Adjustment, resistance, or system shift? The Swedish housing regime at the crossroads

Bo Bengtsson
Uppsala University, Institute for Housing and Urban Research
and
Malmö University, Department of Urban Studies
Email: bo.bengtsson@ibf.uu.se

Abstract

The paper discusses the ongoing development of Swedish housing policy and institutions in relation to the EU competition law and new national legislation about municipal housing companies and rent-setting. The current development represents a serious challenge to the institutionalized Swedish – universal and corporatist – housing regime with its roots in the 1940s. The paper combines historical and future-oriented perspectives and relates the argument to theories of path dependence and change. The future development of Swedish public housing is discussed in relation to three alternative scenarios: adjustment, resistance and system shift.

Paper for the 5th Real Estate Workshop in Malmö May 9–10 2016
Adjustment, resistance, or system shift? The Swedish housing regime at the crossroads

Bo Bengtsson

Introduction

This paper discusses the ongoing development of Swedish housing policy and institutions in relation to the EU competition law and new national legislation about municipal housing companies and rent-setting. The current development represents a serious challenge to the institutionalized Swedish – universal and corporatist – housing regime with its roots in the 1940s. The paper combines historical and future-oriented perspectives and relates the argument to theories of path dependence and change. The future development of Swedish public housing is discussed in relation to three alternative possible scenarios: adjustment, resistance, and system shift.

Outline

The paper starts out with a short presentation of the main characteristics of the Swedish housing regime. Previous research has shown that path dependence is generally strong in housing provision, and in the second section of the paper the theoretical argument behind these claims is briefly outlined.

The main part of the paper is ordered largely chronologically: first historical background, then ongoing processes, and finally future scenarios. In the third, the historical background of the Swedish housing regime is presented in a perspective of path dependence and the mechanisms of efficiency, legitimacy and power. The fourth section describes and discusses the recent change in the regulation of municipal housing companies and collective rent-setting. These institutions are two of the main pillars under the Swedish housing regime that has been developed over a period of perhaps 70 years, and the new legislation represents a challenge to that regime. The ongoing implementation of the legislation is analysed in terms of path dependence and change. In the fifth section, three scenarios of the future development are outlined and discussed.

In the concluding section the findings are discussed in terms of path dependence and change. How relevant is such a perspective for understanding the development of the Swedish housing regime?

The Swedish housing regime – institutional background

The concept housing regime can be defined as ‘the social, political and economic organization of the provision, allocation and consumption of housing’ (Kemeny 1981, 13). The Swedish housing regime can be summarized in terms of four distinctive characteristics or pillars:

(1) a universally oriented housing policy without any specific sector of ‘social housing’ based on individual needs or means testing;

(2) a public rental sector with municipal housing companies (MHCs) professionally managed at arm’s length distance from political influence and providing housing for all types of households;
(3) an integrated rental market with formal links between rent-setting in the public and private rental sectors – in contrast to so-called ‘dualist’ rental markets where one part of the rental stock is allocated along pure market principles and the other on the basis of needs testing (cf. Kemeny 1995);

(4) a ‘corporatist’ system of centralized rent negotiations between (public and private) landlords and representatives of a strong and influential national tenant movement.

These four characteristics – the universal orientation, the MHCs, the integrated rental market, and the corporatist system of rent-setting – are to some extent interrelated. It is difficult to imagine a corporatist system of rent-setting in a selective housing regime with means testing, or in a dualist rental market where the public sector functions as a strictly regulated ‘command economy’ for households of lesser means (cf. Kemeny 1995). A rental sector of ‘social housing’ with means testing would hardly give room for collective rent negotiations, and in a completely unregulated rental market it would also be difficult for a collective of tenants to build up a strong bargaining position in relation to the landlords.

