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Claremont McKenna College

**A Tale of Two Cities: The Divergence of Social Housing
in Berlin and Vienna**

Submitted to
Professor Aseema Sinha
and
Professor Jonathan Petropoulos

By
Ben Eibl

For
Senior Thesis
Spring 2023
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Abstract

The industrialization of the late 19th and early 20th centuries in Berlin and Vienna led both cities to initiate a social housing program to create affordable housing for the masses moving into the cities. The cities share many characteristics and developed in similar directions at their early stages. Nevertheless, a century later, their social housing systems look far apart. While Vienna's system continues to thrive and withstand pressures from the international and federal level, Berlin's citizens showed their resentment towards housing in their city in a radical referendum demanding the expropriation of several real-estate companies. This thesis argues that we can only understand the reasons for these differences by analyzing the historical political periods shaping the cities' housing systems. Although several periods shaped both cities, the ideological shifts of the Post-World War II and Cold War eras caused them to drift apart most significantly. The pro-market ideology of Western Germany shaped policymaking on the federal and city level. Social rental housing was seen as a temporary solution to some of the housing issues cities faced but not as a necessary pillar for the German welfare state. Instead, housing ownership and liberalization of the rental market were viewed as the mechanisms for improving housing and quality of life throughout the country. In contrast, the stable influence of the social democratic party and its dedication to housing that developed through the Red Vienna period allowed the social housing stock developed before World War II to continue and expand.

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List of Abbreviations

CDU	Christlich Demokratische Union Deutschlands
CSP	Christian Social Party
CSU	Christlich-Soziale Union in Bayern
DDP	Deutsche Demokratische Partei
FDR	Federal Republic of Germany
FPÖ	Freiheitliche Partei Österreichs
GDR	German Democratic Republic
LPHA	Limited Profit Housing Associations
ÖVP	Österreichische Volkspartei
SDAP	Sozialdemokratische Arbeiterpartei
SED	Sozialistische Einheitspartei Deutschland
SPD	Sozialdemokratische Partei Deutschlands
SPÖ	Sozialdemokratische Parte Österreichs

List of German Phrases

Arbeiterwohnungsfrage Workers	Housing issue
Baugenossenschaften	Building cooperatives
Baustadtrat City	Council of construction
Bundesland	Province
Einkommensobergrenzen	Income caps
Erste Republik	First republic
Förderwege	Funding channels
Gemeinnützigkeit	Public utility
Generalregulierungsplan	General regulation plan
Hauszinssteuer	House Interest tax
Kategoriemietzins	Categorized rent
Mieterschutzgesetz	Tenant protection law
Mietkasernen	Rental barracks
Objektförderungen	Object-related subsidies
Plattenbauten	Panel buildings
Reichsmietengesetz	Imperial rent act
Richtwertmietzinssystem	Indicative rent system
Schlafgänger	Night lodgers
Subjektförderungen	Subject-related subsidies
Verordnung über den Schutz der Mieter	Regulation on the protection of tenants
Volkswohnungen	Peoples housing
Wirtschaftsverbände	Trade associations
Wohnbauförderungsgesetz	Housing subsidies act
Wohnbaugesetz	Housing act
Wohngeldgesetz	Housing allowance act
Wohnungsdefizit	Housing deficit

Chapter 1: Introduction

On Sunday, the 26th of September 2021, the citizens of Berlin, Germany voted on a referendum¹ that demanded the expropriation of several large real-estate companies active in the city, which together own over 240,000 housing units. Despite discouraging statements from the government about financing and budget, close to 60% –more than a million eligible voters– voted yes for such expropriation. The referendum was a clear sign of the demand and neediness of Berlin’s tenants for affordable housing and the massive challenge of providing affordable housing in the German capital. This decision received widespread attention and made headlines in many European countries and even the United States (Mokski 2022). Furthermore, it was a clear sign that citizens supported public ownership of the city’s housing stock, which would directly counter its continuous commodification² since the 1980s. Today, private rental housing, the dominant sector in the city, is in stark contrast with the historical significance of social housing in the country (Droste and Knorr-Siedow 2014). These differences raise the question of the reasons for this shift.

Further, challenges of housing affordability are not limited to Germany or Berlin. Cities across the EU struggle and citizens are pessimistic about affordable housing (Pittini 2012). Social housing as a stable part of the welfare system has vanished from most cities. However, there are places where social housing still plays a crucial role, and cities have maintained a public housing stock owned by the municipality. One of these

¹ The full name of the referendum was „Beschluss zur Erarbeitung eines Gesetzentwurfs durch den Senat zur Vergesellschaftung der Wohnungsbestände großer Wohnungsunternehmen (Vergesellschaftungsgesetz)“.

² In the context of this thesis, commodification describes the increase of housing stock that is strictly distributed through market mechanisms and in which there is no price control or subsidization by the state.

cities, which is often used as a role model by city governments worldwide looking for inspiration for social housing, is Vienna. The Austrian capital owns over a fifth of the total housing stock housing. Moreover, over half a million people live in units provided by Limited Profit Housing Associations (LPHA)³ that, make up another fifth of housing. About half of all citizens live in subsidized dwellings, a stark contrast to 13% of rent-regulated housing in Berlin (Kadi, Vollmer, and Stein 2021). Thus, important differences shape the housing sector in the two cities begging the question: What historical developments have led the cities to today's variable status quo, where subsidized and social housing is more of a common practice in Vienna (Austria) than Berlin (Germany)?

This thesis seeks to explore the development of social housing in the two European welfare state capitals of Germany and Austria, Berlin, and Vienna, to understand the historical development of housing, the most significant housing policies in the cities, and the factors that led the cities to diverge from their relatively similar starting points. Both cities faced housing crises at the turn of the 19th and 20th century because of rapid urbanization during industrialization. Berlin's population exploded from about half a million in 1851 to over 2.5 million by 1900 and over 4 million by 1913 (Statista 2021). Vienna experienced similar growth from about 550,000 in 1851 to 1.7 million in 1900 and eventually over 2 million in 1910 (City of Vienna 2023). This growth forced the cities to address the crisis and establish policies in the early 20th century. However, over time, the cities' housing systems diverged, and today, there are clear contrasts between the cities. This thesis will address the changes that have led to this divergence and try to

³ Limited Profit Housing Associations can take different forms depending on their country. However, essentially, they are organizations that develop, maintain, or rent out housing with a limited profit in return for receiving benefits of subsidies from the state, such as reduced prices for land or better conditions for loans. In Austria, LPHA are called "Gemeinnützige Bauvereinigungen".

identify which has been the most significant in causing the contrasts of today. This introduction presents the puzzle of Berlin, Vienna, and their social housing systems differences. It also establishes why it would be reasonable to expect the cities' systems to be alike using general parameters and some variables specific to housing. Based on this puzzle, it establishes the research question and argument. It will then describe the importance of this research area before giving a brief historical overview of social housing in Europe and the two cities specifically. Further, it discusses some approaches researchers have selected to analyze similar issues. The thesis argues that the pro-market ideology of the Federal Republic of Germany (FRG) in the post-World War II era and beyond did not prioritize mechanisms for social housing to be established for the long term. This trend continued into reunification when social housing was further weakened and has led to a sustained commodification of housing in Germany and Berlin, which has not been the case in Austria, specifically Vienna. Instead, ideological consensus towards social provision of housing held by governing parties, specifically the social democrats and the public, strengthened social housing and made it a sustained policy social measure.

The Puzzle of Berlin and Vienna

Berlin and Vienna offer a fascinating comparative puzzle. Many similarities in their welfare and housing systems suggest that there would be similarities in their social housing sector, yet the sectors are opposites in many ways outlined in this section. Outside of housing, the cities share many characteristics: both are capitals of Western European countries with large populations. Both are capitals and *Bundesländer* (provinces) in a federal setting where provinces have much autonomy. Both were

bombed heavily during World War II although Berlin was destroyed to a much larger extent. They both have relatively large autonomy in many areas of policymaking as they are cities and provinces within their respective federal countries and often make use of this power to deviate from national legislation (Kadi, Vollmer, and Stein 2021). Rental housing and home ownership dominate in both cities, which is less common in other European cities. Politically, both cities have been influenced by social democratic politicians throughout the post-war period, although Berlin, specifically in the 1980s and 90s, did not experience the same consistency. Despite all similarities, as we look at the outcomes in the housing systems of both cities today, we can observe apparent differences.

About 85% of all apartments in Berlin are rentals, compared to 77% in Vienna. However, while in Berlin, almost three-quarters of the rental sector is private, only one-third of housing units exist in the private rental market in Vienna (Kadi, Vollmer, and Stein 2021). These deviations in the tenancy ownership structure already hint towards the differences in the influence of the social and private markets on the cities' housing. They also show the significant role of the rental sector in both cities, which is much larger compared to Anglo-Saxon countries such as the United Kingdom, where ownership plays a more significant role. Nonetheless, within the social housing market, costs vary between the cities. At 6.40€ per square meter (/sqm), Berlin's social housing is significantly more expensive than Vienna's at 4.65€/sqm (Marquardt and Glaser 2020). In contrast, the average rental price on the private market is slightly higher in Vienna at 11€/sqm compared to Berlin's 10.80€/sqm. Additionally, between 2007 and 2016, social

housing rent increased by over 30% in Berlin and only 18% in Vienna (Marquardt and Glaser 2020).

Differences are also visible between the cities when observing the historical development of housing policies. Neoliberal housing policies have gained traction across Europe since the 1970s, shaping social housing in cities all over the continent (Rolnik 2013). Neoliberalism in the context of housing research refers to a pro-market ideology in which state involvement, such as taxes or funding, is limited and privatization encouraged. Throughout this thesis, neoliberalism refers to a pro-market ideology tied to the privatization of social housing stock, the deregulation of the housing market, limitations to public funds, or a combination of those.

Importantly, while countries have introduced neoliberal policies at different points in time, the response to these policies at the city level has deviated. While such policies were introduced relatively early in Germany and Berlin, around the 1970s, Austria and Vienna only fully experienced them starting in the 2000s (Kadi, Vollmer, and Stein 2021; Reinprecht 2014). The shift towards neoliberal housing policies has been influential at the federal and regional level in Germany and Berlin, and the city struggles to find answers for more affordable social housing due to the influence of real estate industry lobbying, lack of autonomy within the federal government, and a lack of political will. Some argue that the results of these policies “...reflect[s] the inability of market mechanisms to provide adequate and affordable housing for all” (Rolnik 2013, 1). In Vienna, the diverging interests at the federal and regional levels are more clearly visible, and the city has introduced new policies to counteract the decisions at the federal level that are significantly influenced by real estate lobbyists (Kadi, Vollmer, and Stein 2021).

Thus, Vienna has deployed its city-level policy instruments to deviate to a larger extent from the national pattern in Austria.

Therefore, the differences between the cities are both quantitative in terms of housing patterns and ideological. Vienna remains a role model for social housing across the continent and even worldwide, while the frustration of tenants in Berlin is evident through the 2021 referendum. These differences are puzzling, considering the cities' similarities and expectations based on housing and welfare research. The scholarship on the two countries and cities has not addressed the wide variation across cities adequately, which this thesis aims to do. In typologies of welfare states such as Esping-Andersen's *Three Worlds of Welfare Capitalism*, Austria and Germany are understood as Conservative-Corporatist capitalist welfare states as opposed to the Social-democratic, or Liberal type, he describes (1990, 53). Characteristics of this type include "a strong regulation of the labour market, welfare provision based on fragmented systems of social insurance, a strong role of the family vis-à-vis market and state, and kinship, corporatism and etatism as the dominant mode of solidarity" (Matznetter 2002, 267), which can be found in both countries. In Jim Kemeny's, *From Public Housing to the Social Market* (1995), both countries can be categorized as unitary rental systems rather than dualist. This categorization is based on the competitiveness of the social market. In a unitary system, the social market can compete with the private. In a dualist market, social and private markets exist separately and do not compete. Although Esping-Andersen's typology does not address housing specifically; it focuses on commodification within the welfare state. In a conservative-corporatist context, one would expect commodification to be limited, as suggested by Esping-Andersen. This assertion has been supported and

specified for housing by Hoekstra (2003, 62). However, Berlin has almost no municipality-owned housing and very little LPHA stock. In contrast, Vienna has more municipality-owned and LPHA housing than many other European cities, even those in Social Democratic regimes where decommodification is expected to be highest. This phenomenon can largely be attributed to the Red Vienna period, from 1918 to 1934, when social housing became a significant part of city politics. Furthermore, its longevity was enabled by the continuous influence of the social democratic party on the federal and city level. Kemeny's typology is focused directly on housing. In a unitary rental system, which both Berlin and Vienna are expected to be according to his typology, the not-for-profit market can compete with the private market, thereby decreasing rents.

Furthermore, Kemeny argues that corporatism, as a part of a country's power structure and decision-making, is advantageous for a unitary rental market. Finally, in a unitary market, LPHAs would be expected to compete with private landlords for households under increasingly deregulated conditions. This phenomenon is observable in Vienna, where many households decide between public, LPHA housing, or private rental.

However, Berlin's citizens do not have this freedom of choice, with 71% of the rental sector in private ownership. The housing stock of the cities is also comparable because the rental market in both municipalities is a dominant force, and home ownership is the exception rather than the norm (Marquardt and Glaser 2020). Moreover, in the formative of social housing after World War II, both countries followed the general pattern of convergence in Europe, and only after the financial crisis of 2009 did housing prices start to rise significantly (Marquardt and Glaser 2020). Therefore, if the classifications of previous researchers hold, there are differences within existing typologies deployed by

researchers, such as corporatist welfare regimes and unitary rental markets. Addressing these differences will be a central objective of this thesis, differentiating between Germany, Austria, Berlin, and Vienna and understanding their variable patterns of social housing within the group.

Research Questions

Given the expectations based on existing literature, this thesis aims to understand what has led the two cities' social housing systems to deviate this much, especially given their similar geographic, political, and historical features. It aims to address the driving forces behind changes over time, the period or historical moment that had the most significant impact, and how we can understand the differences between the countries and cities addressed within their classification in Kemeny's unitary market. Answering these questions will be valuable in understanding social housing development on the city level in central Europe but also in welfare states more generally. Furthermore, variation within typology groups is natural, and understanding it better can help us to clarify what these groups entail. Therefore, the research questions this thesis will address are: What were the historical causes for the deviation of the social housing system in Berlin and Vienna, and how can we classify the cities today based on this deviation? The following section will outline the argument of this thesis which aims to answer these questions.

Argument

In this thesis, I will argue that the ideologies formed in Berlin and Vienna since the 20th century are significant for the social housing system in both cities and their social housing divergence. The historical development of social housing in both cities has

been accompanied by changing political currents both on the city and federal levels. Analyzing this historical development offers insights into the divergence of the social housing model in the cities. Despite disruptions such as economic and political crises as well as wars, historic eras shaped the social housing systems because they allowed parties and policymakers to continuously pursue specific ideologies related to housing. The cities had developed similarly since the beginning of the 20th century when social housing became politically significant and a reality of the built environment. After coming to power in 1933 in Germany and 1938 in Austria, the Nazi regime fundamentally changed housing in the cities through eviction of Jewish properties, “aryanization” of their homes, and a shift in the ideological approach to social housing. After the war, Vienna’s housing policy and political environment were more stable than Berlin’s and the government remained committed to social housing. The political instability that came with Berlin’s occupation, division, and reunification also meant instability for the city’s social housing program and affected the timing of the neoliberal policies adapted from federal-level politics that would reduce regulation and incentivize privatization. Furthermore, the pro-market sentiment prominent in all parts of the FDR government led to a wave of commodification and promotion of homeownership made affordable through public subsidies. As a result, social housing was seen as a temporary solution for a minority rather than a responsibility for the government to provide. This approach shaped the management of the East German, and East Berlin, housing stock after reunification and has led to the housing affordability crisis we observe in Berlin today.

In Vienna, the historical role of social housing has influenced policy over time until today, and the norms set in the “Red Vienna” period make it feasible for the social

democratic party to continue their efforts even with opposition from the national government. Furthermore, every mayor since World War I, except for the years of the Nazi regime, has been part of the social democrats creating political stability and strengthening the political norms necessary to continuously advocate for the importance of social housing and its role in Vienna as a basic right. Furthermore, the consensus of the governing parties after World War II and during the Cold War era strengthened the social housing system and led to a long-term social housing stock and continuous innovation in the field until today.

Berlin and Vienna were both shaped by their respective countries. However, Vienna has been more stable in resisting commodification due to absolute political stability for the social democratic party and less significant privatization and market liberalization efforts by the federal government. It was more difficult for Berlin because the Western part was used as an example of the wonders of the market, and any efforts in the East were practically reversed after reunification. Nonetheless, the rental market remains a significant factor in the German capital compared to other parts of the country, and the referendum of 2021 showed public resistance against housing commodification. Within Kemeny's unitary market, Vienna is more unitary than Austria because of the city's municipal-owned housing stock and low commodification rate. The same is true for Berlin, where the social market, backed by much of the public, competes to some degree with the private market. However, due to the longevity of Austrian social housing mechanisms and policies, the country overall can be understood as more of a unitary market than Berlin, although this comparison is limited given their different political levels and variation.

Relevance

The Global Affordable Housing Challenge

Gentrification and a scarcity of housing in many large European cities challenge low and middle-income groups to find a home in the city as housing becomes less affordable. Today, practically every large city in the world faces an affordable housing crisis (Wetzstein 2017). Social housing plays a significant role in housing provision, especially in European welfare states. State-owned housing, subsidies, and general regulation all influence housing and determine the physical structure and, ultimately, the chances of people finding a home in the city. Therefore, analyzing different social housing models in European cities can help us understand how affordable social housing develops and what it means for cities when the social housing sector can compete with the private market and when it cannot. In addition, the historical development of successful and less successful social housing models might deliver insights into the variables responsible for success.

Housing affordability in cities is a crucial aspect of urban inequality as housing expenditure is often the highest portion of household budgets. City-level analysis can help to contextualize this as it can account for local differences within a country. Analyzing inequality within cities is as important as it is on the country-level (Glaeser 2009). The significance of these issues is exemplified by the fact that reduced inequality within cities and communities is part of the United Nations' Sustainable Development Goals. Half of the world's population lives in cities, and this share is projected to rise further in the coming decades. Cities can be drivers of inclusivity but also perpetuate inequalities and social exclusion for those worst off. In the Global Housing Affordability

Challenge report by UN-Habitat, it is emphasized that the “more engaged governments are in ensuring measures and policies to keep the housing sector affordable, vibrant, and healthy; the more housing construction and provision that can be created to suit the needs of everyone” (UN Habitat 2019). Therefore, addressing housing policies across countries and cities is a significant and timely issue that can help to reduce inequality in cities and urban development overall. Ultimately, more affordable housing will be vital for number ten of the United Nations’ Sustainable Development Goals, reduced inequalities, and the human right to adequate housing.

Cities missing in Housing Research

Research in the social housing field thus far has often focused on the national level. National policy is a crucial determinant of housing outcomes, and since social housing is closely tied to welfare politics, analysis at the national level is highly relevant to understand housing systems. However, as Vienna, Berlin, and other cities such as New York show, city politics can also be heavily influential for housing (Kadi, Vollmer, and Stein 2021). Furthermore, local context is crucial to understand housing in a more detailed way, and differences between cities can vary from negligible to highly significant depending on the city’s autonomy, the structure of the welfare system, or the local financing. Therefore, city-level analysis offers a better understanding of the factors shaping social housing. Additionally, the developments within the welfare state per se and deviating from traditional classification expectations also make cities a compelling level of analysis for a more precise understanding (Hoekstra 2013).

However, it is also vital to remember that just like country-level analysis cannot be equated with city-level realities, the same is true in reverse. In his book *City Limits*, Paul Peterson argues that research and analysis on cities cannot easily be transferred to the country level. Despite the advantages of studying a city, research outcomes are specific to cities and should not be equated with the respective country. Cities differ from countries in several forms, such as the forms of power and autonomy they have. In addition, cities have specific constraints under which they must operate, which makes city-level analysis distinct from other forms. They must be studied within their larger socio-economic context, and decision-making on the city level must be understood within this context (Peterson 1981).

Housing in the Welfare State

In housing research, the role of housing in the welfare state has been the topic of debate. Some argue that housing has a significant role, while others call it a “wobbly pillar” compared to other characteristics such as healthcare or education (Malpass 2008). Kemeny, which has produced significant housing research used in this thesis, argues that the role of housing is relevant because it shifts household expenditures and is often a large part of government spending (1995; 2001). Other researchers have argued against the importance of housing in the welfare state. For example, Harloe argues that housing is “...the least decommodified and most market-determined of the conventionally accepted constituents of such states” (Harloe, 1995, p. 2). However, since the publication of this work, much has changed in housing commodification. The increase in housing prices,

decrease in social housing, and the affordability and access crisis in many cities indicate that commodification is more significant than anticipated. By analyzing historical development, this thesis can help to highlight the commodification of housing and the differences in degrees between cities and countries. Analyzing historic periods helps us identify political influences and significant changes in the cities. Although changes happened gradually, there were moments that allowed political groups to pursue their ideas and shape the social housing system. The differences today are puzzling, because the cities had similar starting points and only by analyzing significant historical periods can we learn when the divergence happened, and which political situation favored them.

