1993: Prop. 1993/94:100, expenditure area 6, 65</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(−67 percent)</td>
<td>1998: Boverket</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>31.2</td>
<td>40.7</td>
<td>+9.5</td>
<td>1992–1993: AMS, 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(−27 percent)</td>
<td></td>
</tr>
</tbody>
</table>

APPENDIX 2: COMPLETE RESPONSES TO QUESTION 4

<table>
<thead>
<tr>
<th></th>
<th>Yes, certain (percent)</th>
<th>Yes, but not certain (percent)</th>
<th>Uncertain (percent)</th>
<th>No, but not certain (percent)</th>
<th>No, certain (percent)</th>
<th>Don't know (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest subsidies and VAT on construction</td>
<td>19</td>
<td>15</td>
<td>11</td>
<td>19</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Real estate taxes</td>
<td>45</td>
<td>21</td>
<td>4</td>
<td>9</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Housing allowances</td>
<td>13</td>
<td>10</td>
<td>6</td>
<td>13</td>
<td>47</td>
<td>10</td>
</tr>
<tr>
<td>Tax deductions</td>
<td>33</td>
<td>20</td>
<td>9</td>
<td>11</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>VAT on costs for services</td>
<td>19</td>
<td>15</td>
<td>13</td>
<td>14</td>
<td>16</td>
<td>23</td>
</tr>
</tbody>
</table>