This means that the combination of the four elements is what really defines the Swedish housing regime. Universal systems of housing provision exist elsewhere, and so do different forms of municipal housing management. We find integrated rental markets in other European countries, e.g. in Denmark. The only truly unique element of the Swedish housing regime is the corporatist system of rent negotiations, where tenants are represented at the negotiation table by tenant unions. The institutionalized corporatist position of the Swedish tenant movement is not based only on their membership – which is uniquely high – but also on the broad acceptance of the organization as a responsible counterpart that can be expected to look beyond short-term member and organization interests.

The new legislation, together with other developments related to the EU, challenges primarily the role of the MHCs and the corporatist system of rent-setting. Indirectly, however, the other elements of the Swedish housing regime – the universality and the integrated rental market – may also be affected.

**Housing and path dependence – theoretical background**

During the last decades the concept and perspective of path dependence has been given growing attention in historically oriented social science. Path dependence is often seen as the basic causal mechanism in historical versions of institutional theory (e.g. David 1985; 2007; North 1990; Putnam 1993; Hall & Taylor 1996; Sewell 1996, 2005; Thelen 1999; Mahoney 2000; Pierson 2004). The general idea is that if, at a certain point in time, the historical development takes one direction instead of another, otherwise feasible alternative paths will be closed – or at least difficult to reach – at a later point. This can be analysed either as self-reinforcing or reactive sequences (Mahoney 2000, 508–509).

Critics sometimes claim that the concept of path dependence is rather empty and says nothing more than ‘history matters’. To avoid such criticism some authors define the concept rather strictly as something like ‘historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties’ (Mahoney 2000, 507–508). Such a strong definition, however, risks falling into another trap; since deterministic causation can seldom be
claimed in the social sciences, the concept would be difficult to apply to analysis based – explicitly or implicitly – on social action. A weaker definition would see path dependence as a historical pattern where one event, which is more or less contingent, considerably changes the probability of subsequent alternative events or outcomes. This would transform the demarcation line between contingency and determinacy into a matter of degrees (cf. Crouch & Farrell 2004). Path dependence analysis would then focus on historical events and specify in theoretical terms the elements that build up the path between those events. The empirical challenge is not to ‘prove’ whether history matters (which it always does) but to identify in what respect and via what type of mechanisms history matters in a certain context.

In actor-based historical analysis the typical case of path dependence is where actors more or less deliberately design institutions at point (or points) A, a so-called ‘critical juncture’ (Collier & Collier 1991), institutions which at a later point B, a ‘political focus point’, define the rules of the political game between the same or other actors. In retrospect, the historical development can be perceived as an on-going and self-reinforcing, although not necessarily deterministic, chain of games between actors, institutional change, new games, new institutions, etc.

The mechanisms of path dependence that have been suggested in the literature may be summarised as efficiency, legitimacy and power. This means that the (relatively) contingent events at point A would make some alternatives appear to be more efficient, more legitimate or more powerful at point B. The efficiency mechanism of path dependence has to do with the coordinating capacity of established institutions and the transactions costs of changing them (cf. North 1990; Hall & Taylor 1996, 945; Pierson 2000). The legitimacy mechanism may influence either what political actors themselves see as legitimate or their perceptions of what is legitimate in the society at large. Correspondingly the power mechanism may affect either actors’ own power or their perceptions of power relations in the larger society. The power mechanism may also have an impact on which actors are allowed to take part in the decision-making at point B (cf. Thelen 1999, 394–396).

In housing studies, the general idea that history matters has certainly not been overlooked, and recently a number of studies have also applied an explicit perspective of path dependence. (See Bengtsson 2009 for a review; cf. also Malpass 2011. Bengtsson & Ruonavaara 2011 discuss some methodological aspects of studying path dependence – in housing and more generally.)

It appears that a perspective of path dependence is particularly fruitful for analysing precisely housing institutions and policy. First of all, a well-known characteristic of housing provision is the longevity and physical sluggishness of the housing stock per se, often discussed by economists in terms of the ‘peculiarities of housing markets’ (Stahl 1985; Arnott 1987). Since housing estates have an average lifetime of 50 years or more, only a marginal percentage of the stock is replaced by new production in a certain year. Because of this, political measures aimed at affecting new construction normally have their full impact on the supply of housing and the urban structure only in the very long run. This can be seen as a structural version of the efficiency mechanism of path dependence.