Brief Histories of Housing in Europe, Berlin, and Vienna

Although the central role of housing was once consensus among European states after World War II, this has changed dramatically over time. After World War II, the social housing model was similar in many European countries. Federal and local authorities supported housing construction to combat post-war issues of destruction and rapidly growing populations. However, the exact mechanisms and systems varied between Northern, Eastern, and Southern Europe due to different conceptions of the role of housing in the welfare state and the degree of accessibility reaching from universally available social housing to tailored solutions for low-income households. These differences became more significant and apparent as housing was increasingly privatized and privately financed after the 1980s. This development was most visible in the post-communist states of Eastern Europe where the state started to withdraw from housing that they previously controlled to a significant extent.

Historically, housing “...has been used as an economic policy to smooth business cycles, maintain employment and reduce labour costs, [...] [and] a number of more implicit goals which have also been followed by housing policies throughout the 20th century” (Matznetter 2002, 267). Today, there are still essential similarities in social housing across countries, such as demographics, organization, and financing. However, significant differences exist concerning scale, funding, and plans for the future of social housing across countries (Scanlon et al. 2014). The state of housing policy varies significantly across the continent. Levels of affordability, livability, and sustainability are mixed throughout Europe’s types of welfare states. Levels of available social housing vary from almost half of the housing stock to virtually none (Housing Europe 2021). One aspect of these drastic changes has been a shift in policymaking and financial responsibility for social housing from federal to local governments. Although federal governments often install general frameworks for policy and funding, it is often the city level that experiences the most significant policy changes and, therefore, the lived experience of residents. This phenomenon poses a challenge for social housing development because the differences in ideology between those in power at the different levels of government make decision-making even more complex. Federal governments’ frameworks follow a geographical pattern, with Eastern European countries following a different strategy than those in Northern or Southern Europe. However, despite some coherency at the national level, cities often deviate from their respective countries in different ways. While some do not deviate much, others take significant steps to counter federal policy that influences their regional housing policy. These differences in policies and responses between cities have created a puzzle because cities from similar countries

have developed in opposite directions despite federal governments from similar ideologies and other significant similarities. Understanding the mechanisms and significant policy changes that shaped social housing and respective policy in European welfare cities will be crucial to understand the role cities play in welfare (housing) provision and how significantly it can vary depending on vital variables.

Today, the tenants of social housing are similar across countries. However, while pensioners, single-parent families, ethnic minorities, and immigrants are overrepresented, couples with children are underrepresented. Moreover, the most vulnerable groups in society, such as homeless people or drug addicts, usually do not live in regular social housing but rather in specific accommodations or low-demand areas of publicly provided housing (Scanlon et al. 2014).

Austria & Vienna

Austria's corporatist tradition led to low rents and almost universally accessible social housing through laws and regulations. Despite a transformation of regulations and public debate throughout the past two decades, housing remains an essential human need. Overall, nearly 80% of new residential construction benefits from some public subsidies, and the rental sector, which has a strong tradition, represents 41% of the housing stock compared to 50% in owner occupation and 9% in other tenures. The ratio between tenant status remained relatively stable over time but has been slowly decreasing in the recent past. Social housing dominates the large rental sector with 59%, a significant increase from only 40% in the 1980s. These numbers account for 880 000 social dwellings in Austria, representing almost a quarter of all housing units.

In Vienna, the “Red Vienna” period from 1918 to 1934 was the foundation for the social housing model of the city today. The period is named after the social democratic party (SPÖ), also called the “Red Party,” which gained significant support during this time and was elected in the first elections of the city in 1919 (Pelleteret 2021). As a municipality, Vienna developed and owned housing projects which were prestigious policy measures, especially for the working class. Housing was built throughout the city, which helped to combat segregation. Funding was arranged through “a housing tax (which has been imposed on all tenants since 1923; it covered 40% of costs), a luxury tax and some funding by the state” (Reinprecht 2014, 64). The fascist groups in power during the 1930s and 40s represent radical breaks in social housing ideology. Especially during the rule of the Nazis, the ideas of social housing shifted from compact affordable units to single family homes for all with more space. Despite this radical break, the initial system was reintroduced after the war, which exemplifies its sustainability and popularity with the public. It also helps us understand why analyzing political periods is crucial as their significance can last throughout time and explain continuity and breaks such as in this example.

Since its early successes, the SPÖ emphasized the role of housing in their politics as a human right. This emphasis has not changed until today, and housing remains a crucial topic for the party. This position faced opposition when the federal government adopted more neoliberal policies around 2000 and privatized some of the social housing stock, for example, through Right-To-Buy initiatives that will be explained in detail later. However, until today, the city opposes many initiatives to weaken social housing by the

federal government, which is possible mainly through the autonomy it receives through its status as both a city and a province/state of the country.

Germany & Berlin

Since the late 19th century, the German state has been involved in the policy and construction of social housing. Facing problems common to many countries undergoing an industrial revolution, the government stepped in to combat the precarious housing situations for many citizens. After some initial efforts during the early 20th century, World War I cut these efforts short, and it was not until the golden years of the Weimar Republic that housing gained its initial place in the policy arena. After some new peak performances, the social housing sector was challenged by the economic crisis, the Nazi regime, and World War II. After the war, much of Germany's housing stock was damaged or destroyed and needed an impressive rebuilding phase that some deem a "miracle" (Wertheimer 1958) to return to its former stage. However, social housing efforts were relatively meager due to the pro-market ideology driving the Western part of the country. Western Germany witnessed a focus on public subsidies for homeownership instead of a rental market. In Eastern Germany, social housing was much more extensive and prominent, but a large portion of the housing stock was privatized by the pro-market government ruling after reunification.

Like Vienna, Berlin faced unhealthy housing conditions at the start of the 20th century. Many people lived in small apartments without running water. In 1920, when Groß-Berlin was founded, responsibility for new housing developments was moved from private contractors to non-profit housing associations financed with public money and

built following public regulations (Bodenschatz 2020). Urban planning was also influenced by social-democratic forces and housing, especially for workers, was emphasized in the city's development (Freytag 2020). However, privatization and neoliberal policy also influenced Berlin starting in the 1980s when the federal government decided that social housing should take a more means-based approach targeting only the most vulnerable groups (Marquardt and Glaser 2020). Many other neoliberal policy interventions followed that will be described in detail later. Today, the city has taken steps to address housing affordability, but the 2021 referendum has made it clear that tenants are unsatisfied. This current political movement represents yet another attempt to change housing in the city. Many scholars have analyzed changes such as this in the social housing systems of European cities. The next section will discuss some of these approaches and where they can and cannot help explaining the questions addressed in this thesis.

Previous Approaches

A variety of approaches—economic, sociological, policy or urban political analysis—have been used to explain the variable patterns regarding housing in Europe. In their paper *How Much State and How Much Market*, Marquardt and Glaser discuss the policy mechanisms and funding arrangements that differentiate Berlin and Vienna through “a neo-institutionalist view that regards institutional arrangements as key factors in shaping market outcomes” (2020, 2). They argue that the long-term focus of Vienna's housing policy and the market-based methods in their financing strategy are the main determinants of the sustainability of the social housing program, while Berlin focuses more on immediate and short-term interventions. They also emphasize the different roles

given to private housing, another essential difference between the cities influenced by the neoliberal policy introduced at the federal level. In her paper *Resilience of Social Housing Systems in Vienna, Amsterdam, and Copenhagen*, Tsenkova describes how policy and financing mechanisms in the three cities are responsible for the strengths of their social housing system (2021). She analyzes the cities through existing literature and data collected through a survey instrument. She further describes these mechanisms' resilience in both an economic and social, organizational, and environmental sense. Both papers highlight policy instruments such as LPHA or separate tax collection and how they impact the strategies of each city. Another political analysis by Kadi, Vollmer, and Stein looks at recent policy developments in Vienna, Berlin, and New York to understand how the cities' stances have changed since the neoliberal reforms of recent decades and how that influences social housing systems (2021).

Other works take a sociological approach and analyze the changing role of social housing in society, the concept of the "social" overall, and how this impacts social housing provision (Lévy-Vroelant and Reinprecht 2014). In their paper, Lévy-Vroelant and Reinprecht focus more directly on who is addressed by social housing and how the sociopolitical understanding of social housing has influenced its development. They explore historical developments, such as the target groups of social housing. For example, while social housing was mainly developed for the working class at the start of the 20th century, this has changed in many cities to include the most vulnerable groups in society that are often excluded from many aspects of public life. They argue that it is crucial for governments to integrate these groups into society and that housing provision alone is insufficient and should be paired with other social initiatives, which is practiced

in the “Housing First” program in Vienna, for example (Lévy-Vroelant and Reinprecht 2014).

There is also work focusing more directly on the financial influences on housing generally, thus influencing the social housing context. For example, in their paper, *The financialization of rental housing* Fields and Uffer describe the influences of private market forces on urban housing (2016). More specifically, they focus on private equity investment in rental housing and the consequences for the rental systems in Berlin and New York. The policies opening housing to the market were foundational for private investments; the shape of these investments can vary in different contexts outlined in this paper.

All of the approaches described above add insights to the understanding of social housing in Berlin, Vienna, and cities worldwide. The political science approaches help to understand policy tools and mechanisms, the sociological approach adds norms and societal developments, and trends to the discussion, and the economic approach helps to identify important influences outside of politics. Nonetheless, historical context is only touched upon in the works mentioned above, if discussed at all. The political science approach focuses on the status quo of politics and policies and does not include historical context enough to show its significance. The sociological approach describes societal norms but is not concerned with political norms. The economic focus highlights the important non-political players since neoliberal housing reforms but not those that are historically most significant. This thesis will attempt to fill some of these gaps and argues that they are highly significant in the social housing realities of today.

Case Selection, Research Methods and Comparative Method

This thesis compares Berlin and Vienna because of their comparability on various levels. Starting with their population, the municipality of Berlin has about 3.5 million inhabitants, while the municipality of Vienna counts about 1.9 million. While smaller, Vienna is the more densely populated city with 4657 residents per square kilometer compared to Berlin's 4048. This difference is due to Berlin's size of about 900 square kilometers compared to Vienna's 414. Overall, the two are the largest and second-largest German-speaking cities worldwide.

Furthermore, both cities experienced periods of rapid growth before World War I and a slight decrease in population since the early 20th century. As previously mentioned, both cities have been shaped by similar events in the past century, including ending both World Wars as losing parties and the post-war "iron curtain" only a few kilometers from Vienna and literally in Berlin. Therefore, it is vital to recognize Berlin's unique post-war experience in Europe, which will be discussed in more detail later. Economically, the cities have a comparable GDP in proportion to their population, with about 102 billion annually for Vienna and 163 billion for Berlin (Eurostat 2023). The average annual income per person after taxes in Vienna is about 23,000€ (Stadt Wien 2018) compared to about 21,750€ in Berlin (Statistik Berlin Brandenburg 2020). Both cities are structured by districts, 12 in Berlin and 23 in Vienna, which have their own responsibilities in public administration. Both countries they are in are a federal parliamentary republic where the federal and sub-federal governments play significant roles. The countries are divided into Bundesländer (states) which all hold significant political power and autonomy. Berlin and Vienna are both the capital city but also their own state which gives them additional

autonomy and significance within the country. This situation allows them the autonomy they sometimes use to deviate from federal politics, such as in housing. Given these similarities and those described above, it seems reasonable to assess Berlin and Vienna as comparable cities.

I will apply a most-similar design approach as suggested by scholars such as Sidney Tarrow in his article *The Strategy of Paired Comparison* in which he describes the value of paired comparison and its applicability in political analysis (2010). Tarrow sees paired comparison in political analysis in line with Przeworski and Teune's most-similar system design (1970) for comparative analysis as certain characteristics are controlled for, and differences within these constraints can be used as "explanatory variables" (Tarrow 2010, 234). The basis for this approach in comparative politics can be found in John Stuart Mill's *A System of Logic*, in which he writes that "If an instance in which the phenomenon under investigation occurs, and an instance in which it does not occur, have every circumstance in common save one, that one occurring only in the former; the circumstance in which alone the two instances differ, is the effect, or cause, or a necessary part of the cause, of the phenomenon" (Mill 1843, 422). Using Mill's foundation and Tarrow's theory of practice will form the method of comparison for this thesis.

To compare the two cities, I will use secondary literature from cross-disciplinary fields such as political science, sociology, history, and urban studies to analyze the (housing) history, policy developments, and other factors of social housing. The thesis is structured into four main chapters, each addressing social housing during a specific period in the countries of Germany and Austria, and their capital cities Berlin

and Vienna. This structure can help to understand the existing frameworks and context set by each country and the simultaneous development on the city-level. The first chapter addresses pre-World War I developments, which stretch from the beginnings of social housing to the first radical responses to the housing crisis of the early 20th century. The second chapter concerns the interwar years of the Weimar Republic in Germany and the First Republic in Austria and the influence of the Nazi regime in both countries. Especially in Vienna, this is a significant period known as Red Vienna, named after the color of the social democrats, which possessed political power and shaped the city during this time and beyond. The third chapter focuses on the post-World War II era and the Cold War, in which social housing experienced its peak in both countries, although it was only short-lived in Germany. Finally, the fourth chapter analyzes the era of German reunification and beyond extending until today, which has included large-scale privatization and commodification in both countries. A conclusion will summarize findings and provide a final analysis.

Chapter 2: Theory and Literature Review

This thesis will attempt to identify the historical influences on social housing in Berlin and Vienna that led to the differences in their current system. These differences include the steeper increases in rent prices in Berlin, the more significant decrease and lower stock of social housing, and the ideological approach to the role, significance, and longevity of social housing overall. Both cities established their first housing regulation more than a century ago and have been influenced by many of the same events and ideologies that have shaped the European continent since the beginning of the 20th century. Yet, their social housing diverged after World War II. Understanding the social housing systems in both cities means analyzing their policy paradigms and the context in which social housing originated and evolved. These political ideas have been the topic of various research publications which will be used in this thesis. I will argue that there were several points in the 20th century when the social housing systems diverged but that the approaches to the role and mechanisms of social housing after World War II and in the Cold War era were the main reason for the differences visible today. These historical changes can be understood in terms of embedded policy paradigms, that once developed, become the ideational framework through which political leaders view their policy priorities.

Both Berlin and Vienna operate within the federal and welfare system framework of their respective countries, Austria and Germany, which makes an analysis of the country-specific and federal dimensions critical. After outlining the conceptual framework for this thesis I continue with discussing a typology of capitalist welfare states introduced by Gøsta Esping-Andersen as it forms part of the larger structural framework.

Both countries are capitalist welfare countries in Europe, making Esping-Andersen a useful initial typology. After an analysis of this general housing research, this section will turn to housing research within the welfare state, different existing theories, and their relevance to this thesis. Finally, within the welfare literature on the national and city level, a specific focus will be given to research on the role of housing within cities as this is an essential part of the research question. The thesis argues that there are differences within Berlin and Vienna despite their similar characteristics. Some of these characteristics come from the classification of them in the works discussed below. The thesis will use existing housing research to point out where differences can be found, what they are, and how they can help us understand the different development in the cities. The differences in housing ideology after World War II and during the Cold War are essential for the divergence. Their significance is a result of the long-lasting similarities discussed in the works below.

Conceptual Framework

The arguments in this thesis use the importance of ideas and paradigms to explain policy and policy-shifts. The concept of ideas driving policy change has been much discussed and is often linked to Max Weber's mentioning of "...world images" that have been created by "ideas" have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest" (Eastwood 2005). The governmental and public institutions as well as the public itself are the main drivers of these ideas. Political scientists have investigated "...how behavior driven by ideas rather than self-interest determines policy-making outcomes" (Campbell 2002, 21). Institutions play a crucial role

in driving these ideas and translating them into policy. The idea of institutionalism has long been used to explain changes and outcomes in politics. Vivien Schmidt describes what she calls “new institutionalism,” which differs from previous forms of institutionalism. She ranks ideas based on their impact into “policies, programs, and philosophies” and introduces discourse as the “...the interactive process of conveying ideas” (2008, 303). She also addresses that ideas exist in a “meaning context” that is specific to the “ideational setting,” which is a significant aspect of this thesis as it argues that historical periods, and the context they create, are necessary to understand ideas and the policy shifts they create (Schmidt 2008). For this thesis, I will use this framework to seek out how ideas were embedded in specific historical periods. If and how much these ideas affected policy outcomes is a main question this thesis seeks to answer.

This thesis will use the framework provided by political scientists to stress the importance of ideas and focus specifically on how they become important in different periods for housing policy. Ideas themselves cannot explain policy changes by themselves. Schmidt also adds the importance of “institutional context,” which is particularly significant for the comparison of the city and country levels (2008). Overall, the ideas that developed over time and shaped the policies developed as well as the institutions and stakeholders pursuing these changes will be the framework for this thesis. The argument for this thesis is based on a shift in ideas that shaped policy outcome and the institutional context of the country and city level are essential to understand the shifts in ideas and policy. The conceptual framework adds to the existing research on welfare, housing, and cities because it helps to identify the variations within welfare state groups, housing systems, and differentiate between the city and federal level.

Welfare Theory

A seminal work in the field of welfare regimes, Esping-Andersen's *Three Worlds of Welfare Capitalism*, offers an initial classification of Austria and Germany within the welfare context (1990). Esping-Andersen classifies European capitalist welfare countries into three welfare state regimes: Liberal, Social-Democratic, and Conservative-corporatist. The classification is mainly based on commodification and protection of citizens from market forces in different countries. Austria and Germany are classified as 'corporatist,' meaning that "... the liberal obsession with market efficiency and commodification was never preeminent and, as such, the granting of social rights was hardly ever a seriously contested issue" (Esping-Andersen 1990). The "obsession with market efficiency" was an essential point for divergence after World War II. Esping-Andersen does not discuss the different degrees of this obsession in different countries although that is necessary to understand differences within groups. Austria and Germany were both conservative-corporatist welfare regimes but West Germany's pro-market ideology after the war far outweighed that present in Austria. This difference is a necessary point for this thesis that is missing in Esping-Andersen's approach. Importantly, Esping-Andersen focuses on other aspects of the welfare state than housing and is also concerned with the national rather than the city level. Therefore, while categorizing Austria and Germany as corporatist welfare regimes can help us understand their welfare systems. It does not allow us to understand significant variation within them and across their city levels.

Several researchers have analyzed housing within the welfare state, some using Esping-Andersen as a basis. Different schools of thought have formed among them.

Some consider housing an essential part of the welfare state, while others argue that it does not have as significant of a role as other aspects, such as healthcare (Malpass 2008). Among those that consider housing an essential part of the welfare state, two theories have often been considered. First, the idea that housing within welfare states will converge towards a similar model over time. This idea is called convergence theory and has been introduced by authors such as Michael Harloe (1995). Second, the idea that housing systems diverge from each other over time and that two forms of housing markets have formed. This idea is called divergence theory and was introduced by Jim Kemeny (1995; 2001). It will also be helpful to understand the roles of cities in shaping welfare policies, as cities have not been included enough in housing research (Hoekstra 2013). Since this thesis is concerned with the divergence across two cities, and their respective countries, divergence theory is the most applicable basis for it. However, in addition to diverging from other cities and countries, Berlin, Germany, Vienna, and Austria have also diverged from one another. Therefore, identifying and analyzing these divergences within a system could be a relevant addition to research within the divergence school.

As mentioned above, there have been attempts to translate Esping-Andersen's work to housing analysis in which elements of housing policy are based on welfare typology (Hoekstra 2003). His classification can be a helpful step in understanding the implications of the welfare regime on housing policies. However, this thesis will be more concerned with classifying cities and countries within divergence theory as it strictly focuses on housing. Housing researchers have criticized the use Esping-Andersen's typology. Building on Kemeny's argument is the starting premise of this thesis. For

example, Kemeny argues that “The concept of welfare regime has become widely used as a label for the types of welfare systems rather than for the different power constellations (read ‘welfare regimes’) that generate such welfare systems” (Kemeny 2001, 60). Using the conceptual framework of ideas shaping policy outcomes in welfare states will be a helpful tool to differentiate within groups defined by Esping-Andersen and Kemeny.

Housing in the Welfare State

The significance of housing in the welfare state has been the topic of much debate among researchers. Some ask the question if housing is a “wobbly Pillar” or a “Cornerstone” of the welfare state (Malpass 2008) compared to the other pillars of the welfare state, such as healthcare or education. Some efforts have been made to understand the role of housing in classifying welfare states (Hoekstra 2003; 2010; 2013). Hoekstra used Esping-Andersen as a starting point to define the housing characteristics that shape countries within the groups of welfare regimes. He also incorporates Kemeny into his research and combines the two to describe housing outcomes in welfare states within the European Union. Hoekstra concludes that Kemeny and Esping-Andersen are valid “starting points” for housing research but “...should not be applied in a rigid and dogmatic manner”. He continues that “If possible, [typologies] should be adapted and/or fine-tuned according to the specific issue under study” (2013, 15). I will use this approach in this thesis where the typologies are used as starting points but the divergence within them is the main point of interest.

Two other researchers that have attributed extensive work into housing in the welfare state are the aforementioned Jim Kemeny and Michael Harloe. In *Comparative Housing and Welfare: Theorising the Relationship*, Kemeny gives an overview of

housing within the welfare state (2001). Kemeny describes the role of housing in the context of the other pillars of the welfare state: social security, health, and education. He argues that housing is particularly capital intensive, especially during mass construction in post-war periods. It is mainly financed through taxation or subsidized through low-interest loans. However, housing differs from the other pillars because it is often not considered a universal public provision and, therefore, not a main pillar of the welfare state. Governments have mostly provided housing to minorities, and prices charged were higher than for other services and covered a higher proportion of costs (Kemeny 2001). In this context, the social aspect of housing that will be referred to in this thesis becomes clear. Housing that is influenced to any degree by the government to make it more affordable or accessible will be referred to as social housing. Therefore, its role in the welfare state is significant because it directly serves a human right (UN 2023) and has been a common practice in several countries for over a century. Kemeny states further that housing has often been ignored in comparative welfare studies, which could be due to its complex role in the welfare state. However, its special role makes it particularly significant for welfare state analysis. Reorganizing health or educational institutions, for example, by relocating or merging a school, would have a less significant impact on social structures than reorganizing housing due to its interconnectedness with other aspects of the welfare state (Kemeny 2001).

Housing is often the most expensive item in household budgets. How much households spend varies significantly across tenure status. For example, renting spreads costs, whereas ownership concentrates them within one, usually at an early, stage of life. Owner occupancy reallocates income from the young to the old because young people

spend more money early on when they buy a home, and their housing costs reduce dramatically once they have done so, or their loan is paid off. This factor exemplifies the importance of housing in welfare and household economics. Therefore, government decisions and policies about housing spread beyond the home and influence people economically, especially in the long run.

In *Public Housing to the Social Market: Rental Policy Strategies in Comparative Perspective* (1995), Kemeny discusses the historical development of social housing research in Europe. He argues that there has been a neoliberal approach to much housing research in Europe, and the social market has remained under-analyzed. Neoliberalism has been a driving force for policy changes in countries worldwide, turning towards the market to solve housing challenges. This neoliberal approach in research has been problematic in the analysis of rental housing across countries as researchers have assumed a convergence model in which any differences between countries are simply variations. Instead of this model, Kemeny suggests that there is an Anglo-Saxon dualist and a Germanic unitary market regarding housing, which are informed by ideology and power structures and are tentatively associated with different types of welfare states (Kemeny 1995). This thesis will focus on the neoliberalization of housing and analyze its effects rather than using it as a basis for judgment or analysis.

Kemeny further argues that Anglo-Saxon influence in continental Europe has been particularly influential after World War II and throughout the Cold War. There was political and ideological assimilation, especially towards the new conservatism practiced and prioritization of profit-driven markets. This idea contrasted with other systems and ideologies, such as the social market and the idea of policy management of markets that

existed previously in Germany. This observation is underlined by the analysis in this thesis regarding the shift in ideology in German housing policy after World War II. Kemeny writes about these markets, "...[s]ocial market theory differs from neo-liberalism in viewing markets as being embedded in wider social, political and cultural institutions. The task of government in such a system is not to encourage profit-driven markets and then construct emergency 'safety-net' arrangements to take care of its casualties. It is rather to actively take part in the construction and continual maintenance of markets" (Kemeny 1995, 15). The neoliberal influences of these profit-driven markets on housing have been most visible in Eastern Europe, where much policy and strategy were taken from Anglo-Saxon countries (Kemeny 1995). Although less clear than in Anglo-Saxon countries, the neoliberal influence in Austria, Germany, Vienna, and Berlin also becomes visible in this thesis. Especially since reunification, the outcomes have become clear.

Kemeny describes the differences between ideologies related to housing. If a social market exists, cost-rental housing competes with profit-rental housing, encouraging construction and decreasing rent. This assertion means there is a lesser need for rent allowances, increasing demand while supply remains unchanged. Further, security of tenure and high housing standards in cost-rental housing influence profit-rental housing to offer similar conditions. This outcome is also encouraged through subsidies that private landlords can receive to meet state criteria. Regulations apply to both sectors and tenant preference is not created as cost renting is not only a safety net option. Thereby, a fair playing field is determined by household demand (Kemeny 1995).

This occurred in Austria and Germany for most of the 20th century but has been threatened by more recent Laissez-faire policies.

Laissez-faire ideology views markets as detached from social and political institutions and social relationships such as class, ethnicity, or gender and assumes that markets operate best without legislative or political intervention. In such a system, the non-profit sector only exists as a residual state sector. In contrast, social markets, which originated in the *Soziale Marktwirtschaft* (social market economy) of the 1930s in Germany, try to balance economic and social priorities. Outcomes for the rental sector differ significantly between a primarily profit-oriented market and a social market. These differences are visible in Berlin and Vienna today and Kemeny's use of Germany as an example for social markets further shows the puzzle of its development. Although the country never used a complete laissez-faire approach, the market was certainly prioritized both politically and in policy outcomes, driven by the general trend in the global "West" during the Cold War.

Kemeny continues that if profit markets dominate, there is only a small cost-based state-run rental sector to create a minimal safety net. This situation creates segregation between state-run and profit sectors. However, if state involvement decreases and access becomes limited, owner occupation becomes more attractive. Therefore, governments encourage ownership, and neoliberal policy is a self-fulfilling prophecy toward a preference for ownership (Kemeny 1995). In this thesis, policies that encourage ownership in either city can help to identify neoliberal ideology, which has been present in Germany since the 1970s and in Austria, mainly around 2000. Although Germany and

Austria and their capitals remain unitary markets, the ideological influences shaping dualist markets have indeed appeared in them too.

If cost renting is supported, an integrated or unitary market will develop that represents a social market ideology. If it is suppressed, a dualist system will evolve in which public and private rental systems exist parallel to each other. In the dualist model, a “command policy” increases political control by the central government over the public renting sector. Policy decisions isolate the private market from a cost-rental system which is further minimized to increase private-rental and ownership which becomes increasingly subsidized (Kemeny 1995).

In the unitary model, profit-making is minimized because the non-profit market is competitive and decreases rents. As a result, rental becomes an attractive alternative to ownership, which creates demand and increases the non-profit sector further. Eventually, the cost-based rental should be able to compete without regulations, but it is difficult for governments to time this deregulation process which Kemeny terms the “harmonization problem”. In contrast to the “command policy,” a “market policy” exists, which aims for competitive cost rental housing without state control. Corporatism, such as in Austria and Germany, as a part of a country’s power structure and decision-making, are advantageous for a unitary rental market (Kemeny 1995).

A prominent scholar of convergence theory is Michael Harloe and his seminal work, *The People’s Home* (1995). He describes the macro influences of capitalism on government policies regarding social housing. He also establishes three expansion phases of the welfare state that several countries went through: liberal capitalism until the recession around 1929, welfare capitalism after World War II until the 1970s and post-

industrialism since the 1970s (Malpass 2014). Regarding housing, he outlines four periods: pre-1914, marking the beginnings of social housing; the rebuilding period after World War I, when social housing was prominent in many government plans; the interwar years from the late 1920s until 1939 when social housing experienced recommodification; the peak of social housing from 1945 to mid-1970; and the period since which has been marked again by recommodification (Malpass 2014). Although Harloe's theory provides benefits such as historical coherence, there have been critical opinions of his approach's applicability to Europe and the US (Kemeny 1995; Malpass 2014). In his analysis of both approaches, Malpass addresses their benefits and shortcomings and concludes that countries must find answers to the housing questions they face but that it will be impossible to avoid the global context and development (2014).

Within the context of this thesis, Harloe's theory of convergence is less applicable than Kemeny's to the analysis. The differentiation between unitary and dualist systems helps to classify Austria and Germany but lacks methods to understand the different outcomes in the same system. Both countries are understood as unitary systems in which the public and non-profit markets can compete, but the differences outlined earlier and those that will become clearer later clarify that there are differences within those systems that might deserve further attention. My argument will suggest that in the context of Vienna and Berlin, the ideological differences over time have led to unitary systems with different characteristics. It has been pointed out that Germany has had a special role within social housing systems since the 1970s (Lennartz 2010). Critical of the lack of explanation for this role in Kemeny's theory, scholars have stated that "...Kemeny seems

to underestimate the relative power of capital-oriented groups in Germany's rental housing system. The process of privatization, which began in the 1970s, has led to an ever stronger position of for-profit landlords and has led to an unparalleled orientation towards market principles in Germany's rented sector" (Lennartz 2010, 11). Therefore, Kemeny's theory is most applicable in this thesis to question how two capitals of countries classified in the same system diverged so much from each other. Lennartz further points out that divergence between social housing models has become apparent not in the post-World War II era but in the neoliberalization and privatization era since the 1970s and 80s (2010). At the end of this thesis, it should be clear how Berlin and Vienna, and Austria and Germany, can be understood in this differentiation between unitary rental systems. This thesis will focus on understanding the forces, ideologically and politically, shaping the welfare and social housing systems.

The significance of ideology and politics in housing is specifically relevant in Germany and Austria, where it is partially considered the government's responsibility (Heinelt 2004). At least in some contexts, housing is associated with parties if they have a specific stance on the issue (McAllister 1984). It has been pointed out that while it cannot explain all housing policy decisions, the ideology of governing parties has significantly influenced them (Egner 2012). The same is likely to apply to Austria and, therefore, Berlin and Vienna.

This thesis will describe policy shifts and decisions within their historical and political contexts. The thesis aims to identify the most significant periods and understand the ideological and political forces driving the change and how they diverged. Several periods will be analyzed, and it will be argued that the post-World War II period was the

most significant divergence between Austria and Germany and, as a result, in Vienna and Berlin. The shift was caused by a shift towards Laissez-faire and neoliberal ideology that had long-term effects on social housing in Germany and Berlin because social housing was regarded as a less significant aspect of the welfare state. Several authors have connected housing and ideology to explain housing outcomes (Kemeny 1995; 2001; Rolnik 2013; Haerendel 1999; Holm 2021; McAllister 1984). Its connection to housing outcomes has persisted throughout history, but the timing in this instance was significant. After the war had destroyed so much, physically and politically, the post-war ideology was bound to be an essential factor.

Meanwhile, the social consensus about social housing by the public and the ruling parties in Austria, specifically Vienna, strengthened social housing during that time and helped to withstand most of the privatization of the early 21st century.

In conclusion, within Kemeny's unitary system that all four analyzed political entities are in, Germany has shifted most towards the private market. Berlin has resisted this development to a degree and continues to do so. However, compared to Austria and Vienna, the pro-market approach remains visible. Vienna remains the most socially oriented market due to the steady decommodification of housing caused by the municipally-owned housing stock and social housing innovation through LPHAs. On the federal level, Austria experienced substantial privatization of social housing in the early 2000s. Therefore, it is more market-oriented than Vienna but remains closer to the ideals of a unitary market than Germany and Berlin.

This thesis will use Kemeny's divergence theory as a starting point to identify the housing systems in each political body. The unitary market is a useful categorization for

all of them as a basis. However, differentiations between political entities within the unitary market have been scarce. Based on the conceptual framework of ideas shaping policy outcomes within their institutional setting and meaning context, this thesis theorizes that ideology and housing policy differ significantly within unitary markets and that historical development is a necessary factor to consider in identifying these differences.

City-Level Housing Research

Most research about housing and welfare has been done at the country level. However, cities like Berlin and Vienna show how local approaches can differ from the broader country approaches (Kadi, Vollmer, and Stein 2021). Housing researchers have also pointed to the importance of local-level analysis in future research (Hoekstra 2013). In this thesis, both country and city-level development will be analyzed, hopefully serving the comparison between them and city-level research per se. Some authors have taken a more local approach to welfare research. In his book *City Limits*, Paul Peterson (1981) discusses the role of city politics and how it differs from those on larger levels. Peterson argues that research and analysis on cities cannot easily be transferred to the country level. Despite the advantages of studying a city, research outcomes are particular to each city and should not be carelessly equated with their respective country. Cities differ from countries in essential ways, for example, in the forms of autonomies they hold within a larger political context. For example, collecting specific taxes, establishing policies and regulations, and land purchases and zoning. Cities have specific constraints, such as following federal regulations to be eligible for additional funding, under which they must operate, which makes city-level analysis distinct from other forms of analysis.

They must be analyzed within their larger context, and decision-making on the city level must be understood within this context (Peterson 1981). Therefore, some researchers focus more specifically on welfare at the city level (Tortola 2013; Ranci, Brandsen, and Sabatinelli 2014; Detter and Fölster 2017; Kutsar and Kuronen 2015; Caldarice 2018), and some tie together the concepts of urban welfare and housing (Favilukis, Mabilie, and Van Nieuwerburgh 2023). Differing ideas between the city and national level will be useful in analyzing the differences in policy outcomes. In Austria and Vienna, as well as Germany and Berlin, these differences in ideas have been the cause for policy variation in multiple periods throughout their social housing history. In the following chapters, I will identify which period was most significant for the divergence of the social housing outcomes in Berlin and Vienna apparent today.

Chapter 3: Pre-World War I Period

The Relationship of Germany and Berlin

Berlin became the capital of Germany when it was unified in 1871. Social housing had emerged only a few years before, during the industrial revolution of the 1860s, when masses of workers and families moved into cities. Although Berlin always had a special role in the German state, it is also helpful to examine the development of social housing on the federal level to understand the city's housing situation better. This thesis compares the housing systems of Vienna in Austria and Berlin in Germany to analyze the different histories and politics of housing across similar federal systems. Austria and Germany have a federal system in which Vienna and Berlin are provinces. However, all provinces must operate within the limits of federal laws and regulations, and also receive funding from the federal level.

This comparative research design yields that the political instability of Germany throughout the 20th century influenced its housing policy. The changing ideologies and governments shaped policies according to their ideas. Berlin had to operate within federal regulations and, like other provinces, depended on federal subsidies. Nonetheless, the city also developed its own policies and social housing, for example, during the Weimar Republic and the Cold War period. Especially during the Cold War, East, and West Berlin were used as symbols for the politics of their respective governments. The pro-market ideology of the FDR shaped West Berlin and ultimately, after reunification, was considered a consensus for the (dis)continuation of the social housing system. This ideological consensus led to a commodification of housing that had already started in the

FDR in the 1970s. After reunification, this continued and accelerated as the social housing stock in East Berlin and the German Democratic Republic (GDR) was privatized. With almost no opposition, the neoliberal period continued and ultimately led to the housing unaffordability crisis the city faces today.

Overall, the thesis highlights Berlin's and Germany's housing policies from the late 19th century until today. The precarious housing situation of the industrial revolution was first addressed in the early 20th century. Improvements were hindered by World War I but continued during the most successful years of the Weimar Republic. The economic crisis, the Nazi regime, and World War II were further disruptive to social housing efforts, and it took until the 1950s for further steps. During the Cold War, the division of the country and Berlin itself was also visible in the respective social housing policies. Only after reunification were the housing systems merged and most of the Eastern public housing stock privatized. Today, Berlin is facing a new housing affordability crisis shaped by the historical developments of federal and city-level social housing.

The Beginnings of Social Housing in Germany

Social housing was tied to the industrial development of the country. Therefore, the area with the most significant industrial growth, the *Ruhrgebiet* in western Germany, was also the site for some of the country's earliest social housing projects. Although workers built some of their own housing, they could not provide the units demanded. Therefore, workers' housing was provided by employers to stabilize the workforce, which created a further dependence of workers on employers (Power 1993). Power writes:

“Employer-provided housing became all- important, ensuring a stable and ‘tied’ workforce as well as a healthy (or healthier) one. Tenancies depended on employment and, increasingly, the ability to employ depended on the ability to provide housing” (Power 1993, 102).

The other common form of housing provision was a classic private construction of low-rises in the *Ruhrgebiet* and *Mietkasernen* (Rental Barracks) in the larger cities to the east (Power 1993). Any housing policy or quality standards regulated neither form, and they were left to the private market and employers (Harlander 2018). *Mietkasernen*, created the maximum number of units per housing site, and the housing conditions were precarious, like in many European cities during the rapid industrial development. The demand for housing was ever-increasing as people continued to move into the cities to find work in the new industrial sector. As cities became denser, families were forced into small apartments. The hygiene was precarious, space was limited, and beds were rented out while family members were at work to house those with other shift times to create additional income for families. Many units did not have a toilet or running water. Something needed to be done to combat this development as workers started to voice their frustration, and the social question arose for the first time in Germany. It was the first time that the *Arbeiterwohnungsfrage* (Workers’ housing issue) became a central social and political issue (Harlander 2018).

Social housing did not have any role in Germany before the revolution in 1848, but there were some beginnings under Friedrich Wilhelm I., King of Prussia, in the 18th century when the emperor gave out building material, land, funding, and even tax exemptions for housing (Harlander 2018). However, the first fundamental signs of a social housing system in Germany became visible after the revolution of 1848 when the

first LPHAs were formed in Berlin. Their initial form was quite different from their later focus and envisioned small housing communities with houses and gardens (Power 1993). This situation changed as the industrial revolution progressed and, in 1889, found its way into housing policy that gave LPHA a legal basis in Germany (Power 1993). By 1913, there were 125,000 units built by LPHA during the heyday of the industrial revolution (Power 1993). More direct state involvement came around 1900 when local authorities gave out land for LPHA to develop housing and provided them with favorable loans (Power 1993). LPHA, employer provision, and private rental units were, therefore, the main form of housing in German cities at the start of the 20th century (Power 1993). So, the newly emerging welfare state and employers faced with demands of developing an industrial society were the main drivers of social housing in this period. Although signs of what social housing could look like emerged before World War I, it was during the Weimar Republic that Germany witnessed significant housing development.

The Beginnings of Social Housing in Berlin

Berlin's particular position within the country was also visible in its housing policy. The city was one of the leaders in social housing during the Weimar Republic. During the Cold War period, the city was used for symbolic politics by the East and West to demonstrate the superiority of their ideology. However, it did not have the same level of influence, physically and ideologically, as Vienna in the interwar years and beyond. Nonetheless, the city has been the center of social housing since the Weimar Republic and pro-social housing ideology has remained strong until today, as the 2021 referendum has shown. Especially during the Cold War, Berlin was the core of the East-West conflict, partially symbolized through the city's housing development projects. After

reunification, the city experienced the same development as the country, and privatization and the decline of new social housing have led to yet another housing crisis.

Berlin's housing history resembles many other European cities, although it has experienced significant political shifts throughout the 20th century. Berlin has been the capital of Germany since 1871. The city was only formally founded in its current form in 1920 when municipalities were merged, and the city's population doubled overnight.

However, the population had also increased significantly before this during the industrialization of the late 19th and early 20th centuries. In the 1870s, Berlin's population was about a million, but it increased dramatically until the 1920s, when it reached four million (Hollingsworth 2012). Like other cities, including Vienna, the housing conditions were precarious during the industrial growth period, with large families and groups living in tiny apartments. A famous residential dwelling in Berlin is the aforementioned *Mietskaserne*, designed to house as many tenants as possible and maximize profit for the landlord (Hollingsworth 2012). The housing and economic situation was so precarious that people rented out their beds during work shifts to so-called *Schlafgänger* (night lodgers) to make some extra money. This phenomenon also existed in Vienna and showed just how much demand there was for housing and how desperate people were to find housing and money (Hollingsworth 2012; Blau 1999).

Social housing per se only started to develop in the 20th century, particularly after World War I. The earliest forms of subsidized housing in Berlin came in the form of the *Baugenossenschaften* (Building Cooperatives), established in Berlin as early as the 1880s. However, these were formed by wealthy individuals without government involvement. The only ones with public funding were those specifically founded for state

employees. This situation was an important political aspect of social housing in the city because, in contrast to Vienna, social housing was the result of efforts of the wealthiest in society, and the social democrats only started to pick it up during the Weimar Republic when social housing began to be used more for the first time experienced its initial moments in Berlin's history.