On the ‘demand side’, the social importance of dwelling and the high emotional, social and cultural attachment costs (Dynarski 1986) related to a household’s transfer from one dwelling in one housing area to another adds to the sluggishness of the housing market. There are also non-economic constraints, from politically defined norms of eligibility to outright discrimination. Together such
mechanisms – be they based on economy, legitimacy or power – add to the path dependence of housing provision.

Second, housing policy in Western countries can be perceived as the state providing correctives to the housing market. This means that market contracts serve as the main mechanism for distributing housing, while state intervention has the particular form of correctives, defining the economic and institutional setting of those market contracts (Bengtsson 2001; cf. Oxley and Smith 1996). This is why housing has been dubbed ‘the wobbly pillar under the welfare state’, without clear standards, responsible state institutions or well-defined rights to take legal action for recipients (Torgersen 1987, 116–118).

In principle housing is distributed by means of voluntary contracts between buyer and seller, between landlord and tenant, and so forth. Housing is defined as an individual good, which, as far as possible, should be distributed in accordance with consumer preferences. In a policy field based on market distribution the main state institutions are those that define the rules of the game in that market, in housing crucially tenure forms and other types of market regulations, including non-profit organizations acting in the market. (‘Housing tenures are institutions, sets of practices that regulate a particular field of human action and interaction’; Ruonavaara 2005, 214). Housing tenures define the rights of exchange and possession that are fundamental to a capitalist economy. Even if there are no formal or technical constraints against changing such rules, political self-restraint may be expected, e.g. against forcing through major changes with the support of only a narrow parliamentary majority. This would be an example of the legitimacy mechanism of path dependence. Furthermore, the longevity of housing estates provides unique prerequisites of long-term financing, which in turn means that both lenders and borrowers have a strong interest in predictable rules.

Third, the fact that housing is ultimately distributed in the market may also work as a constraint to political change. E.g. for a new housing tenure to be successful it is not enough that it is supported by politicians and voters; consumers must also be prepared to pay for it in the housing market – and producers to supply it. This can be seen as a variant of the power mechanism of path dependence.

The peculiarities of housing markets, the central role of voluntary contracts and the market orientation of housing policy make housing policy more path dependent than most other policy fields. The tenure forms and other institutional conditions that are established at point 1 and institutionalized at point 2 have proven to be highly resistant to change at point 3. The perseverance of the Swedish housing regime has been a good example of this. Despite social, political and economic change over the years, the institutional order that was built up between 1945 and 1975 has largely survived: Swedish housing policy is still universal, based on MHCs and a system of collectively negotiated rent-setting (cf. Bengtsson 2013). Recently several studies of other national housing regimes with a perspective of path dependence have also been published (e.g. Kleinman 1996; Lowe 2004; Lawson 2006; Bengtsson, ed. 2013; Lévy-Vroelant, Reinprecht & Wassenberg 2008; Malpass 2011; Kohl 2015).

An institutional history of Swedish housing provision

This section (largely based on Bengtsson 2013) gives a brief historical background to the Swedish housing regime up to the recent challenge from the EU competition legislation. The perspective is path dependence with a focus on how decisions taken at one ‘point B’ are conditioned by what has
been established and institutionalized by previous decisions and developments starting from an earlier ‘point A’. We cannot understand what happens at point B without some perception of the historical conditions in terms of the actual and perceived efficiency; legitimacy and power of existing housing institutions established at point A (Bengtsson & Ruonavaara 2011).

Four historical decision-making processes are of particular importance for understanding the Swedish housing regime today. These are: (1) the post-war housing programme of 1945–48; (2) the new rental policy of 1966–68; (3) the policy revision of 1974–75 and (4) the ‘system shift’ initiated by the Bildt Government 1991–93. The first of these ‘critical junctures’ was the starting point for the universal housing policy, and the second marks the formal institutionalization of the unique system of rent-setting. The policy revision of the 1970s takes place in the wake of the famous and infamous Million programme 1965–74, when one million dwellings were constructed in ten years – an impressive number for a country with less than 8 million inhabitants. The ‘system shift’ of the 1990s is the starting point of a development towards diminished state engagement in housing provision.