The Relationship of Austria and Vienna

The "Austrian" part of the thesis will outline the history of social housing and housing policies in Austria since the 18th century. It will provide an understanding of Vienna's social housing foundations. The federal government created a mandatory political framework for Vienna regarding autonomy and budget through its policies. This framework limited the city in dictating its social housing policy but also dedicated part of the federal budget to local social housing efforts. This chapter will elucidate that the federal government both hindered and helped in the city's social housing. The events and actions discussed vary and involve the squatters' movement, the connection of the social democratic party and social housing in the Red Vienna period, and the "great coalition" of the post-war period, which pursued social housing from two different ideological standpoints. Many of the characteristics of the Vienna model, such as tenant protection, universal access, and the right to housing, were already established on the federal level. It also shows how the Red Vienna period created the social and political foundation for the solid social housing system in the city and how the "great coalition" party interests enabled a pro-social housing stance after the war and into the 80s and 90s when many other countries and cities had already started significant privatization. The reasons for the strength of Vienna's social housing model were established initially on the federal level

and further solidified locally during the Red Vienna period. Over time, the success of the social housing system and the social democrats, the party connected to the program, ensured that social policy remained a priority for governments on the federal and local levels. Over time, Vienna continuously received more autonomy which can help to explain its role as an outlier and contrast it to the federal level in Austria. Therefore, Vienna's policy process should be understood in its broader federal context; thus, analyzing the history of social housing in Austria is a helpful first step.

Vienna has played a central role in Austria since the 15th century and the advent of the Holy Roman Empire under the Habsburg reign. Most decisions about national policies were made in Vienna. The city has been the center of political life throughout social housing history. Housing started to play an essential role in local politics in Vienna during the housing crisis caused by industrialization and after the social democrats won the election in 1918 and developed a broad housing construction program as part of their mandate. The political role of housing, perceived by the social democrats as a human right, shaped the "Red Vienna" period from 1918 to 1934. During this time, Vienna started to develop and own housing projects that were prestigious policy measures, especially for the working class. After the program halted throughout Austro-fascism and the National Socialist regime, its reintroduction came on a federal level after World War II. Social housing policy became more extensive in the second half of the 20th century, and previous policies were adapted several times. Finally, at the beginning of the 21st century, the neoliberal policies introduced earlier in other European countries since the 1980s also became part of the Austrian legislature.

Five distinct periods comprise Austria's and Vienna's social housing history: first, the "Pre-World War I" period stretching from the early beginnings of housing policy until World War when the precarious housing conditions of many households forced the government to take action; second, the "Interwar Years and World War II" when Vienna's social housing thrived but political instability hindered significant progress despite political will for improvement on the federal level; third, the "Post-World War II Period" from the end of the war until the 1990s, in which Austria experienced bipartisan housing reforms meant to help rebuild the country after the war, and social democratic influence was decisive. Finally, it includes a "Post-1970s" section that discusses the 1970s and 80s that brought neoliberal policies to many European nations but only to a limited extent to Austria which was essential for political stability in housing and helped to strengthen the position of social housing until today; and fifth, the "Privatization Period" in which the country witnessed neoliberal policy shifts and recommodification of housing at the start of the 20th century which threatened the social housing stock.

The Beginnings of Social Housing in Austria

Social housing in Austria originated in the 18th century when a tax exemption for affordable housing serving the general public was established in 1774 (Fuchs and Mickel 2008). Other policies promoted housing built for a "greater good" followed, such as rebuilding units after destruction through war or natural disasters (Fuchs and Mickel 2008). These initial policy interventions show the initial financial incentives for social housing through tax exemptions, a common practice until today. Additionally, they introduced the idea of social housing serving the general public and the greater good. These early developments formed a social consensus that housing subsidized through the

state could be fostered through social policy. Further, it supported an ideology in which social housing could improve the living conditions of the less well-off, and the state was responsible for providing it.

In the years after the 1848/49 revolution in Austria, tax exemptions became more detail-oriented and directed at specific areas (Fuchs and Mickel 2008). Such goal-oriented policy has remained relevant until today. The policies of the late 1840s and 50s were the first to require specific conditions for tax exemptions, such as development speed or location, to fulfill particular goals (Fuchs and Mickel 2008). Housing entered the political arena in the 1860s when Prague's city representatives, which was then part of the Austrian empire, argued for more tax exemptions to counteract the city's housing shortage. These discussions in parliament exemplify how early housing became the topic of political debates and the political influence housing could bring those in power. They could make decisions about everyday aspects of citizens' lives, which they could use to gain new voters.

Further parliamentary discussions also concerned universal access to affordable housing in the second half of the 19th century (Fuchs and Mickel 2008). Universality is a significant historical aspect of housing in Austrian politics as the large population of cities like Prague, Budapest, or Vienna depended on affordable housing. The combination of housing shortages and the lack of tenant rights made private housing unaffordable. Furthermore, it shows how early the debate about universal access influenced the federal government. Universality is a vital characteristic of Vienna's social housing model today, and its origins can be traced back to decades before the Red Vienna period of the interwar years.

The precarious housing conditions in Austrian, and most major European cities during the early periods of social housing in the 19th and 20th centuries, demanded political interference (Fuchs and Mickel 2008, Blau 1999, Kadi 2018). These issues became so severe that the emperor himself involved himself in affordable housing provisions through a self-titled fund, the *Kaiser Franz Josef Jubiläumsfonds*. However, such direct involvement had not been widespread across the country, except in Vienna, where state-owned municipal housing played a key role. It is significant, however, that the monarch entered the affordable housing realm politically, as it exemplifies the exploitation of social housing to gain political support, as there was a demand from the public and an understanding of its importance by those with political power. Furthermore, the general policies of tax exemptions proved to be more relevant as they influenced the LPHA model, the most common form of social housing in Austria today. Modern social housing, as we understand it today, was first established in the late 19th century (1892) when a new law offered favorable conditions to new developments that contained workers' housing (Fuchs and Mickel 2008). The law also addressed controlled rent, housing quality, and a minimum and maximum of square meters per housing unit to qualify for a tax exemption. The norm of tax exemptions for housing projects that further public welfare stretching from the 1770s until today makes it clear that housing has long been a significant aspect of welfare support in the country.

Given the historical and present significance of LPHAs to social housing, it is essential to outline their history. The first LPHAs, founded in 1910, followed the voice of public support for housing through government subsidies and the emperor's engagement through his fund for affordable housing. This period also marked the first official

definition of *Gemeinnützigkeit* (public utility), which meant limited profit for developers (Karas 2008). This concept is essential to social housing in the Austrian welfare state. However, LPHAs' initial success was cut short by World War I. After their reemerging after 1921, a series of financial crises hindered significant development (Karas 2008). Only after World War II did LPHAs find their way back into social housing policy.

During World War I, the *Verordnung über den Schutz der Mieter* (regulation on the protection of tenants)⁴ was established as the first regulation to protect tenants. It was less ideologically motivated and more of a reassurance for those who were fighting on the front lines and faced housing uncertainty upon return (Schwimmer 2008). This policy introduction was another historical moment when housing was acknowledged as a right, and protection from the private market for the individual was normalized. In addition, the regulation made it more difficult for landlords to terminate a housing contract or increase rent without a legitimate reason. Although it was initially only supposed to be temporary, the regulation was made permanent in 1922 (Schwimmer 2008).

World War I worsened housing conditions in some respects. However, it also shaped the political role of housing as those in power used it to gain support from citizens and soldiers and normalized protection from the private market to some degree. Austria did not exist as a republic until after World War I. Emperors and governments had made the housing reforms of the Austrian (1804-1867) and Austro-Hungarian (1867–1918) empires. However, housing issues and shortages remained even after the republic was founded in 1918. In addition, the first official federal election was only held in 1920,

⁴ RGBI 1917/34 (available at <https://alex.onb.ac.at/cgi-content/alex?aid=rgb&datum=19170004&seite=00000092>)

making the post-World War I period the first to involve political parties in decision-making.

The Beginnings of Social Housing in Vienna

Vienna's housing history, particularly during the 20th century, was significantly shaped by the housing crisis in the early 20th century, which shaped social housing policy immensely. The population multiplied during the city's rapid development and its industry in the 19th century. However, city politics did not address housing adequately, and at the start of the 20th century, the city and citizens of Vienna suffered from an immense housing shortage (Blau 1999, Kadi 2018). In addition, it resulted from the city's industrialization and geographic realignment during the second half of the 19th century, fundamentally changing it socially and geographically.

This period was a time of significant changes in the cityscape of Vienna such as the construction of the *Ringstrasse* (Ring Road) around 1865, which was the central piece of a larger reconstruction of the city after liberal forces came to power in 1860 (Schorske 1981). However, it is important to mention that despite its significance for the cityscape, the "...features of city planning for which Vienna later became famous—the provision of low-cost housing and the social planning of urban expansion—were altogether absent in the Ringstrasse era" (Schorske 1981, 81).

In *The Architecture of Red Vienna*, Eve Blau explains the changes in the city that reshaped it and made a cohesive administration difficult, given the complex organizational structure:

"While the inner city and thirty-four surrounding inner suburbs (or Vorstädte) had been incorporated into Vienna in 1850, becoming

districts I through IX, the outer suburbs (or Vororte) were not incorporated into greater Vienna until 1890. Before that time, they were separated from the city proper by the rampart and Fosse of the outer city wall or defense line, the so-called 'Linienwall,' and were also all separately administered [...] As a result, throughout most of the nineteenth century, during a period of rapid industrial development and urban expansion, there was no administrative coordination between the city and its suburbs. The Liberal city council was reluctant to shoulder the fiscal burden of providing urban infrastructure, police, and poor relief for these rapidly proletarianizing outlying districts; in addition, both the council and the court were wary (following the bourgeois revolution of 1848) of the revolutionary potential of these districts [...] This administrative and physical separation of center and periphery, which persisted until the 1890s, had significant consequences for the urban development of Vienna" (Blau 1999, 53).

Because industrial buildings and production were not allowed in the inner city by an imperial decree, the rapid expansion of the city and its population mainly resided in the outer suburbs, which, between 1850 and 1870, led the population of the outer suburbs to triple from under 70,000 to over 220,000 (Blau 1999). The reconstruction of the city in the 19th century fundamentally changed the city and was foundational for any development of the city after. The political and social ideas most influential among those in power at the time were engrained into the city and the "...new development of Vienna, by virtue of its geographical concentration, surpassed in visual impact any urban reconstruction of the nineteenth century—even that of Paris" (Schorkse 1981, 82).

However, because the city did not officially administrate these areas, the tax exemptions for social and workers' housing described in the previous chapter could not be applied. Therefore, the housing shortage was exceptionally high there, and workers lived under precarious conditions in old housing units or rented single beds in apartments for a shift. Between 1869 and 1890, the population in these outer areas tripled again, and

introduced housing codes were loose and allowed for even more precarious conditions, with several families living in tiny apartments (Blau 1999). However, Vienna also had high taxes on rental income dating from the 1820s that reached 40 percent, more than double that of Berlin at the time (Blau 1999). The city's primary income came through this tax, which led to denser building practices and made speculation unprofitable, causing an unusual ownership structure in which individuals owned 70% of buildings instead of corporations or organizations (Blau 1999). Tax and ownership structure and the unprofitability of speculation will be crucial for the later development of housing in the city.

At the end of the 19th century, it became clear that action was required, and in 1892 a law was introduced that incorporated the outer districts into the city and suddenly increased the city's population from 800,000 to 1.4 million (Blau 1999). Therefore, it was necessary to obligate these areas to comply with the city's housing laws, thereby improving housing conditions. The city opened a competition that year for a *Generalregulierungsplan* (General Regulation Plan) that should govern future development (Blau 1999). After an initial winner had been incorporated into the city's building office plan, Karl Lueger, founder of the Christian Social Party and mayor of Vienna from 1897 to 1910, continued the implementation of the General Regulation Plan and focused specifically on the provision of public infrastructure such as transport, gas, electricity, and water that was important for his supporters of the (lower) middle class (Blau 1999). This plan exemplified how housing became used more directly to serve a particular electorate. The Christian Social Party (CSP) was a conservative party, but the housing issue was too significant to ignore, and its relevance to everyday life was

immense for many voters. A study conducted by Eugen von Philippovich in 1894 about the precarious housing conditions warned about their consequences on social order, and shortly after its publication, the *Kaiser Franz Josef Jubiläumsfonds* described in the federal housing history section was introduced to improve housing conditions and prevent public outrage and social disorder (Blau 1999). The consequences this study predicted were an additional driver for the CS' efforts in housing. However, because he did not have to please the working class, their living conditions did not improve until after World War I.

At the beginning of the 20th century, the working class made up more than half of the city's population, and in the districts mainly populated by the working class, nine out of ten apartments were tiny, with only one room and a kitchen, and many lacked basic amenities such as toilets, kitchens, or electricity (Blau 1999). Furthermore, up to 70,000 citizens were only bed lodgers and, therefore, entirely without a home, and many more were fully homeless. Workers also had challenging relationships with their landlords due to the lack of tenants' rights at the time (Blau 1999). Nonetheless, 15 to 25% of working-class household income was spent on housing (Pelleteret 2021). Eve Blau writes about the differences in rights for tenants and landlords:

“Because of the housing shortage in pre-World War I Vienna, the landlord enjoyed a quasi-monopolistic position in the housing market. The shortage of living quarters in the city forced tenants to hold onto apartments, even those that were inadequate to their needs. They were also at a great disadvantage in bargaining with the landlord. Most leases in worker tenements were for no longer than one month. Landlords had the right to arbitrarily increase rents and to evict at short notice. Tenants, in contrast, had almost no rights-not even to a key to the apartment and there were no institutions to which they could

appeal for protection. This made it particularly difficult for new immigrants and for so-called undesirable tenants (with large families) to find accommodation, and once they occupied an apartment they lived under constant threat of eviction and forced relocation” (Blau 1999, 79).

In conclusion, housing conditions and tenant rights were precarious for the working class at the beginning of the 20th century and leading up to World War I due to the inadequate responses to housing issues that developed in the 19th century after the city had experienced rapid development. Policy responses only came after politicians identified housing issues as a threat and primarily served the political interests of the emperor or the parties in power. Eventually, 1911 saw the first protests after sharp rent increases, but a meaningful change would only start during and after the war.

World War I led to further shortages because unrepaired housing became uninhabitable, apartments were converted into war-administration offices, and previous (often working-class) tenants and their families were evicted by landlords (Blau 1999). It took until 1916 for the state to realize the political tensions caused by these practices and to take action by granting tenants additional rights. Although this led to improvements for some tenants, as described in the federal section above, it also meant that they would hold on to apartments they had because of the housing shortage, which only exacerbated the suboptimal situation as many apartments would become vacant (Blau 1999). In conclusion, even though housing conditions were precarious for the working class in pre-World War I Vienna, there was a shortage of housing that led to practices such as bed lodging and forcing multiple families into tiny apartments. Furthermore, tenant rights were minimal, and the housing shortage worsened after their initial extension. This situation in Vienna came about due to a vast increase in population, which had

quadrupled since 1850 (Kadi 2015), and the neglect of housing by those with political power. What followed was, therefore, significantly influenced by this historical development and the connection between the life quality of workers and their housing (Blau 1999).

Towards the end of World War I and after the empire's collapse in 1918, resources were scarce, and citizens started to move to the city's periphery to grow their own food and build shelters. Initially, the city ignored these settlers but eventually legalized urban gardening in this form in 1916. By 1919, there were up to 50,000 registered gardeners, but estimates go as far as 150,000. These gardens started to develop into villages filled with people without a cohesive characteristic, such as ideology (Blau 1999). It was simply necessary to produce food and find shelter outside the overcrowded city, and it became clear that action was required to overcome this crisis. The settlers' movement significantly influenced Vienna's social housing because it was a "process which began with the spontaneous wild settlement of public land soon evolved into a highly organized cooperative settlement movement in Vienna that was a significant (though often neglected) precursor and countermodel to the Social Democrats' later program of municipal building" (1999, 87). The settlers' movement was only a sign of the movement that would most shape social housing in Vienna – the Red Vienna period.

Chapter 4: Interwar Years

The Weimar Republic in Germany

World War I brought a halt to housing development in Germany. Before the war, about 250,000 units were constructed throughout the country, but by 1918 this number fell to 2,800 (Haerendel 1999, 105). The country recovered from this setback during the Weimar Republic, and social housing experienced a new peak. This development was necessary as the average housing space per person was limited to only three square meters (Power 1993). The Sozialdemokratische Partei Deutschland (SPD) was the strongest party of the Weimar Republic, and member Friedrich Ebert was the first chancellor in 1918 and then President from 1919 to 1925. Housing was incorporated into the constitution for the first time during this period (Harlander 2018). Article 155⁵ gave the government responsibility for housing provision, and social housing was officially part of the Ministry of social policy (Haerendel 1999).

Power describes three main strategies the Weimar Republic's government pursued regarding housing policy. First, rent control was imposed on all existing buildings. Rents could still be increased but only proportionally to costs, including "the cost of repair and the cost of depreciation." Second, the government requisitioned empty

⁵ „Die Verteilung und Nutzung des Bodens wird von Staats wegen in einer Weise überwacht, die Mißbrauch verhütet und dem Ziele zustrebt, jedem Deutschen eine gesunde Wohnung und allen deutschen Familien, besonders den kinderreichen, eine ihren Bedürfnissen entsprechende Wohn- und Wirtschaftsheimstätte zu sichern. Kriegsteilnehmer sind bei dem zu schaffenden Heimstättenrecht besonders zu berücksichtigen. Grundbesitz, dessen Erwerb zur Befriedigung des Wohnungsbedürfnisses, zur Forderung der Siedlung und Urbarmachung oder zur Hebung der Landwirtschaft nötig ist, kann enteignet werden. Die Fideikomnisse sind aufzulösen. Die Bearbeitung und Ausnutzung des Bodens ist eine Pflicht des Grundbesitzers gegenüber der Gemeinschaft. Die Wertsteigerung des Bodens, die ohne eine Arbeits oder eine Kapitalaufwendung auf das Grundstück entsteht, ist für die Gesamtheit nutzbar zu machen. Alle Bodenschätze und alle wirtschaftlich nutzbaren Naturkräfte stehen unter Aufsicht des Staates. Private Regale sind im Wege der Gesetzgebung auf den Staat zu überführen.“

property and assigned housing units to families seeking housing. This step was the first clear sign of expanding public involvement in the housing market, which also happened in Austria and was not regarded as radical since it was deemed necessary to reallocate housing after the war. Third, the government now subsidized new housing development for “middle- and low-income groups [...] involving a combination of grants, interest-free and low-interest loans, mortgage guarantees and tax concessions” (Power 1993, 105). These measures helped support the most vulnerable groups after the war and reallocate housing after the destruction and chaos of the war.

The state’s significant housing interventions were justified through the increased demand for social order in the chaos after the war – and indeed, the war itself had made state intervention in everyday life a necessity (Haerendel 1999). Haerendel differentiates between two types of policies used at this time: distributive and prohibitive (1999, 845-846). A distributive aspect was, for example, the requisitioning of housing that reallocated housing according to the needs assumed by the state. The prohibitive policies included tenant protection laws such as the *Mieterschutzgesetz* (tenant protection law) of 1923 that made rental contracts permanent and evictions possible only through a court decision. Another one was the *Reichsmietengesetz* (Imperial Rent Act) of 1922, that regulated maximum rent. However, this policy would not be a sustainable solution because rents were allowed to be increased significantly in 1926 and thereafter (Haerendel 1999, 847).

A significant organizational aspect of social housing changed in 1924 when a conversion tax for the built property, also called *Hauszinssteuer* (House Interest Tax), was introduced that would impose taxes on property owners that profited from increasing

rents and housing prices and reinvest them into social housing subsidization (Haerendel 1999). Housing creation increased massively after this tax was introduced, from 115,000 units in 1924 to 338,000 in 1929, when its success was cut short by the global financial crisis (Haerendel 1999). LPHA played an essential part during this time, as described by Power:

“Local authorities were encouraged to take shares in the housing companies and to help set them up where they did not already exist; to ensure control over access through a system of nominations and the fullest possible use of subsidies. In some cases, the companies were entirely publicly owned” (1993, 105). Public involvement and subsidization were necessary because of hyperinflation. Therefore, so-called “limited dividend companies,” which can be understood as LPHAs, built close to 600,000 units from 1927 until 1939. In total, the 4,000 LPHAs that existed in 1939 had built over 1 million housing units (Haerendel 1999; Power 1993).

Housing in the Third Reich

When the Nazis came to power in 1933, most social housing projects stopped because they were seen as part of the previous system that the Nazis held responsible for all the country’s problems. In addition, large housing projects did not fit their ideology of what a German family should live like (Haerendel 1999). This “antiurban” period lasted until 1940 when they used cities as propaganda showcasing their technological advances (Diefendorf 1993). Generally, the Nazis always viewed housing production as less important than armament and their initial housing policy simply followed their overarching propaganda about the supposed life of the German worker and their

“attachment to the soil” (Diefendorf 1993, 113). The large and compact social housing constructed by LPHAs before the war did not fit this idea. Instead, the Nazis wanted to locate their workers in *Siedlungen* (settlements) with large green space. In fact, the Nazis developed some of these settlements in Munich, Frankfurt, and Berlin (Diefendorf 1993). However, even in these settlements, government subsidization was not available. In general, the Nazis had other uses for the taxes collected for social housing subsidization and “...by 1934 only 2.1% of the new housing received public financing, compared to almost 50% in 1928” (Diefendorf 1993, 113). Nonetheless, the Nazis developed housing in some cities, especially after 1936, and in Hamburg they constructed a similar amount of new housing as during the Weimar republic (Diefendorf 1993). The renewal plans for the larger German cities were immense and included both the de-densification of the inner cities and massive expansions of housing in the cities to create more space for “deserving” citizens.

After 1940, the Nazi housing efforts shifted from their ideal garden-cities for workers to a more realistic mass-produced housing. The appointment of Robert Ley as Reichskommissar für den sozialen Wohnungsbau (Reich Commissioner for Social Housing) and the "Führer's Decree for the Preparation of German Housing Construction after the War," were the starting points for the shift towards a more realistic and realized housing policy (Diefendorf 1993, 117). The creation of *Volkswohnungen* (peoples housing) for all was a similar approach to those before and after the war as it was intended to serve the broader mass of people and should, therefore, be mass produced. In 1941, a journal called “Der Soziale Wohnungsbau in Deutschland” (Social housing construction in Germany) was created to attract and share ideas about mass housing

(Diefendorf 1993). However, after 1943 when the war started to turn, mass housing construction was discontinued, and the focus shifted towards rebuilding bombed housing and makeshift units for those who lost their homes (Diefendorf 1993). Despite these efforts to create housing for the average German worker, it "...should be emphasized that under the Nazis, the concept of social housing reflected a Nazi vision of totalitarian social engineering. New housing would combine with improved technology, social peace, population growth (encouraged by healthy housing), and colonization of the conquered lands to the east to raise the productivity of the new German society and breed a stronger German race" (Diefendorf 1993, 118). Furthermore, the construction of this housing was planned to be partially carried out by concentration camp inmates to cut labor costs (Diefendorf 1993).

The Weimar Republic in Berlin

Although the start of the Weimar Republic period was difficult due to the aftermaths of World War I, social housing found its way back into the policy aims of the government, and housing development increased throughout the country and in Berlin before it was cut short by the chaos of the economic crisis and the Nazi regime. The time after World War I was full of political unrest in the capital, culminating in the *Spartakusaufstand* of 1919, which meant a general strike of all workers and violence on the streets of the capital. In the early 1920s, precarious housing conditions could not be improved as hyperinflation meant economic instability and difficulty for any new social policies. More than 100,000 people were seeking housing in the early 1920s. However, the government acted after Groß-Berlin was founded in 1920, and cohesive politics could be made for the entire city. Because the real-estate owners in the capital had remained

almost undamaged by the hyperinflation, while the public suffered immense losses, a new tax was introduced to gain revenue from this group for future social housing development – the “*Hauszinssteuer*” of 1924. The idea was introduced by the to-be *Baustadtrat* (City Council of Construction) Martin Wagner and later introduced all over the country. This tax meant a significant increase in public investment in housing and brought between 10-20% of total taxes to the German provinces. It also meant that in the 1920s, publicly subsidized housing outperformed traditional development for profit. LPHAs play a significant role in the actual development of social housing projects.

Social housing also experienced political backing for the first time during this period. The mayor of Berlin from 1920 to 1929, Gustav Böß, of the *Deutsche Demokratische Partei* (DDP), a liberal party that existed from 1918 to 1930, said that “It is not enough to build housing; the housing must also be affordable.” Standards for apartments are raised to improve health standards. Martin Wagner, City Council of Construction from 1926 to 1933, improved the housing situation across the city and, as a social democrat, was always interested in the ideas of health and well-being for the public. The Weimar Republic meant an improvement in housing throughout the country, and Berlin itself was responsible for 135,000 new units between 1924 and 1929 (Weitz 2009). Furthermore, the city also improved its public infrastructure, including schools and gardens (Weitz 2009). Public space had become an exciting topic for citizens and architects. Eric Weitz writes about this time, “The great buildings of Weimar were not corporate office towers, the self-display of business wealth and power; they were housing developments, department stores, and educational and research institutions” (Weitz 2009, 206). However, many further improvements were cut short by the economic crisis of 1929,

which did not only make limited-profit and cooperative housing development difficult, and the provinces started to use the *Hauszinssteuer* for things other than housing which decreased public investment. Overall, it can be said that there was a significant and pioneering effort for social housing during the Weimar Republic. For the first time, housing was part of the political agenda, and politicians worked with housing associations to provide more affordable and subsidized housing. However, it did not suffice to supply the demand of those seeking housing as the population increased by nearly half a million during this time, and the housing constructed did not serve those most in need in the working class but the middle class. What followed was more political and economic instability and, eventually, the rule of the Nazi regime from 1933 until 1945.

Berlin during the Nazi regime

As the capital, Berlin had a special role in the Nazis' building plans. Albert Speer was the Generalbauinspektor für die Reichshauptstadt Berlin (Inspector General of Building for the Reich Capital Berlin) and he had plans of unseen scale for the city. Part of this plan was the removal of the Jewish population to "create space" for his ideas. In 1938, the first laws concerning housing for Jews were introduced and forced migration and relocation. Speers antisemitic policies become clear through a quote from a 1939 proposal: "In reference to the construction of medium- and large-size dwellings [as replacement housing] Prof. Speer set out a proposal that is directed toward freeing the necessary large dwellings through the compulsory eviction of the Jews" (Jaskot 1996, 627). Not only does this show that the eviction of Jews was necessary for the Nazi

housing policy but also how early and direct this antisemitism occurred. The “free” housing was to be used for those displaced by Speer’s grand plans and further financial resources were made available for new housing for the Germans forced to move due to the plans. Speer used the displacement and forced eviction of Jews as a cost cutting measure for his plans for Berlin (Jaskot 1996). More than 50,000 Jewish families lived in Berlin during this time and their housing rights were defined by a decree in 1939, which stated that “...any Jewish tenant could be evicted if the landlord could show that the Jew had replacement housing somewhere else. The decree also stated that homeless Jews had to be taken in by other Jews and that all subsequent rental or owner laws were to be the responsibility of the ministries of Justice and Labor” (Jaskot 1996, 629). The situation turned even more radical when a law was enacted in 1941 that allowed Speer and his office to control the rental of any housing. In 1941 alone, Speer evicted almost 10,000 Jewish apartments to free up further space for his plans. In 1942, Speer was appointed Minister of Armaments, which removed him from responsibilities related to housing and his most ambitious plans for housing and a new Berlin never materialized. Nevertheless, Speer played a significant role in the oppression and expropriation of Berlin Jews and his housing policy ideas were among the most radical during the early periods of the Third Reich. Overall, over 80,000 Jews were evicted from their homes and 40,000 units claimed (Harlander 2015).

The Interwar Year and World War II in Austria

The interwar years in Austria from 1918 to 1938, referred to as *Erste Republik* (First Republic), were marked by political chaos and 25 different governments within 20 years. The First Republic, under Austria’s first chancellor Karl Renner of the social

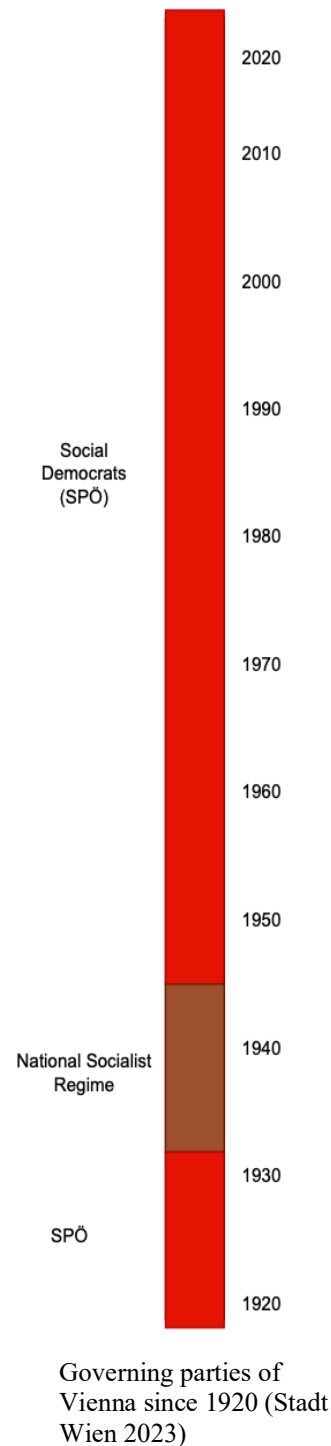
democratic party, was established in 1918. As a response to the political and economic instability, the first post-war coalition between the conservative *Christlich soziale Partei (CSP)*, the earlier version of today's *Österreichische Volkspartei (ÖVP)* and the social democrats, called *Sozialdemokratische Arbeiterpartei (SDAP)*, took the first steps towards a welfare state from 1918 to 1934. However, the political turmoil of multiple economic crises, Austro-fascism, and the Nazi regime from 1938-1945 halted any progress on social housing endeavors.⁶ The Nazi regime closed the general association of LPHAs, and housing was another method abused for their interests (GBV 2022). Their antisemitism also extended to housing, and the expropriation of Jewish housing turned into "Aryan" housing was their primary housing intervention (Kadi 2018). It is, therefore, no wonder that there was no room for growth in the public housing sector amongst this political discontinuity and the economic instability marked by a multitude of international crises. Austria was part of the Third Reich, meaning that the policies and developments overlap with those in the *Reich* overall. A detailed discussion of the special case of Vienna follows below after the Red Vienna Period which lasted from the end of World War I until fascist forces were in power in Austria from 1934 until the end of World War II.

The Red Vienna Period

After the war, the social democratic party *Sozialdemokratische Arbeiterpartei (SDAP, later SPÖ)* took power after the first elections in the city with (basically) universal suffrage with a clear majority of over 54% of votes. From the beginning, it was

⁶ The Austro-fascist system was called the "Ständestaat" under Engelbert Dollfuß and Kurt Schuschnigg from 1934-1938

clear that housing was a fundamental priority of the party and that it was “...a public service to be provided to all without charge, as is the case with education, policing or medical care” (Pelleteret 2021). After some emergency measures immediately after the war, such as the requisition of large private apartments including over 44,000 dwellings (Pelleteret 2021), the main task was to find a solution for the wild settler movement that had formed during the war and was becoming more vocal about their demands. Individuals such as Gustav Scheu of the social democratic party shaped Vienna’s housing policy; he was to become the first advisor on housing matters and brought some previous knowledge from his engagement in the garden city movement and rent control policymaking on the federal level. He argued that the municipality should provide urban infrastructure such as streets, electricity, water, and transport, but local societies do the construction. His ideas were shaped by the Garden City movement following the ideas of



Ebenezer Howard that were anticapitalistic and included common ownership, no private property, and production without capitalist principles. The Viennese group followed these ideas in contrast to the German movement, which was willing to use capitalist principles. However, after the SDAP was forced out of government in 1920, Scheu stepped down, and his plans could not be realized (Blau 1999, 92-93).

The settlers organized and protested, and many became active in the SDAP and other proletarian organizations. The makeshift villages became communities and included services such as schools and meeting halls. It was a crucial moment because of the connection and relationship that formed between settlers and the social democratic and socialist supporters (Blau 1999). It became clear that political popularity could be gained from housing matters and that the closest political connection for the settlers was the social democratic party. This development marked an early connection in which housing became a core issue for many in the city and area. The social democrats understood its importance for political power at the time. Several non-profit organizations were formed, some partly owned by the municipality of Vienna, which bought materials and constructed housing (Blau 1999). After the economy stabilized, the municipality shifted from building small garden homes to more compact traditional housing (Blau 1999). Social housing in Vienna transitioned from the unorganized makeshift settler movement to an influential political movement shaping the Red Vienna period.

With a stable economy, political majority, and broad public approval, the social democrats could experiment with social housing construction consistent with their socialist ideals. Some describe it as a 'laboratory of the socialists' building capacities (Pelleteret 2021). They created a social housing system that involved all aspects of all

their policies so that they were not only housing units but a significant part of overall social democracy in the city. They worked to improve the life quality for all tenants under the motto ‘Light, air, and sun.’

The most significant aspect of the new organizational structure was public financing, put together by Hugo Breitner, councilor for finance in Vienna. The financing was special because new housing was not funded through loans but by existing taxes (Blau 1999).

This mechanism was crucial because much new housing was needed due to the rent control policies introduced in 1922 on the federal level that set rents to almost nothing, which meant minimal to no overturn in housing (Blau 1999, Pelleteret 2021). It also made housing speculation unprofitable, as mentioned before, which in turn decreased land value massively and helped the social democrats to buy land and real estate for the municipality, a practice already started by the Christian Socials before the war. By the early 1930s, the city owned about a third of the total area (Blau 1999). The city government also introduced the “Wohnbausteuer” (housing tax), a highly progressive tax, meaning that tenants of small apartments paid relatively little while those of luxury apartments paid up to 37% in tax. Social housing construction started to pick up the pace when in 1923, the first long-term building program went into effect, promising to deliver 5,000 units annually. This development required massive engagement meaning that many public departments were involved in social housing construction, such as the public health department ensuring medical facilities in new housing (Blau 1999). As a result, the municipality built 60,000 apartments and other public facilities (Pelleteret 2021).

Housing was the absolute priority for the social democratic Vienna government in this period. The housing structures built during the period were so-called “Superblocks,”

which included social institutions such as libraries or kindergartens and proximity to mobility hubs (Kadi 2018).

The Red Vienna period was a critical factor in Vienna's social housing history because of the relationship established between the settlers' movement and the social democratic party, the foundation of housing as a fundamental part of the welfare state. The idea that housing should be provided free of charge in a welfare state was established. Even if that was not fully realized, households spent only around 10% of their income on housing (Pelleteret 2021). The municipality constructed social housing over a long period, and some buildings, like the Karl-Marx-Hof, became significant monuments. The complex, which is one of the largest social housing structures worldwide, also served as a stronghold for anti-fascist during the civil war in 1934. Until today, the "...bullet holes remain carved into the *Gemeindebauten* walls" and the square in front of the Karl-Marx-Hof is named after February 12th when the fascist forces attacked the structure with bullets, endangering the civilian population inside along with the anti-fascists (Steiner-Strauss 2018, 177). The social democrats benefited from the demand for affordable social housing but also extended their commitment that had already been established ideologically.

Although the Red Vienna period was the most fundamental period for social housing in Vienna and can explain much of its stability throughout the following years, the interwar years cannot explain the divergence between Berlin and Vienna. Although the social housing movement was not as significant in the German capital, it was present in politics and public debate and fundamentally accepted as an important aspect of the

welfare state. Although the Nazi regime caused a shift in the approach to public housing, divergence only occurred significantly after World War II.

Housing during the Third Reich in Vienna

The density and compact character of Vienna in 1938 did not fit the Nazi ideology of living space. The Nazi regime planned a large expansion of the city that would allow the relocation of large parts of the population into the outer areas where more space was available (Botz 2016a). The regime planned large garden cities that followed their “anti-urban ideology” and where workers could not collaborate to pose a threat to the regime (Botz 2016a, 271). The Nazis struggled to address the housing issues of the city after the *Anschluss* in 1938. Too many firms were already preoccupied with armament production so that they could not build housing. This was in contrast to Germany where housing production could nearly be reestablished to pre-Nazi levels in the late 1930s (Botz 2016a). The Nazis found their cruel answer for the housing issues in Vienna in the units occupied by the Jewish population that made up a tenth of the city (Botz 2016a). This process was a common solution for the Nazis that exploited marginal groups for the benefits of those they deemed worthy. About 50,000 Viennese Jews were deported and murdered, and many more left the country while they could. Their property and businesses were stolen, destroyed, and “aryanized,” including their homes. There were both “...organized and what were called ‘wild Aryanizations’ from the outset, with 8,000 ‘legal’ seizures of Jewish residences prior to 1939 and an estimated 25,000 wild Aryanizations also taking place in the first months before the process was effectively bureaucratized” (Petropoulos 2000). After the initial wave was over, Jews were forced

into “semi-ghettos” in the *Leopoldstadt*, which is the 2nd district of Vienna. This was both a “...side-effect of the legal framework of the 'Aryanisation procedure,' and partly a deliberate policy of the Viennese Nazi district leaders” (Botz 2016b, 327). Hitler planned to “aryanize” even more housing from the “Czechs and other ethnic aliens” but this idea was postponed by Himmler in 1940 to focus on the war (Botz 2016b, 331).

Chapter 5: Post World War II Period and the Cold War

The Post-World War II Period in Germany

In the time between the end of the war and the separation into East and West Germany in 1949, long-term housing policy was outside of the immediate policy goals to be attained. Instead, the government had to take immediate, radical measures:

“The Allied Control Council, which ran German affairs after 1945, temporarily confiscated all private property. Local authorities were given the job of helping organise shelter for the homeless. They nominated families to rooms. Every surviving or potential property owner was drafted into the emergency housing programme. Over half the new housing was directly subsidized” (Power 1993, 108)

Social and private housing were mixed as any private landlord could qualify for subsidies if they let households from a housing-seeking list live in their housing units (Power 1993). The more important and politically relevant decisions were made after separation in 1949 when the FRG in the West and the GDR in the East started to diverge in what social housing would look like even though the significant shortage of housing units was a problem they shared (Cornelius and Rzeznik 2014).

The FRG

In Western Germany, the FRG created “a well-functioning system of social housing, in particular extensive construction of rental dwellings for a broad majority of households and a market-orientated housing supply” (Cornelius and Rzeznik 2014). The federal government gave much autonomy to the provinces that should decide themselves how to best address individual housing issues that would be funded federally and with

much American aid (Power 1993). Initially, “construction started by filling in gaps” that the war had left in many cities (Droste and Knorr-Siedow 2014, 186). The first Housing Act provided public subsidies for developers and landlord who adhered to minimum standards regarding “dwelling size, cost rent levels (after subsidy) and access for people with local authority eligibility certificates” (Power 1993, 110) but also “abolished the rent control for free financed newly built dwellings” (Cornelius and Rzeznik 2014, 3). From 1949 to 1965, 9 million new housing units were built in the FRG of which over half were considered “social dwellings” (Cornelius and Rzeznik 2014, 4). However, neither state-provided housing nor subsidized housing were the sole focus of the government that had picked a side in the cold war that put trust into the market. Cornelius and Rzeznik (2014) characterize the focus points in housing policy during this period:

1. construction of social housing,
2. promotion of ownership,
3. financial support to weaker households by the means of direct subsidization in the form of a housing allowance and
4. market-oriented rents within the free financed rental housing sector (2014, 4).

Furthermore, the housing that was constructed with public subsidies would be integrated into the private market eventually which led to changes in the tenure structure later.

Therefore, if one considers the entire lifespan of the FRG, of the total 11 million dwellings constructed, the majority were built without any direct subsidies (Power 1993). Landlords and developers were incentivized to build private rental and owner-occupied dwellings through tax deductions and a loose rent regulation that would only be used if necessary and loosened as soon as possible (Power 1993; Cornelius and Rzeznik 2014).

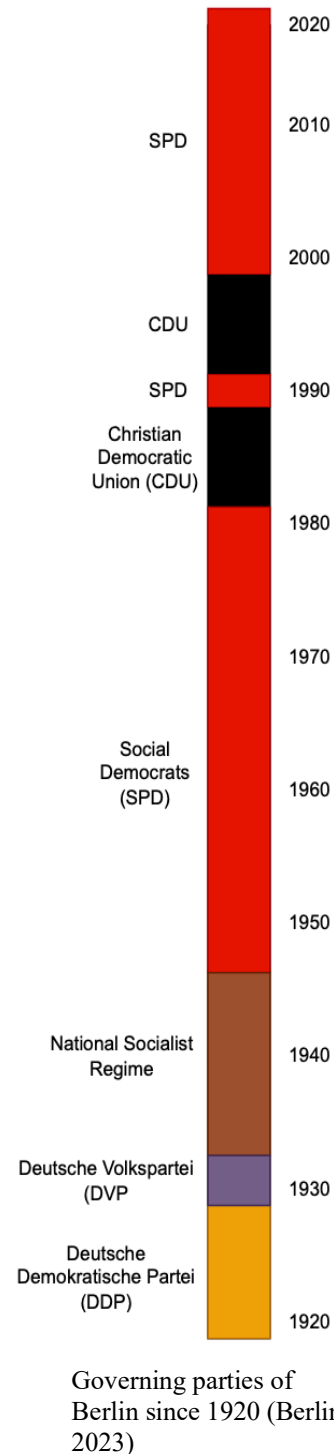
In this regard, private landlords were favored compared to LPHA because they could “deduct the depreciation from their taxable income” (Power 1993, 111) a practice still in place today.