The post-war housing programme of the 1940s
In the years following World War II a number of important decisions on housing were taken by the Swedish parliament. The foundation was laid to the universal housing policy that has prevailed since. A permanent order of housing finance with state loans to all tenure forms was established based on a provisional system introduced in the last years of the war (path dependence!). Another of the four pillars of the Swedish housing regime was also raised when the cost-based municipal housing companies were given their present ‘universal’ role to provide housing to all types of households regardless of income. (There is a path backwards in history here too, since MHCs had been initiated in the 1930s with the ‘selective’ task of providing housing for families with small income and many children.)

In hindsight the decisions from this period stand out as the most formative for the Swedish housing regime. In their new role MHCs were expected to preempt speculation and make housing production and management more stable and less sensitive to market fluctuations. The pre-war selective support to producing housing estates for poor household with children was replaced by housing allowances in cash. The universal role of MHCs was also the basis of the integrated rental market where private and public housing in principle were to compete for the same households.

The municipalities’ central role in housing provision and their responsibility for land use and physical planning was also laid down and specified in new legislation. In the following years most municipalities of some size founded MHCs, and within three decades the public share of the housing stock increased from 6 to 23 per cent.

The table below shows how the distribution between tenure forms has developed since 1945. Since there has been no population and housing census since 1990, the figures after that have been estimated by other means (see Bengtsson 2013, 122–123).
**Swedish housing stock by type of tenure 1945–2011**

<table>
<thead>
<tr>
<th>Year</th>
<th>Home-ownership</th>
<th>Cooperative</th>
<th>Public rental</th>
<th>Private rental</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>38</td>
<td>4</td>
<td>6</td>
<td>52</td>
<td>100</td>
</tr>
<tr>
<td>1960</td>
<td>34</td>
<td>9</td>
<td>14</td>
<td>43</td>
<td>100</td>
</tr>
<tr>
<td>1970</td>
<td>34</td>
<td>13</td>
<td>23</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>1980</td>
<td>41</td>
<td>14</td>
<td>24</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>1990</td>
<td>40</td>
<td>15</td>
<td>25</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>2000</td>
<td>39</td>
<td>17</td>
<td>23</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>2005</td>
<td>39</td>
<td>17</td>
<td>22</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>41</td>
<td>22</td>
<td>18</td>
<td>19</td>
<td>100</td>
</tr>
</tbody>
</table>


*Sources 2000 and 2005: Estimations based on different official publications.*

*Source 2011: Sweden Statistics.*

The new rental policy of the 1960s

The next large step towards the Swedish housing regime of today was the successive abolition of the rent regulation from the war and the parallel phasing-in of a system for rent-setting based on collective rent negotiations and use-value comparisons (see Bengtsson 1994 for details). The leaders of the National Union of Tenants were in fact the creative inventors of this rather original system, and when the idea was accepted by its opposite party in the rental market, the National Federation of Private Property Owners, the political parties really had no other option than to follow suit.

The path backwards here leads us to the point A of the wartime ‘provisional’ Rent Control Act of 1942 that was combined with direct security of tenure. The implementation of the rent control meant the definitive political acceptance of the tenant movement. Already in the thirties, after some internal controversy, the National Union of Tenants had said no to further local wildcat strikes and other militant conflict measures, and from now on the administrative co-responsibility for the implementation of the rental policy guaranteed the organization strong influence at all levels. The decision about the Rent Control Act of 1942 was politically uncontroversial and seen only as a provisional response to the acute housing crisis. At the time it appears no one foresaw its formative importance; the ‘provisional’ legislation was to survive until 1978, and the ‘corporatist’ system of implementation lives on in today’s housing policy.