Homeownership was encouraged by the state through the Housing Act of 1956 allocating financial incentives for future buyers (Power 1993). The Housing Act was advocated for by the conservative CDU/CSU party, the church, and the *Wirtschaftsverbände* (Trade associations) to increase homeownership (Harlander 2018). This meant that the commodification of housing would be further incentivized by a ruling party and other powerful stakeholders as homeownership would be increased, and the rental market would lose significance. The pro-market ideology of the conservative government of the young FDR was therefore reinforced by the ruling parties and influential interest groups. Even LPHA were incentivized to develop for sale which ultimately led to 40% of the population living in their own home by 1990 (Power 1993). Furthermore, after the massive housing shortages of the post-war period have been balanced out, policies towards liberalization of the market were pursued. After 1963, if a municipal *Wohnungsdefizit* (housing deficit) was under 3%, rents could be freely set by landlords (Harlander 2018).

Neoliberal Reforms

By 1974 there had been an overall balance between households and housing units. However, only about 20% of these units were subsidized which meant that housing for those in need was less affordable as it was mostly only available at market rates (Power 1993; Harlander 2018). In contrast to other countries, such as Austria, universal access to

social housing was less of a priority in German housing policy. Especially in the 1970s and into the 1980s, many argued that social housing should only be a means for those who are unable to find housing in the private market (Harlander 2018). This is an essential difference in the ideological approach to housing because Austria continued to provide universal access to their social housing models. Without universal access, housing is more likely to fall into the dualist market described by Kemeny (2001), in which the private and non-profit market operate independent of each other and housing becomes less affordable. Eventually, after 1976, “...more owner-occupied units were subsidised than were rented units” (Power 1993, 125). This reflects the pro-market ideology of home ownership as a desirable state for housing. The public resources spent for housing subsidization would therefore end up in private pockets as the social aspect of many units would end after a certain period and they would be incorporated into the private market. Towards the end of the 1970s, most rents were at market



level except for Berlin (Power 1993). In 1982, the conservative CDU took over as the ruling party from the social democratic SPD and new policies were introduced that “changed the German housing system radically” (Power 1993, 143). The government then introduced measures to free up rents further and closer to market-level rates, encourage landlords of social housing to repay their loans earlier (which would turn the unit from social to market housing), and further encourage homeownership through subsidies (Power 1993). After 1982, object subsidies were also almost universally put to a halt (Harlander 2018). The consequences of which meant that, “[...] overall, private rents in Germany rose faster than the cost of living.” (Power 1993, 126) In 1988, another law was introduced that basically equated social housing companies with private developers if they wanted to transition (Power 1993). This increased the “...pressures to raise rents (Power 1993, 144). These early commodification efforts in Western Germany represent the pro-market ideology the government pursued. This meant that subsidization would only bring a temporary effect that was mainly used for ownership rather than renters which were those groups most vulnerable to market forces. In contrast to Austria, and especially Vienna, there is no significant housing stock owned by the government and no extensive social rental housing available. Germany and Berlin’s social housing approach of the post-World War II period was short sighted as it allowed public units to be transferred into the market and therefore could not guarantee support for those groups in society in most need of affordable housing.

Subsidization for social housing was made available from the regions through different *Förderwege* (Funding channels) that were most relevant in a specific time respectively. The first, was the main channel until the 1980s, the second, in the 70s and

80s, and the third after 1989 (Droste and Knorr-Siedow 2014). Holm summarizes them as follows:

1. The first channel is the most ‘traditional’ in which developers receive subsidizations either directly or through tax deductions or low-interest loans through the government. Specific groups had to be targeted for these apartments usually based on average annual income.
2. The second channel targeted households that initially had moved into a social housing unit but who’s income have increased afterwards. To incentivize them to give up this initial unit, this channel subsidized new developments that such households could move into if they give up their initial unit.
3. The third channel has become the norm today and allows developers and public entities to form specific agreements for housing sites including the form of the subsidies.

Since 2002, funding for social housing is no longer intended for the broad public but only those who are “marginalized by the market” (Holm 2005).

The overall quality of social housing is generally high in Germany which was part of its political appeal as Droste and Knorr-Siedow write:

“It was a political goal to use social housing to incentivise better housing across the market. In addition, the mechanics of the funding system encouraged the production of quality housing, as the agreed cost rent before subsidies often exceeded average market rents” (2014, 186)

However, not all political hopes and assumptions came to pass that influenced this period. Social housing was not seen as an ever-lasting endeavor by the German government, but rather as an “interim step on the way towards an affluent middle-class society” (Droste and Knorr-Siedow 2014, 187). Supporting the most vulnerable groups in society was not planned to be as extensive and was to be carried out through other means than housing. The government also expected inflation to continue rising after the 70s and 80s which did not occur and therefore made social housing rent much higher than market rent in many areas after the units were opened to the private market (Droste and Knorr-Siedow 2014). Finally, the government expected continuous large investments of future governments into social housing which also did not materialize after 1990 (Droste and Knorr-Siedow 2014). The role of the market as an important part of ideology in the FRG did not help the position of social housing. Especially after the fall of the Berlin Wall in 1989 and the unification of Germany, the ideological win of ‘capitalism over communism’ influenced the perception of social housing itself and its justification in the German welfare state. Some argue that the “...downward trend in political support for large-scale social housing in Germany has been described as mainly ideologically grounded” (Droste and Knorr-Siedow 2014, 188). Instead of the idea of social housing serving a broad portion of society, many started to think that the state should only intervene in the housing market for those most vulnerable. In the words of Droste and Knorr-Siedow, “While governments, landlords and the financial sector increasingly viewed social housing for a large part of society as alien to market principles, they still generally accepted that there was a rationale for a small, targeted and needs-oriented social housing sector” (2014, 188). This was very much in line with the subsidization

methods of the government that favored homeownership and saw social housing only as a temporary measure. Holm therefore argues that social housing was (and is) never truly a part of the German housing market but rather a “temporary characteristic” of certain units (2005).

GDR

The GDR housing policies proved to be less significant in the long-term because they were practically abolished after reunification. However, a quick overview will be useful to understand the policies and ideology influencing housing in Eastern Germany during this time. The most important ideological influence was the idea that housing was not a commodity but should rather be provided by the state. The idea of housing as a right was even written into the GDR’s constitution in 1968 through article 37 (Haerendel 1999). However, the realities were a little more complicated than that.

The large-scale destruction of buildings during the war slowed down the early housing development until the 1960s (Power 1993, 150; Haerendel 1999). Furthermore, the influence of Soviet interest shaped development in the East, as Power puts it “Stalin accepted the inevitability of reunion and therefore prevented major departures from the existing ownership pattern. Industrial and military development received priority over urban investment. As a result, over 3.5 million homes in East Germany were still privately owned at reunification in 1990” (Power 1993, 150). However, the influences of a planned economy and socialist ideology led to policy changes. The decommodification of housing became a central political objective with symbolic meaning. The government halted increases in rents above the 1936 level, the price of land, and increased tenant

rights (Schönig and Vollmer 2018). After 1960, development picked up pace and until reunification well over 3 million units would be built and renovated (Power 1993; Haerendel 1999). By the late 1960s, the state would take over most housing developments especially after the change in power in 1971 from Walter Ulbricht to Erich Honecker when housing became a political priority (Power 1993; Haerendel 1999). Housing was cheap, costing 3-4% of household income (Power 1993), and mainly took the form of the so-called *Plattenbauten* (panel buildings) that provided thousands of units. These structures were part of the GDR's propaganda system and a point of pride for the regime. An example is the Karl-Marx-Allee, a boulevard full of large structures that was also used for parades during the Cold War and named *Stalinallee* until the 1960s. Initially, the GDR did not reach the development rate of the West and remained at "about one half or one third" of their level until the mass production through the state leveled out the differences (Haerendel 1999; Cornelius and Rzeznik 2014). In the years after the power shift, the newly developed housing units were improved in quality, but older units suffered from a lack in retrofitting and renovation (Schönig and Vollmer 2018). Both the West and the East never fully managed to satisfy the large demand for housing. By the time the iron-curtain fell, there were about 7 million housing units in Eastern Germany, about half were owned by co-operatives or the state, 15% co-operative, 35% state, while the other half was either owner-occupied or privately rented, 25% each (Power 1993). However, all of this was about to change with Germany's reunification.

The Post-World War II Period in Berlin

During the war, approximately a third of all apartments in the city were destroyed and another third at least partially (Görlich 2018; Hanauske 2001). Addressing the issue of rebuilding destroyed housing and adding to the housing stock was a key issue for politicians in the East and West (Hanauske 2001). The fight between the ideologies of capitalism and communism that shaped Europe during the Cold War also had a significant influence on the housing situation in Berlin. Politicians of the *Sozialistische Einheitspartei Deutschlands* (Socialist Unity Party of Germany), SED for short, argued that a free market could not fulfill the complexity needed to answer the housing question while politicians in the West argued that it was important to provide adequate housing to demonstrate to the population the superiority of the Western system (Hanauske 2001). Joachim Lipschitz of the SPD said that “...that the West is superior in economic competition with the Eastern Bloc even under unfavorable conditions. Every new apartment, every new street, every new bridge built here is also a political proof of trust in Berlin's future” (Hanauske 2001). The starting points for both parts of the city were, however, different. The housing units still intact in the West showed a much higher standard of living in terms of amenities while those in the East were lagging (Hanauske 2001). Nonetheless, the West was struggling to initialize their housing program due to the economic issues of 1949, large numbers of migrants from the East, and the fact that aid from the allies would only arrive in 1950 (Görlich 2018; Hanauske 2001). The production in the East was pushed to show the benefits of their system and therefore started earlier (Hanauske 2001). The West could only catch up after receiving aid and being incorporated into the FDR. The first and second *Wohnbaugesetz* (housing act) of 1950

and 1956 were the foundation of social housing in the West (Hanauske 2001; Power 1993). They would remain in this position until 2001 (Holm 2020). Although some more conservative and market-oriented interest groups called these subsidies for public housing an over-involvement of the state, the state was not as involved as, for example, was the case in Vienna (Hanauske 2001; Holm 2020). In the 1950s and 60s, development reached a peak across the country. However, because the first and second housing act were focused not only on rental housing but also private ownership, many subsidies were received not for true social housing but to allow families to buy their own house. Moreover, even if a development offered reduced social rents, the owners would only have to do so for a limited time, usually about 30 years, until they could charge market rates and the development would fully belong to the initial developers (Holm 2020). Holm quotes Christian Donner, a housing researcher, saying that the system was a “promotion of private rental housing investments with intermediate social use” (2020, 62). Rather than supporting long-term affordable housing, the policies of the housing acts guaranteed profit for investors because rents were set to be increased regularly and the obligation to adhere to any sort of rent regulation would end after a fixed number of years when all the public subsidization would be useless for taxpayers and the developments were in private ownership (Holm 2020). Because West Berlin did not receive federal aid in the same way as other provinces, additional subsidy programs were established that further incentivized investors to build large developments in the city and in return receive tax exemptions of up to 190% of the used capital (Holm 2020, 90). Due to these incentives, many private investors were involved in the construction of social housing and in 2018, 60% of social housing units in the city were owned by individuals or for-

profit companies (Holm 2020). Overall close to 500,000 units were subsidized through these channels between 1950 and 1989 compared to about 90,000 built through the market (Holm 2020). The underlying driver for the productivity of the development and the willingness of the government to offer so many subsidies was the idea that development would strengthen the economy of West Berlin. Mayor Ernst Reuter said in 1949, that housing is the “[...] most appropriate instrument with which to get the economy moving again” (Hanauske 2001). However, the flaws of this program became visible after Berlin’s unification and ever since.

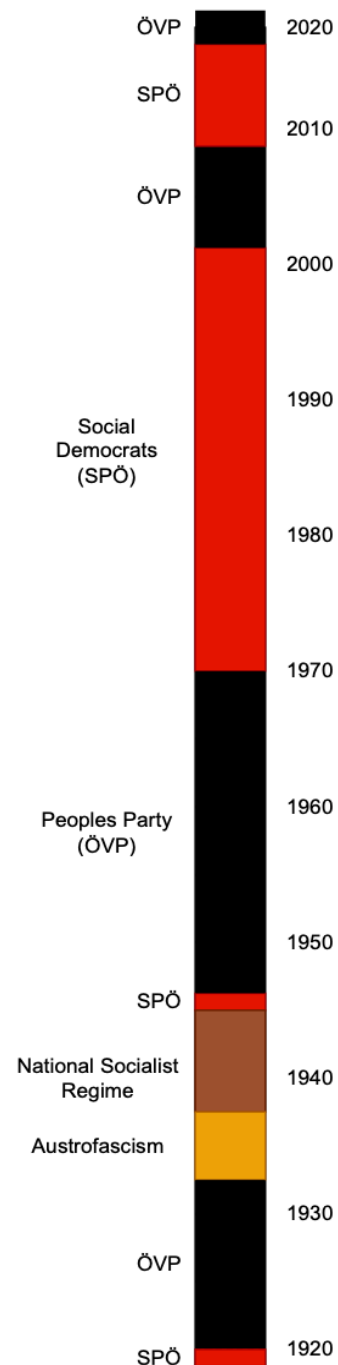
In Eastern Berlin, housing was, especially in the early years of the Cold War, mainly a form of political image creation mainly through the construction of large developments on the main streets and close to the boarder (Hanauske 2001). However, the city received relatively little financial means to construct large housing estates compared to other cities in the GDR (Hanauske 2001). Nonetheless, the units that were completed were either publicly owned or through LPHA; close to 80% of units combined, 58% state, 25% LPHA (Hanauske 2001). Although only 76,000 units were finished in East compared to 207,000 in West Berlin, a smaller and decreasing population led to East-Germany being closer to supplying housing demand than was West-Germany (Hanauske 2001). However, all this became insignificant after Berlin was unified again and the ideological shift would involve the public housing sector across the city.

The Post-World War II Period in Austria

The war’s end also meant a new start for the social housing system. Austria followed general European funding trends, subsidized two-thirds of all new housing

developments, and continued the trend that started during the Red Vienna period. It took until the 21st century to fundamentally change the system, and even then, the ideological, social, and political foundation started in Red Vienna, and the post-war period helped to keep the system intact.

The war had enormous political and physical effects. Physically, much of the housing stock, 86,000 units in Vienna alone, was destroyed. Further, the infrastructure needed for rebuilding had also suffered from the war. As a result of the war, political alignments also shifted towards moderate and social democratic parties. The power of the more moderate parties SPÖ and ÖVP increased significantly, and one or the other has been represented in every government since the war, most of which were coalitions between them. Furthermore, every chancellor since the war has come from either one of the parties. From 1945 until 1966, the parties ruled in coalitions receiving over 80, and often close to 90, percent of votes. The parties'



Governing parties of Austria since 1920 (Österreich.gv.at 2023)

continuous coalition to rule the country was crucial to implement long-term projects and stick to social housing efforts as they showed to be popular among the electorate. As a result, trust was established between the voters and parties to continue their efforts, and a positive feedback loop evolved.

Crucial for the successful collaboration was that the subsidization of housing suited the ideologies of both parties, which will be elaborated on later in this section. In an article, Eva Bauer describes housing and housing policy after the end of World War II and the importance of LPHAs. After the war, with 12% of the housing stock destroyed, the overall quality of housing was relatively low. On the federal level, the state-subsidized LPHAs take over housing construction. LPHAs formed during this time include the "Wohnhaus-Wiederaufbaufonds" (Residential Reconstruction Fund) intended to rebuild the housing stock lost during the war (Bauer 2008). In 1947, the "Österreichischer Verband Gemeinnütziger Bauvereinigungen – Revisionsverband" (GBV) was founded, which remains until today the general association of LPHAs in Austria (GBV 2022). In 1950, the country repurposed taxes already collected for housing subsidies. This mechanism followed a general trend of tax reallocation to fund housing that started in the Red Vienna period and was a method to ensure long-term funding for social housing (Bauer 2008). The provinces, including Vienna, had to allocate their funds towards social housing to benefit from the federal funds after the *Wohnbauförderungsgesetz* (Housing Subsidies Act) of 1954 (Bauer 2008). This act was, therefore, an essential step towards the provinces' autonomy in subsidizing housing. They could allocate the funds they received to their liking while being incentivized to spend specifically on housing themselves. This autonomy proved vital for Vienna as it enabled

the city to keep its pro-social housing stance when the federal government started a market-oriented approach in the 2000s. However, housing subsidization benefited the federal government, not only because of the housing per se but also because it boosted the federal economy (Bauer 2008) (Kadi 2018).

In 1955, 362 LPHAs marked a new peak in such associations. By the 1960s, they surpassed municipalities in units built (Bauer 2008). Although LPHAs had taken a role in social housing provision in the early 20th century, this period saw them become the leading developer as many municipalities started to shift their focus from rebuilding themselves after the war to other policy endeavors. It was also when the Austrian Independence Treaty was signed in 1955, and Austria became a sovereign state again. It was an essential difference to Germany, which remained politically unstable until the end of the Cold War. As a result, Austria played a much more neutral role during this period, leading to political stability compared to Germany, specifically Berlin.

Overall, in the post-war period until the late 1960s, half of all new housing units and even 80% of those in multi-story buildings were publicly subsidized (Bauer 2008). This increase was made possible through the consensus and joined efforts of the coalition partners who followed their respective interests in subsidizing housing. Extending housing meant extending the welfare state and Austria's macroeconomic position because households would have more disposable income if housing was more affordable. Moreover, subsidized housing fitted the conservative interest of increased housing ownership and the social democratic ideal of subsidized rental housing (Kadi 2018). Kadi writes about the characteristics of social housing in this period that fitted its conservative welfare state classification and included:

“...a fragmented decision-making structure (fragmentation), a system of balancing interests (corporatism), an important role of the family (familization), and a relatively high degree of policy stability” (Kadi 2018, 5).

These characteristics were the essential ingredients for the continued importance of housing in Austrian politics. Together with tenant protection policies, they formed the foundation for housing being de-commodified in the conservative welfare state. In contrast, the German government comprised a coalition of two pro-market parties, and home ownership was regarded as a more rewarding effort than rental housing.

After the war's end until about 2010, two-thirds of new housing developments received public subsidization, a total of 1.8 million units (Karas 2008). Austria's social housing model followed the general European trend and mainly focused on rebuilding and more direct provision of residential housing through object-oriented subsidies, which is directed towards physical construction rather than individual benefits for market rents (Hofmann 2015). However, many European housing trends ended when a neoliberal housing policy period started to influence countries all over the continent.

The 1970s and 80s

From 1970 until 2000, every chancellor of Austria came from the SPÖ. The social democrats had a full majority under chancellor Bruno Kreisky from 1970 to 1983 and later governed a coalition with the right-wing *Freiheitliche Partei Österreichs* (FPÖ) until 1987 and with the ÖVP until 2000. Stöger points to four policy trends that took place in many European countries after the 1980s but not in Austria:

1. "The focus of housing policy changed from *Objektförderungen* (object-related subsidies) to *Subjektförderungen* (subject-related subsidies) and direct or indirect promotion of home ownership. Furthermore, the total funding volume for housing has been reduced by many states.
2. Dwellings built and owned by the state, by public enterprises, or by legal entities working on a non-profit or limited-profit basis often have been sold to profit-orientated private investors or sitting tenants by introducing a right to buy (e.g., in the UK).
3. Deregulation of rent limits allowed profit-orientated private investors to profit from their investments.
4. A decentralization of competencies for housing policy from the federal state level to regions or municipalities occurred" (Hofmann 2015)

In the 1970s and 80s, after the direct post-war period, Austria continued their social housing model with object subsidization instead of switching to other forms of subsidization, such as directly supporting individuals renting from the private market, which happened in many other countries in Europe. The "right-to-buy" only started in the mid-1990s in Austria, and social housing only sold in the 2000s and to a lesser extent than anticipated by the government. Significant rent deregulations also only came around that time, and the decentralization of competencies was a gradual process rather than one specific law. Social democratic power throughout this period influenced these developments. From an ideological standpoint and driven by voters' expectations, the party stayed true to its focus on social housing and did not follow the international trend

of housing commodification. Housing ownership also never played the same role in subsidies as in Germany.

The most significant new policy of this time in Austria was a slight change in universal access to social housing through the *Einkommensobergrenzen* (Income caps), which limited access to subsidized housing to those earning less than a certain threshold, a system that prevails until today. This policy was significant because private developers in the 1970s and 80s would often not apply for subsidization. Therefore, the market opened for private developers while still leaving the more significant part to subsidized developments that catered to the majority of the population earning less than the subsidization threshold (Bauer 2008). The 1980s also saw a rapid growth of developer companies because of mergers and the high demand for housing (Bauer 2008). Public involvement in the market was the norm, and deficit spending was an often-used tool. This process contrasted the neoliberal policy wave that other European countries, such as Germany, experienced during this time.