The final step towards rental corporatism was the Rent Negotiation Act of 1978, where the right of tenant associations to collective bargaining was legally institutionalized. Even before this legislation almost all public rents and about half of all private rents were decided in collective negotiations. With support of the Rent Negotiation Act, the collective system was soon introduced in almost the whole private sector as well.

It is clear from the Government Bill that units within the National Union of Tenants were normally expected to represent the tenants. The legislation was proposed by a non-socialist government and was accepted almost unanimously by the parliament. The corporatist control of the rental market was at its peak.
The use-value system gave MHCs a formal price-leading position in the rental market. Thus, the cost-based MHC rents strongly influenced the bargaining games in the private rental market as well.

**The policy revision of the 1970s**

In the mid-1970s all the four pillars of the Swedish housing regime were in place. But now the conditions in the housing market had changed. The housing shortage of the 1960s was gone after the Million Programme 1965–74. Housing production went down and a growing number of vacant dwellings were reported; this was also the time of the first oil crisis. Now issues about managing and improving the existing stock came into focus; some Million Programme estates were already branded as physically inferior sites of social isolation and segregation. Such critique put resident participation and improvement of the local environments on the agenda.

This was the background of the policy revision of 1974. Interestingly, the new political goals of improving ‘housing democracy’ and the outdoor environment were seen as tasks for the old and established institutions, in particular the market-leading MHCs and the corporatist bargaining system. Again a case of path dependence.

The Million Programme had been implemented virtually without general production subsidies. The 1974 decision is most famous for reintroducing subsidies and seeing it as a permanent solution under the parole of ‘tenure neutrality’ – what may actually be seen as a fifth pillar of the Swedish housing regime. The idea was that the sum of tax deductions and interest subsidies to housing production was to support rentals, cooperatives and home ownership equally.

**The system shift of the 1990s**

Although the Social Democrats dominated Swedish politics from 1946 to the early nineties, issues of housing policy had been decided largely in political agreement with the centre-right opposition. This changed with the conservative-led Bildt government of 1991–94. A ‘system shift’ in housing was now launched, and a number of housing institutions were abolished or thoroughly changed, most drastically the phasing out of state loans and subsidies to housing construction. Back in office from 1994 the Social Democrats largely accepted the Bildt reforms.

A reform of the rental policy was also on the agenda, but here the suggested changes were fully within the boundaries of the existing corporatist system. When the National Union of Tenants launched an attack on ‘market rents’ and supported it with survey results indicating that the majority of Swedish tenants were against the proposed changes, the Government backed and only minor adjustments were decided, in reality without much effect. The power mechanism of path dependence (and the legitimacy mechanism) had demonstrated its strength.

Despite the ‘system shift’, the four pillars of the housing regime remained largely intact. The policy was still universal without means testing, the regulation on MHCs was only marginally adjusted, the corporatist rent-setting and the integrated rental market retained their dominant position. In the early 2000s the four characteristics seemed to represent a fairly stable equilibrium, striking a balance between market-orientation and cost-based rent-setting, to which both political parties and market organizations seemed to have adapted. By then, however, the EU competition legislation began to cast its shadow on Swedish housing policy. The next section will discuss to what extent this has upset the institutional balance.
At the cross-roads. Adjusting to the EU competition legislation

The European Union’s competition policy means a tough test for the universal, integrated and corporatist housing regime. The development in recent years may in the long run lead to fundamental change in Swedish housing provision. The political games and processes around this question have been both complex and paradoxical, and they illustrate in themselves the Swedish form of housing corporatism. Space does not allow a comprehensive account of all the moves and countermoves, so what follows is a short résumé as a background to the discussion of the possible long-term impact on the Swedish housing regime. (See Pagrotsky 2010 for a more comprehensive discussion based partly on retrospective interviews with elite actors.)

The process was initiated when the Swedish Property Owners, the umbrella organization of the private estate owners and landlords, formally reported the state of Sweden to the European Commission for giving state aid to the MHCs, contrary to EC law. The argument was that MHCs received economic support from the municipalities, although they competed in the same market as the private landlords. In 2005, before the Commission had taken a stand, the Property Owners came back with another formal report, claiming that the state aid was much larger than estimated in the previous report, based on a comprehensive calculus made by a consulting firm.

Reporting the Swedish state to the Commission can in itself be seen as a deviation from the prevailing corporatist mode of cooperation in the rental sector. In its response to the Commission the Social Democratic government denied that the MHCs had any competitive advantages over private landlords and argued that the use-value system should mainly be seen as a form of real security of tenure preventing large rent increases in situations of housing shortage. The Government also claimed that rent-setting is essentially the responsibility of the national state and not the European level (Pagrotsky 2010, 21–22). In parallel, a government commission was appointed with the task to scrutinize the prerequisites of the MHC sector. They were to consider the importance of guarding the core of the Swedish housing policy, including the fundamental role of the MHCs. Furthermore, the rent-setting system should continue to serve as a restriction against fast-rising rent levels and as a guarantee for real security of tenure. Although housing policy was claimed to be a national concern, the possible consequences of the development of the European inner market on the Swedish model of housing policy were also to be investigated (Committee Directives 2005:116).

Hence, at this point the Social Democrat Government was still prepared to stand up for the Swedish housing regime and more or less ignore any implications of the EC law. However, directly after a new non-socialist government had taken over in 2006, they gave the Government Commission new directives that pointed in a completely different direction. Now the MHCs and the rental market were to be reformed in its entirety. The commissioner was to investigate whether the non-profit self-cost principle of the MHCs is compatible with European law, and the principle of use-value comparisons with MHC rents was to be scrutinized and possibly abandoned. The new directives were rather close to the Property Owners’ argument in their report to the European Commission.

In March 2008 the Government Commission delivered a comprehensive report of 585 pages plus attachments. Two alternatives were presented, ‘business-oriented MHCs’ and ‘cost-oriented MHCs’. In the former alternative MHCs were to be run according to business principles, much like private property owners. They would only be allowed to take policy-motivated measures if these are found to be profitable in economic terms, at least in the long run. The ‘cost-oriented’ alternative would be
feasible only if Sweden could be exempted from the general EU ban on state aid. This exemption would be based on a specific assignment to provide housing for all, promote housing integration and offer tenants influence on their housing and in the company. In both alternatives MHC rents would no longer serve as the norm in use-value comparisons, but be replaced by negotiated rents in general. This emphasis on collectively negotiated rents again illustrates the general acceptance of the corporatist system of rent-setting. Means tested social housing should still be avoided—all in accordance with the Government Commission’s political mandate (SOU 2008:38).

In only three years’ time the official Swedish position and the Swedish housing discourse had gone from seeing housing as a national concern to a rather anxious discussion about what would or would not be accepted in a potential trial based on the EU competition law. The perceived threat from the Union had served as an efficient weapon in the hands of the Property Owners in their campaign for changing the Swedish housing regime in market-oriented direction.

Whereas the Property Owners supported the ‘business-oriented MHCs’ alternative, both SABO (the national organization of the MHCs) and the National Union of Tenants expressed strong criticism. Since the government was reluctant to propose legislation without support from the large organizations the question was now in a deadlock, where a decision on the European level seemed like a possible outcome. However, the deadlock was broken a year later when SABO and the National Union of Tenants presented a common proposal, where the use-value system was kept, but based not only MHC rents but all types of negotiated rents, which was in accordance with the proposal of the Government Commission. The MHCs should be run according to ‘business-like’ principles but still promote the housing provision of the municipality.

This agreement was greeted as a ‘historical compromise on rents’ and opened up the locked political situation. The key was that the National Union of Tenants now had given up its defence of the self-cost principle and the role of MHC rents in use-value comparisons. The Property Owners soon joined their corporatist counterparts, and the new Law on Municipal Housing Companies, in force from 2011, follows the compromise: MHCs are to be run on business-oriented principles and at the same time support housing provision in the municipalities. Use-value comparisons are to be based on negotiated rents in general, not only MHC rents. The Property Owners withdrew their report to the Commission so the Swedish housing regime was never really tried (cf. Elsinga & Lind 2013).