The Post-World War II Period in Vienna

Similar to Austria overall, during the period of Austro-fascism and the Nazi regime, social housing was minimal in Vienna, and neither government lived up to its promises. However, after the war ended, the post-war period brought another time of social housing focus to rebuild the country and city. In 1945, over 50,000 apartments were either destroyed or not usable, and the first official decree of the new mayor was that only the city's housing department could give out housing (Stadt Wien 2022). It is important to stress again the imperative of rebuilding the city coupled with the

ideological shift towards the center on the federal level that created fertile ground for the ideas of social housing. A crucial aspect of the rebuilding process was the cooperation of social democrats and conservatives on social housing. Kadi writes about the motivations for the coalition parties during this time that was different but compatible. Social housing was an aspect of the welfare state both parties wanted to create, and low rents were understood as leading to more spending capabilities for households which would improve Austria's competitiveness. Despite the consensus about the importance of housing across the political parties, they still pursued their respective interests. The conservatives were more interested in private ownership of housing stock, while the social democrats favored a rental system. Both were financed through a 1% tax on income, and most subsidies were given for direct construction rather than subsidies on existing private rentals or tax exemptions. Vienna remained the leading province in Austria for social housing and used much of its existing local budget for social housing. This focus and cooperation led to one-third (almost 250,000 units) of the housing stock being subsidized housing owned or financed through the city. Demographics also shifted in social housing in the 1980s when many from the middle class moved into social housing units (Kadi 2018).

On the municipality level, the social democrats have remained in power from 1945 until today, which further enabled social housing through federal and municipal interest. This power proved significant because, after the war, municipalities did not have as much autonomy, this only shifted in the 1980s, and Vienna, therefore, depended on the federal government for housing subsidies and budget. The de-commodification of housing through protective policies for tenants and a focus on social housing construction has shaped this period and continues to do so until today. The foundation for this was laid

ideologically and politically in the Red Vienna period (Kadi and Vollmer 2018). The effect of this political foundation on the social consensus was crucial because of the norm of social housing subsidization and construction, as well as the social consensus of the electorate that city governments would stay involved in social housing. Only the solid foundation built before the political chaos of Austro-fascism and National Socialism made it possible for the government to return to them afterward. Ideologically, the social democratic party was heavily influenced by the squatter movement and strategically because housing offered a program for political stability, popularity with workers from the working class, and an economic boost from development.

This period was so significant because it contrasted the development of so many other social housing systems, and general welfare programs, that moved towards a pro-market. Most countries in Western Europe after the war and Eastern Europe after the fall of the Iron Curtain shifted their housing markets through neoliberal reforms and gave up the social housing systems they had developed over long periods of time. The consistency to support social housing on the federal level helped the city-level continue the path it had been on since the Red Vienna period. The ideas of social housing were further embedded in politics and the public through this phase. The resistance to follow the path of neoliberalization so many other countries and cities pursued, and the continuous support strengthened the housing system itself but also its persistency in politics. The ruling of the social democrats on the federal and country level meant that Vienna could pursue its social housing commitment without having to manage privatization and market liberalization efforts from the federal government. The support for social housing by the coalition on the federal level was an important foundation for Vienna and the majority the

social democrats gained, 55% or more for most election in the 1960s, 70s, and 80s enabled them to continue their commitment to social housing when many social housing systems across the continent crumbled under neoliberal policy shifts.

Chapter 6: Reunification and Beyond

The Post Reunification Period in Germany

The ideological ‘victory’ of West and its positive experience with their housing system during the Cold War led to the idea of merging the entire housing stock of the East into the Western system (Power 1993; Haerendel 1999; Cornelius and Rzeznik 2014). However, this idea also introduced new challenges and developments, such as privatization, that led to instability in the housing market. First, over 600,000 publicly owned units in the East were returned to their original owners as “Restitution” (Cornelius and Rzeznik 2014, 5). This decision resulted in a decrease of a quarter of state-owned units. Second, many other units held by municipalities were privatized (Cornelius and Rzeznik 2014). The extent of this privatization is not entirely clear, but an example of overall privatization in Germany is that between 1995 and 2010, more than 1 million units were privatized (Holm 2010). Furthermore, 2 million units were sold overall between 1999 and 2011 (Haerendel 1999). Privatization was even made a requirement by a federal law that obligated limited-profit companies to privatize at least 15% of the housing they gained from the Eastern stock (Droste and Knorr-Siedow 2014). In East Germany overall, ownership rates increased from 26.1% in 1993 to 34.4% in 2010 (Cornelius and Rzeznik 2014). Third, large-scale immigration led to chaos all over the country as people who owned housing in the East moved back. Those who lived in the East often wanted to move to the West, and many from Eastern European states wanted to move to Eastern Germany (Power 1993). Especially in the East, costs also started to rise, and within two years, rents cost 12% instead of 3% of household income (Power

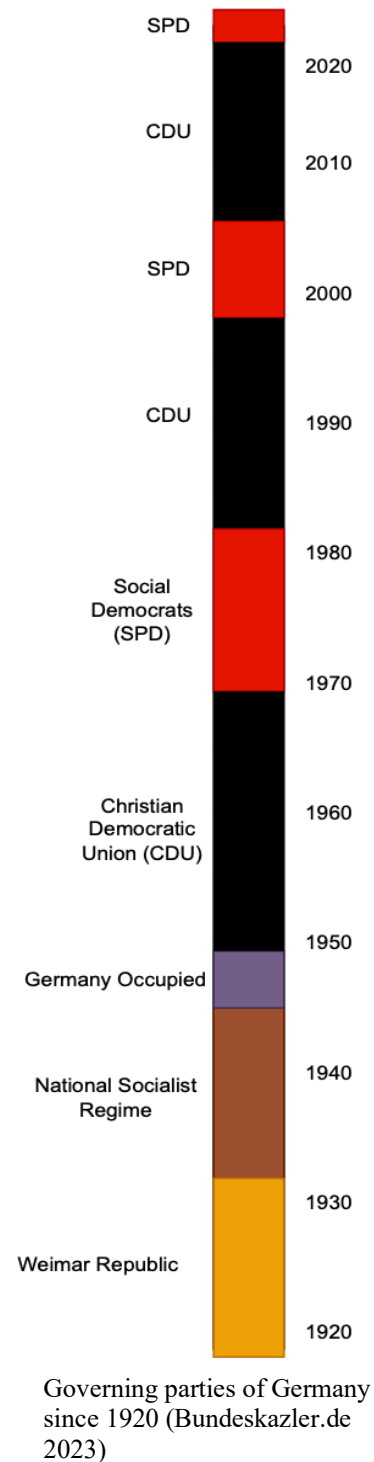
1993). The consequence of these developments was that in 1991, the situation “...became economically and politically unstable, with rising inflation, largescale unemployment, and protests by East Germans over government failure to deliver results that even approximated to the pre-unification hopes” (Power 1993, 153). Emergency measures had to be taken so local governments could allocate those in need to available housing (Power 1993).

A critical policy shift came in 2006 when the federal government stopped any object-related subsidies, which were used for physical housing development, and all autonomy for social housing funding was given to the provinces (Haerendel 1999; Droste and Knorr-Siedow 2014). Further, since 2013, provinces have been free to use federal social housing subsidies for other things than new social housing development, and half of all provinces do not build any new housing (Droste and Knorr-Siedow 2014; Cornelius and Rzeznik 2014). The shifts from object to subject-oriented subsidies and the lack of local investment in physical structures led to the fact that “In 2009, there were more than twice as many virtual social homes (paid for by housing allowance and welfare) as de jure and de facto physical ones, reflecting the shift in subsidy from construction to support for households in the market” (Droste and Knorr-Siedow 2014, 193). Today, Germany is not able to supply the demand for social housing at all: social housing units have been decreasing instead of increasing in previous years. Since 2011, half a million social units have been lost (Günther 2019). The privatization and decrease of subsidies for new social housing and LPHAs that have emerged since reunification have led to a change in the German housing market. Although the social housing market has never been considered as important as in Austria and Vienna specifically, these developments

have shifted the country closer to a dualist system, as described by Kemeny. The existence of individual subsidies and some municipal LPHAs exemplify the continuous efforts to create a social market that can compete with the private. However, the shift towards pro-market ideology and privatization has made it difficult for social housing companies to emerge, exist or expand.

Germany Today

Today, many cities and growth areas in Germany face challenges of housing affordability and availability (Droste and Knorr-Siedow 2014). Social housing is often financed through individual benefits, such as direct payments for lower-income or unemployed citizens, instead of physical, social housing built with subsidies later offered at affordable prices. Overall, Germany's social housing system is less coherent than Austria's and has changed several times (Marquardt and Glaser 2020). Today, social housing exists in many forms, such as individual benefits, as part of other state benefits, or as 'public-private partnerships' – often in the form of



municipal housing companies with underlying public regulation (Marquardt and Glaser 2020, 4). For social housing in Germany today, “...the basic idea is that public subsidies cover the gap between the reduced rent – which is charged to eligible tenants – and the cost-based rent – which is determined by production cost and funding modalities. The subsidy decreases progressively over time, and the reduced rent rises accordingly until it reaches the cost-based rent” (Marquardt and Glaser 2020, 4). This underlying idea of a gradual convergence of social and market housing is an apparent difference between Austria, specifically the municipal housing stock in Vienna, and Germany. It is also an important factor in classifying Germany’s housing market because it is an ideological shift from a social to a private market. Within Kemeny’s divergence typology, this shift can be understood as a move within a unitary system towards dualism. This means that a social market can compete with the private market but only temporarily and eventually merges into the private market. The ideology shaping this system of temporary social housing emerged in the post-World War II period and was further perpetuated through the pro-market ideas of reunification.

Privatizing housing after reunification has played a significant role in this development, as much of the housing stock in public ownership has been privatized. The 1970 *Wohngeldgesetz* (Housing Allowance Act) introduced individual benefits, commonly covering a portion of a household’s private market rents. More than one million German households are eligible, and benefits are, on average, 120€ per month. The prioritization of this form of housing support has been evident in recent years, as “...there were more than twice as many virtual social homes (paid for by housing allowance and welfare) as de jure and de facto physical ones, reflecting the shift in

subsidy from construction to support for households in the market” (Droste and Knorr-Siedow 2014, 193). However, these benefits do not adapt to increases in market prices fast enough, and people that might not be eligible for social benefits face the difficult challenge of finding affordable housing on the private market. Especially the former physical social housing units managed by for-profit companies make living there unaffordable as these companies operate under a stronger profit incentive than LPHAs.

In his analysis of Austria, Matznetter describes how the countries’ housing strategies have differed:

“...from the 1960s, German housing policy has been keen to withdraw from direct intervention, by lifting rent controls, by admitting for-profit developers into social housing, whilst phasing-out cost renting regulations, and by shifting from subsidies towards tax incentives” (Matznetter 2002, 267).

The current situation has led to a comeback of social housing ideas carried forward by activists and organizations advocating for affordable housing. Furthermore, federal, local, and regional governments realize that the increasing demand and eligibility for housing will require some action (Droste and Knorr-Siedow 2014). Between 3 and 4 million German households are eligible, but the physical stock of “*de facto*” falls short of that and has a decreasing trend (Droste and Knorr-Siedow 2014). Furthermore, it is unlikely that the number of physical social housing units will increase in the coming years as many companies are concerned about maintaining existing stock instead of developing additional ones (Droste and Knorr-Siedow 2014).

The Post Reunification Period in Berlin

The commodification policies that started in the FDR continued after unification and led to a further decline of social housing in Berlin. From 370,000 social housing units in 1993, only 100,000 were left in 2018 due to a “lack of new construction” and the end of the obligation period, which could be reduced to only ten years if the loans were paid in full before the end of the period (Holm 2020). Holm identifies four major political decisions that were the reasons for the decline of social housing after reunification: First, subsidies were reduced throughout the 90s and discontinued in 2001. Although a new attempt started in 2014, there is an apparent lack of new social housing construction to compensate for the efflux of housing, which shifted from the public to the market realm. Second, of the 34,000 social housing units built in Berlin between 1969 and 1971, 95% were pulled from the social realm early through a policy that allowed developers to pay loans back earlier and, in return, only offer the units to the social realm for ten more years. Third, the city government discontinued the subsidization of the units built in the decade after 1987 to ease the pressure on the public budget, which meant that another 21,000 units no longer had to offer reduced rent but could charge over 13€ per square meter, which effectively means that the units were no longer social, affordable, housing. Holm further states that since reunification, 264,000 units have been affected by fiscal policy decisions. Fourth, in 2011, the city government offered a similar option to the policy described in point 2, which meant that the units built between 1972 and 1986 could also be pulled from the market after ten years, which meant a significant decrease in social housing in 2021. There are estimates that about 50,000 units will be lost due to this decision. Although this decision saved about 1.2 billion Euros, it will take about 3.5

billion in subsidies to develop this number of social housing units in the city again (Holm 2020).

In 2023, the 82,000 social housing units receiving continuous subsidies charged about 6.39€/sqm, which is also the general average for the city. In contrast, the 10,000 units without these subsidies can charge 95% above the average rent (Holm 2020). Moreover, landlords charge this amount in full in the areas with the highest demand for housing, which further increases the gentrification process they experience (Holm 2020). Studies show that in some social housing developments, less than half of the original tenants of 2003 have remained, and rents now have reached 9 to 14€/sqm (Holm 2020). About 100,000 social housing units remain in the city, but their costs and usage vary.

This section indicates the temporary nature of Berlin's social housing system. Liberalization of the market and privatization of existing social housing stock continuously decreased the number of social housing units and increased their rent. Today, social housing is barely affordable and does not serve the purpose it once did. These developments are a continuation of the pro-market ideas that shaped the city and country during the Cold War. Any efforts towards decommodification in Eastern Berlin ended with reunification and what remains in the city is a highly commodified housing stock in which social housing only plays a minor role and does not offer alternatives much more affordable than those on the private market.

The Privatization Period since 1980 in Austria

After a decision by the conservative-far right coalition formed in 2000, more than 60,000 units were privatized (Mundt 2008), rents grew faster than income (Kadi, Vollmer, Stein 2021), and LPHAs were partially moving to market-financed construction

entirely (Mundt 2018). The commodification of housing that started with neoliberal policies introduced in the 1980s has led to the most significant challenge the social housing system ever faced in the early 2000s.

Bauer writes about the decentralization of competencies across Europe, as mentioned by Hofmann, that started in Austria in the late 1980s. At the end of the 1980s, housing subsidies were taken from the federal to the provincial level through a change in the constitution. This decision led to several significant changes in the country's social housing system: provinces were now able to set their threshold for individuals' income to qualify for subsidized housing, include private developers in social housing construction, diversify their financing instruments, and even use some of the housing subsidizations for other needs. Especially the last point was crucial for the neoliberal developments of the early 2000s as provinces could decide to abandon social housing without losing funds. However, even after the competencies for housing subsidization were given to the provinces in the late 80s, in the 90s, 75% of new housing was still publicly subsidized to some degree (Bauer 2008). Moreover, the increased autonomy for provinces did not only have adverse effects since it could also help provinces like Vienna continue their social housing efforts despite federal commodification efforts.

A steady increase in population also shaped the 90s. It stemmed from the increase in immigrants from Eastern Europe, leading to a population increase of 1% during the mid-90s, which led to a steady increase in housing demand across the country (Kunnert and Baumgartner 2012). It is also essential to consider a policy introduced in 1994, which paved the way for housing privatization and might have been a sign of what was to come in the following years. Since 1994, LPHAs can sell subsidized apartments to tenants if

they take full financial responsibility for the unit by taking over such things as long-term loans (Mundt 2008). This process is also referred to as a “right-to-buy” and is most common in Anglo-Saxon countries with a significant degree of housing commodification. The policy change from 1994 also allowed contracts to be fixed term when previously, contracts had to be unlimited – a blow for tenant rights. Additionally, the structure of rent setting changed from the *Kategoriemietzins* (categorized rent), which meant rent setting by general categories, to the *Richtwertmietzinssystem* (indicative rent system) in which rental units are compared to a model, and then rent is adjusted for quality and location (Kadi 2015).

Eventually, like so many other countries did before, Austria went through a privatization period under the coalition’s leadership of the conservative ÖVP and right wing FPÖ, which started in 2000. The parties decided to sell housing units under federal ownership to private investors to reduce public debt and recalibrate the federal budget. After the interest of the LPHAs holding the units was very low initially, the government decided to implement a new “opt-out” law in which associations had to opt out of privatization to keep their LPHA status. This was the critical moment for the privatization of Austria’s public housing stock as the new law involved 22% of all subsidized public housing units, and their assumed *modus operandi* was privatization. All associations involved but not under federal ownership opted out of this law and remained LPHAs. However, the five federal associations, which had been responsible for a tenth of social housing production in the previous decade, were privatized. Together, they had held 61,000 units. Even after the units started to be offered for sale, current tenants were not as interested as the federal government would have hoped, and they instead brought in the

financial firm Lehman Brothers to administrate the sale. Most units were sold in 2004 to a conglomerate of banks, insurance, and real estate companies. The financial benefits of the sale remain contested today. Officially, existing rents are not allowed to be increased, but critics argue that the private investors, which had to be interested in the financial promises of the sale, can use other methods to increase rent. However, the conglomerate of investors were all Austrian companies making them more directly accountable than large international investors.

Overall, privatization has decreased social housing stock in Austria, and privatization without viable alternatives for affordable housing does not necessarily have a sustainable positive influence on the public budget. Instead, it could have long-term effects on the public budget as private rents increase and housing becomes less affordable (Mundt 2008). After 2008, another policy change started to affect social housing: a further increase in provinces' autonomy to spend funds from the federal government at their discretion that have formally been tied to housing construction (Kadi 2015). The government in those years also weakened tenant rights through policies such as the Tenancy Law of 1993, which was later adapted further by the government. The law allowed landlords, for example, to charge additional rent for better locations, and while relatively stable until 2010 at around 1€ per square meter in better locations, they now reach up to 4.60€. Furthermore, new policies excluded specific dwellings such as detached, semi-detached, or attic conversions from the law, which decreased the stock of rent-controlled housing, fully commodifying private-rented housing and further weakening tenant rights. These policy shifts have weakened the redistributive capabilities of housing (Friesenecker and Litschauer 2021).

Austria Today

Austria's corporatist welfare tradition led to low rents and almost universally accessible social housing through laws and regulations. The influence of this welfare regime on housing has been described and compared to Germany, which shares many characteristics (Matznetter 2002). Despite a transformation of regulations and public debate throughout the past two decades, housing is still regarded as a human need. Although there are formal limits for access to social housing, over 80% of the population is eligible. Universality has been a significant historical aspect of social housing in the country. Furthermore, tenant incomes are not monitored after they move in, which creates stability and security for renters. Overall, nearly 80% of new residential construction benefits from some public subsidies, and the rental sector, which has a strong tradition, represents 41% of the housing stock compared to 50% in owner occupation and 9% in other tenures (Reinprecht 2014). Social housing dominates the large rental sector with 59%, a significant increase from only 40% in the 1980s. These numbers account for 880 000 social dwellings in Austria, representing almost a quarter of all housing units (Reinprecht 2014). Around two-thirds of social housing units in Austria are managed by non-profit and limited-profit housing associations, while about another third is managed by public authorities. Social housing is generally situated in multi-story buildings where they represent 42% of all units compared to 26% in the private market (Reinprecht 2014). The social sector also has a role in construction, with one-third of construction carried out by non-profit and limited-profit housing associations (Reinprecht 2014). Newly developed social housing dwellings are of similar quality as those built for the private market. Social housing construction peaked in the mid-90s and late 2000s, but

construction has decreased, especially by states and municipalities, which today are only responsible for 1% of new construction compared to 35% in the 1950s. This is due to public financial pressure and neoliberal housing policies starting in the early 2000s and the decrease of the country's corporatist structure, most visible in the decline of bricks-and-mortar (object) subsidies and their replacement by personal benefits (Reinprecht 2014). An example of these policies is the right-to-buy policy for social housing tenants introduced in 1994. Since 2000, rents have increased by 35% overall, and especially private sector prices have increased drastically (Reinprecht 2014). The overall de-corporatization and marketization of housing are visible in Austria through the decreasing involvement of the federal state in housing matters and the neoliberal policies of the nine regional governments. Directly provided housing is shrinking and being replaced by other programs. Tenant organizations have decreased, and the existing participation schemes are not as effective in representing tenants' collective interests. Meanwhile, the role of for-profit companies and international investors increases steadily (Reinprecht 2014). The observations above are in line with those suggested by Kemeny. Given that Austria is a unitary housing system, the social market competes with the private one in price and quality. Furthermore, the neoliberal policy shift throughout recent decades has had its effect on Austria's social housing system with decreasing trends in construction and object subsidies. Overall, the significant role of social housing in Austria and the strength of the rental market and non-profit institutions is apparent. Although it might not be as pronounced as in Vienna, Austria is a social housing stronghold in Europe.

Further Details

Additional details about social housing in Austria that are relevant in this context are: First, provision: Social Housing in Austria is provided by municipalities and LPHAs, with the latter providing a larger share. They are regulated by laws such as the Tenancy Act, concerning rent levels and security of tenure, and the Non-Profit Housing Act, concerning management and financial conduct (Reinprecht 2014). The ownership and management structure is extensive:

“At present, around 200 limited-profit housing companies are active in Austria, managing 840 000 flats. About half of the flats (47%) are managed by housing cooperatives (self-governing ‘solidarity’ organisations with around 440 000 individual members), 23% by firms majority-owned by public authorities, 26% by firms majority-owned by civil society actors (trade unions, churches or private associations) and 4% by firms majority-owned by other companies (company housing)” (Reinprecht 2014, 65).

Second, funding structure: Social housing is financed by national, regional, and local authorities and various other actors. Most funds, three-quarters, are provided from federal transfers to regions. Furthermore, there has been a shift in financing because of the changing roles and autonomy of the regions and the slow but steady shift from bricks-and-mortar subsidies such as construction and renovation to direct subsidies for consumers. Third, rents: Historically, Austria has had a strong rent regulation and was cost-based for both public and private housing. However, this situation has changed significantly since the 1980s and especially after 2000. Generally, buildings built before 1953 are regulated through a benchmarking system, while those built after are not regulated (Reinprecht 2014). While 41% of rents were regulated in 1970, only 9% were in 2011. Meanwhile, contracts without any regulations are up to 27% compared to 13% in

1970 (Reinprecht 2014). Fourth, demographics: While municipal housing is oriented towards the working class and low-income groups, non-profit housing also attracts the middle class. While the wealthiest households are underrepresented and poor households are overrepresented, especially in municipal housing, the social structure of tenants in social housing is a relatively accurate overall representation of the population structure (Reinprecht 2014). Finally, critiques: The neoliberal policy changes in recent times challenge the social housing system in Austria because it is challenged by for-profit actors, and even social rents slowly align with private rents. Furthermore, the system faces criticism concerning its universalist nature compared to a more tailored approach for those most in need. Finally, with demand increasing and a slow response in supply combined with an overall increase in inequality, the effectiveness of social housing is questioned (Reinprecht 2014). However, compared to other European countries, Austria's social housing remains a stronghold. In comparison to Germany, Matznetter states that,

“In Austria, the whole armoury of post-war social housing is still in place: rent setting is now diluted and close to market rents, but still in force for old contracts; the non-profit sector has lost market shares to the profit sector, but cost renting and cost selling are still the dominant principles within subsidised new construction (which was about 75 per cent of all new construction in the 1990s); the federal state budget on housing is now frozen at 1996 levels, but will be exempted from further restrictions by the pre- sent rightist government; tax concessions have largely been avoided, leaving direct subsidies, and particularly object subsidies, as the favourite instrument of housing policy. In short: in Austria, the post-war model of social housing has been better preserved than in many other countries of the continent” (Matznetter 2002, 267).

Although more has changed since the early 2000s, the pro-social housing position of the country remains, and many will continue to look to the country to make housing more affordable for all of their citizens.

The Post-1980s Social Housing Period in Vienna

During the neo-liberalization of policies across European countries and partially on the federal level in Austria, Vienna tried to remain true to its focus on public housing. Nonetheless, some changes to the system passed that had a significant impact. They were motivated not only by federal pressure but also by Vienna's central position in Europe after the eastern extension of the European Union (EU) and the pursuit of international competitiveness (Kadi 2018). One of the system's changes was focusing on renovation instead of construction because of the lack of quality of some of the older housing units built after the war. Private housing units were, therefore, also able to receive public subsidies for renovation. This is referred to as the diversification of subsidization (Kadi 2018). The second change was a rise in the commodification of housing, for example, through the involvement of external for-profit entities in the structural organization of public housing, such as calculating costs. Other such developments were also the loosening of tenant rights in the 1980s or the reorganization of the federal funding structure to give more autonomy to provinces (Kadi 2018). This autonomy means not only decentralization of subsidies but also allows provinces to decide how to use these subsidies and even allows them to spend them on issues other than housing (Kadi 2018). Despite a continuous commitment to public housing, other policies in Vienna threaten the extent of social housing. For example, a right-to-buy option for social housing tenants

from the mid-1990s poses a continuous risk of a sharp decrease in social housing units if tenants use this option more frequently (Kadi 2018).

Further, the city stopped the construction of municipal housing in 2004, leaving it entirely to LPHA, which followed some different procedures that could make it less accessible for tenants than municipal housing (Kadi 2018) (Kadi and Vollmer 2018). This is problematic for housing affordability because many LPHA housing units require an initial payment, creating a barrier to entry for many that did not exist in municipal housing (Kadi and Vollmer 2018). Finally, the city gives out many subsidies to for-profit companies that can remove units from the public sphere after around 30 years, which could lead to a sharp decrease in social housing units after this period ends. Such policies have led to a considerable lack of social housing in cities such as Berlin or New York (Kadi 2018). Vienna's social housing system is more sustainable than other cities' due to social consensus and the support of various interest groups. However, it also makes it difficult to renew and adapt through "bottom-up participation" and "democratic decision-making" because the mechanisms and institutions have remained stable for decades (Kadi, Vollmer, Stein 2021).

The city also continues to dedicate large parts of its budget, about 550 million Euros annually, towards social housing. Most of this budget is also allocated to *Objektförderung*, which focuses on the construction and renovation of housing, instead of *Subjektförderung*, which subsidizes individuals (Kadi and Vollmer 2018). The ratio of object to subject subsidies is about 80 to 20 compared to 10 to 90 in Germany (Kadi and Vollmer 2018). Another critical factor in Vienna's efforts against commodification is that the city has not sold any of its municipal housing, a rarity in European cities.

Despite these efforts, a shortage of units and neoliberal policies that make it more expensive and less accessible threaten affordable social housing. This issue has also been shaped by the liberalization of the private market, which starkly contrasts the social housing sphere, as rents are rising significantly (Kadi 2018). Between 2004 and 2016, household spending on housing increased from 16 to 25%, and forced evictions have become a norm (Kadi and Vollmer 2018). Although Vienna has not solved its housing issue, the city continues to fight for accessible and affordable social housing, which has been a political priority for over 100 years. The role of the SPÖ/SDAP is essential to point out here because of the party's continuous position in power since 1919 (excluding the Nazi regime). The party's commitment to social housing and its connected positive affiliation with the electorate is partially responsible for the program's longevity despite the changes and challenges on the federal and global levels. The commodification of housing that has come along with the neoliberal policies introduced in many European countries, cities, and even at the federal level in Austria has been prevented to a large extent in Vienna. Compared to other cities, it becomes clear how strongly the city and its citizens believe in the importance of housing as part of the welfare state and how impactful their efforts have been historically and until today.

Vienna Today

To address political and demographic challenges, such as population growth, as well as the EU budgetary and state aid regulations, Vienna shifted from municipal construction to a hybrid model with LPHAs in which the municipality remained in charge of goal setting, but many technical and economic aspects were transferred to associations. LPHAs are regulated by the Limited-Profit Housing Act of 1978 and can be organized as

cooperatives, member-owned, or registered as limited liability corporations. Their limitation in profit is set to 3.5%, and they are legally obligated to reinvest profits in exchange for which they receive tax exemptions. Overall, the city-government attempts to distribute new social housing across the city to combat segregation (Friesenecker and Litschauer 2021).

Vienna uses three interrelated policy instruments to steer social housing development and innovation. First, active land banking and zoning policy guarantees affordable building plots. This works primarily through the city-owned land provision fund established in 1985. Its main objective is acquiring central land to keep prices low, limit competition between (limited-profit) developers, and secure land for future urban development. The fund started buying land in the 1980s but had to face competition from private developers starting in 2008, which increased prices. A new social housing zoning category established in 2018 combats this as large newly zoned buildings are obligated to offer half of their units at a subsidized price with rent caps and have to ban resale for the duration of the public subsidy. Second, in contrast to many other European cities, the city subsidized housing construction rather than personal allowances to ensure low housing costs. In 2017, half of the public expenditures were allocated to construction, 34% towards subsidized renovation, and 16% to direct housing allowances. Due to its status as a *Bundesland* (province) and a municipality, Vienna has been responsible for its housing subsidy allocation since 1989. These are primarily financed through a 1% housing tax on wages shared equally between employers and employees and then collected by the national government, which distributes it to the provinces. This allows the city to develop subsidy schemes autonomously, select criteria such as target groups or income limits to

allocate housing units, and steer rent during the duration of the subsidy, usually spanning 40 years. Third, the developer competitions are held by the land provision fund. They were introduced in 1995 to ensure social orientation and housing quality and determine the allocation of city-owned property for projects with 500 units or more. The jury for these competitions comprises experts in architecture, urban design, or ecology and district and city representatives. Selection is based on economic, architectural, ecological, and social sustainability criteria and aims to ensure social housing quality and social innovation (Friesenecker and Litschauer 2021).

Vienna's tenure structure remained relatively stable from 1991 to 2018, with the rental sector making up 70% of residencies compared to 20% ownership. About 57% of rental housing is social compared to 43% in the private market, which means that social housing still competes with the private rental sector. The major shift within social housing is from municipal to LPHAs which have increased their housing stock from 16% to 28% while the municipal stock has remained stable which creates a dualization within social housing due to the different barriers of entry (Friesenecker and Litschauer 2021). There has also been a shift within the private rental sector as the share of rent-controlled units had decreased sharply since 1991 when over 90% of rental units were rent-controlled, and in 2021, about a third of them were part of the free market. Furthermore, the introduction of time-limited contracts created tenure insecurity, as 40% of private rental contracts were time-limited in 2018, up from only 11% in 2005. This increase was even more profound in the free-market segment, where 55% of contacts were time-limited, up from 12% within the same period. About two-thirds of new rental contracts are now time-limited, representing a dualization within the private rental market as

unlimited private rental becomes a rarity for new tenants. This dualization also exists between the social and private markets, and social housing contracts remain unlimited. However, social housing becomes increasingly difficult to access as 60% of new rental agreements are made within the private market with municipal and LPHA housing sharing the other 40%. Tenure security, therefore, becomes a luxury only available to existing tenants of social housing. Despite the stability of Vienna's tenure structure, shifts within the rental sectors create dualization between tenants and seekers of (social) housing (Friesenecker and Litschauer 2021).

The idea of "housing for all" in Vienna emerged in the "Red Vienna" period. It was made possible through an extensive social rental sector and rent control in the private market. The policies in place today were first introduced after World War II and were based on the ideas of housing as a fundamental human right, universal accessibility, and the prioritization of object-oriented housing subsidies for construction over individual housing allowances, making the system more sustainable. Historically, social housing could compete with the private market, further decreasing tenants' rent. However, problems such as rising income inequality, demographic change, immigration, property price increases, and housing policy deregulations due to neoliberal ideology that have emerged in many European cities throughout recent decades have also become more significant in Vienna. Population growth and migration had a particularly significant impact on the city's housing challenges. Additionally, two policy shifts shaped the housing framework: first, the delegation of social housing construction from municipalities to LPHAs, and second, the deregulation of rent controls in the private rental segment. Compared to the national level, social housing numbers further increase

in Vienna, where almost half (46%) of all dwellings are social housing. Furthermore, 23% of housing is owned by the municipality compared to an average of 10% across Austria (Reinprecht 2014). Although Vienna never sold its municipal housing stock, municipal construction ceased in 2004 after a steady decrease and was reintroduced in 2016, with only 4000 units under construction in 2021. Therefore, LPHAs have become the leading developers of new social housing (Friesenecker and Litschauer 2021). The introduction of LPHAs served the housing provision of cooperatives and decent staff housing for employees. After World War II, the municipal sector focused on housing the masses and improving housing quality, while the LPHA sector improved construction quality and experimented with alternative forms of housing. The sectors were supported by national housing subsidies and the reintroduction of the non-profit housing law, respectively (Friesenecker and Litschauer 2021).

However, there are significant differences between municipal housing and LPHAs. First, while rents remain relatively stable across both, the down payments for LPHA housing are much higher than for municipal housing, creating a barrier of entrance mainly affecting low-income households. Second, eligibility criteria differ as LPHA housing is almost universally available due to a high-income threshold of 47,000€ for a single-person household and 90000€ for a family with two children. In comparison, municipal housing is more targeted toward young adults, single parents, and vulnerable groups because of additional criteria considered in tenant selection, prioritizing those mentioned above. Third, LPHAs are regulated at the national level, which created challenges for Vienna in their steering ability in housing matters. Specifically, the extent of funding, regulations for different housing units, and legal status of LPHAs were all

determined at the federal level. If Vienna grants a housing subsidy, the city can allocate one-third of the housing units for the duration of the subsidy loan, which has proved as a viable alternative to provide vulnerable groups specifically with affordable housing. Furthermore, the city introduced SMART apartments in 2012, which target low-income households due to a much smaller down payment and reduced housing costs. Half of all subsidized dwellings must be SMART, giving the city further capabilities for targeted allocation. Thus, in response to various pressures to change housing policy, the city retained some control over housing through policy instruments while increasing differences in housing quality depending on the targeted tenant group, thereby creating risk and differential effects across low-income and immigrant groups (Friesenecker and Litschauer 2021).

Vienna continues to address the challenges of housing as recent policy updates show the city's commitment to affordable housing:

„Vienna changed its building code in 2018, attempting to limit land speculation and land-price increases, which is – together with declining land availability – the biggest challenge for Vienna's housing policy. The new building code will include 'areas for subsidised housing', in which two thirds of all new apartments must be built as rent-controlled housing as a condition for rezoning" (Marquardt and Glaser 2020, 9)

Chapter 7: Conclusion

Overview of findings

The housing systems in Berlin and Vienna had a turbulent history starting in the late 19th and early 20th centuries. In the post-World War I years, housing was established as a part of federal and local politics as a response to the cities' housing crisis.

Governments used them to allocate housing units, regulate new developments, and gain political support from tenants. Berlin especially experienced significant shifts after its establishment as *Groß-Berlin* in 1920 and the rapid increase in population since the 1870s. World War I caused uncertainty regarding housing due to death, migration, and physical destruction. Politicians reacted with, at the time, radical new protection for tenants and reallocation of housing. Although significant for housing overall, the period cannot explain the differences in housing today.

The uncertainty in the aftermath of the war led to new movements in both cities, most notably the squatters movement in Vienna, which played a significant role in shaping the Red Vienna period and the housing policy of the social democratic party. The Weimar Republic in Germany in Berlin had a similar, though less sustainable, effect in which workers mobilized and demanded workers' rights and protection, including housing. Both cities experienced a significant increase in social housing construction during these years. However, both lived through significant political uncertainty, which halted social housing progress, especially in Berlin. This period undoubtedly shaped social housing in both cities and its effects last until today. Both cities remain unitary markets, the foundation of which was built in the interwar years. However, the Weimar Republic did not have the same long-lasting impact as the Red Vienna period because it

did not link a party and its ideology so closely to social housing. Despite this significance, the interwar period cannot be made responsible for the divergence of the cities because they fundamentally moved in the same direction ideologically. Berlin's movement might not have been as significant as Vienna's, but it also mobilized workers and led to increases in social housing.

World War II caused even more destruction and death than World War I, and the Nazi housing policies ended many of the innovative social housing ideas that stemmed from the interwar years. The first years following the war included massive housing reallocation programs and rebuilding efforts, but they were mainly a response to the physical destruction. By the 1950s, partition had divided Germany, Austria was ruled by a grand coalition for the second time in a row since the war, and the Cold War became a political reality. This period was the starting point of divergence between the cities. Nevertheless, in these years, there was consensus regarding social housing in Austria and Vienna. The grand coalition in Austria shared over 80% of the votes and, for different reasons, pursued a pro-social housing policy. In Vienna, the social democrats had been in power since the First Republic after World War I, excluding the Austro-fascism and Nazi regimes, and continuously supported and developed social housing.

In contrast, Berlin and Germany were shaped by the political divide. In Western Germany overall, pro-market housing ideology was a logical consequence of the country's political stance and the source of their aid being mainly Anglo-Saxon countries where social housing was not considered an essential aspect of the welfare state. Homeownership was strongly incentivized, and although it was built at new peak rates, social housing was seen as a temporary solution. Most social dwellings constructed were

eventually privatized and integrated into the private market. This integration was not a loophole used by private developers but rather an essential point of government subsidies and policies. Berlin specifically was used as a showroom for the results of the respective ideologies. The city also experienced a new peak of social housing construction, but almost all were either privatized or their rents increased so much that they did not differ from the private market. By 2018, 60% of social housing units in the city were owned by individuals or for-profit companies (Holm 2020). Although social housing played a much more significant role in the East, it is less relevant today due to privatization following reunification. This period can be considered the most significant in the cities' divergence from each other as the policies pursued on the federal and city level shifted in opposite directions.

The years following reunification were a continuation of privatization in Germany and Berlin, caused by the political “victory of the market” and the temporary character of the social housing units built during the Cold War. Although they brought further liberalization and power to the market, they were a continuation rather than another shift and can therefore be understood as a perpetuation of the divergence rather than a starting point. Austria experienced the first radical neoliberalization of housing around 2000 when a coalition of the far-right and conservative parties privatized large portions of the public housing stock. However, Vienna continued its pro-social housing stance under social democratic leadership and continues to resist the commodification of housing on the federal level (Kadi, Vollmer, and Stein 2021). Although all periods discussed in this thesis were significant for social housing in both cities, the Cold War left behind two diverging social housing systems. While Vienna continued to pursue long-term,

universally accessible social housing, Berlin had shifted to a pro-market system in which homeownership was incentivized and social elements were temporary before privatization. The differences visible in the cities today, including price, quantity, and political significance, all stem from this period. Although both resisted the extent of neoliberalization and housing commodification at the federal level, Vienna was more consistent but also faced less significant commodification incentives from the federal level. They also experienced commodification efforts at the federal level decades after Berlin when social housing had continued to establish its importance. Today, Berlin seeks solutions to their housing crisis, including decommodification efforts (Kadi, Vollmer, and Stein 2021). Whether they are successful will need to be discussed in future research.

Significance

The findings of this thesis help to understand the importance of historical development for current social housing systems. Much of the existing housing and welfare literature would suggest that Berlin and Vienna are similar in their social housing systems, given their geographic and political characteristics. Their classification in the same group by welfare and housing typologies holds, but their differences become more apparent through the examples discussed in this thesis. Furthermore, this thesis gives insights into the relationship and influences of the federal and city level. Although federal policies create a framework for cities to operate in, local policies enable them to resist federal policies and pursue their own ideals. Vienna serves as a prime example of this, especially during the years of housing commodification in the early 2000s. Berlin also shows the power of the city but also exemplifies the importance of federal policies and ideology. Today, Vienna remains a public housing stronghold with social housing

making up 43% of the housing stock while Berlin has less than 6% ((Marquardt and Glaser 2020). These numbers are unlikely to grow significantly since construction of new social housing happens on a much larger scale than in the interwar years or the post-World War II period. The findings and comparison between the federal and city-level show that there are clear differences between the two. Although most housing research focuses on the national level, this can simplify the differences within countries. Berlin and Vienna are good examples for this phenomenon and show that a city-level analysis is highly relevant for housing. Furthermore, it shows how city-level analysis can play an important role in housing typology because, using Kemeny's unitary and dualist framework, although cities are likely the same type as the countries they are in, we can see that there are differences within these types that occur between the federal and city level.

Future Research

Finding, collecting, and putting together historical data about housing on the city level would be an essential addition to housing research and enable a more data-based analysis. Using this data and the methods used in this thesis for other cities in Europe and across the globe could lead to further insights into housing policy and outcomes. Further, differentiating between other groups within housing and welfare typologies would be exciting. Similar to the differences within the unitary market, there will be differences within dualist markets. Identifying them will help to better understand social housing systems across the globe in countries and cities. Another potential avenue for further research would be interviews with current and former politicians that can give insight into their reasoning and motivations for housing policies. Although many innovators of

social housing taxes are no longer alive, archival research could help us understand them better. Finally, although it has only been addressed tangentially in this thesis, continuous research about the role and importance of housing in the welfare state will be important for policymakers.

Further analysis of the international political situation could also help to understand the divergence between countries and cities during the Cold War period. The leading roles of the United States and the Soviet Union from an ideological perspective shaped the policies in countries belonging to the “Eastern” and “Western” blocks. Financial aid and political support from the superpowers were based on ideological obedience. Berlin exemplifies this conflict as it was used by both sides to exemplify the benefits of their system and outperform the other side. The argument of this thesis is based on the differences in ideology in Germany and Austria and they were shaped, if not dictated, by the larger political forces of the time. Further analysis of this international political situation could help explain further housing differences across the continent and globally.

Although it has mainly been addressed theoretically, housing is a reality for people worldwide. The housing outcomes of the divergence between Austria and Germany led to significant implications for all citizens of Vienna and Berlin. Political decisions about housing have an ideological base but also influence lived experiences for all. Affordable and adequate housing is a human right. Therefore, the findings of housing research can have positive impacts on millions of people. With housing crises in cities across the world, there could not be a timelier moment for housing research to expand further.

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