The national organizations in the rental market had once again acted as the main driving force in Swedish housing policy, this time in promoting a thorough-going change of the system they had built up and implemented together over 40 years. The EU competition legislation gave the Property Owners an opening that was exploited with the formal report to the European Commission, and then disturbed the previous equilibrium. The new legislation can be seen as an attempt to find a new equilibrium that can function within the auspices of EC law and do so without introducing a clear-cut dualist system with market rents and needs-tested social housing—which is the implicit logic of housing provision behind the European competition legislation.

**The Swedish housing regime at a critical juncture? Three scenarios for the future development**

Whether the new legislation represents a long-term equilibrium or not will be decided in the next few years, by what happens in the rent negotiations and the use-value trials and perhaps even more by how the municipalities will make use of their MHCs—and here policies may differ considerably
between municipalities with different economic and political conditions. At least to some extent the compromise behind the new legislation was based on undefined central concepts like ‘business-oriented’ and ‘municipal housing provision’, and these definitions will be legally and politically tested in the next few years. As always in a corporatist system, the organized parties have an important role to play in this implementation.

The new legislation may have an impact on each one of the four pillars under the institutionalized Swedish housing regime. Most obviously the formal basis of the MHCs has changed. What the transition from cost-based to business-like will mean more precisely and in practice is, however, less obvious. The legal prerequisites of the corporatist rent negotiations have also changed, since the role of cost-based MHC rents as first-hand benchmark for comparison has been replaced by negotiated rents in both private and ‘business-like’ municipal companies. In the long run this may certainly have an impact on the whole corporatist system and by extension on the unique Swedish tenant movement that has based its position largely on the system of collective negotiations.

At a first glance one might expect that the new legislation would strengthen the integrated rental market; after all abolishing differences between private and public landlords is an explicit goal behind making MHCs business-like. In the long run, however, with business-like MHCs some other form of public housing providing affordable housing may be seen as essential for providing housing to marginalized households. This may also imply a challenge to the universality of the Swedish housing regime. An increasing share of households are already depending on support from the social services and special contracts to find housing – a contractual version of ‘social housing’ (cf. Dage 2014).

It will still take some time before we can say anything with certainty about what will be the new equilibrium. What we can do already is to scrutinize the implementation processes going on in interaction between central actors on different arenas, in particular the collective rent-setting arena and the municipal housing provision arena – to some extent also the party political arena and the legal arena, including the EU. Below three alternative ideal-type scenarios for the future development on these arenas are presented and discussed: adjustment, resistance and system shift.

The adjustment scenario means that the development in the rental market continues towards competition on equal terms between private and public landlords, in the spirit of the EU competition logic. The collective bargaining system and the use-value system are upheld in accordance with the new law, but the difference in market action between private and public landlords is drastically diminished and blurred. On the housing provision arena, the MHCs act on strictly business-oriented principles, and the municipalities only set up some general conditions to the local housing market via planning, provision of land for housing etc. Non-profitable social efforts, e.g. for marginalized households, is carried out by MHCs only on the basis of contracts with the municipalities – and in competition with other landlords. The municipality takes care of the local housing policy, and the owner directives to MHCs only concern how the companies are to be managed in order to fulfil the conditions of the law. An increasing share of the households are dependent on contractual versions of social housing.
One may wonder why a municipality should care about owning a housing company that would be managed on strictly economic conditions – besides perhaps for raising profits for other municipal activities. Even if the MHC could still be politically controlled it is unclear whether there would be any political room of manoeuvre in this model. Hence, selling out might be an interesting option, not least since it would give directors more economic and geographical degrees of freedom, and relieve them from state controllers looking over their shoulder to evaluate adherence to EU conditions.

In the *resistance scenario* the parties involved make use of the considerable room of manoeuvre provided by the vagueness of the legislation to stay as close to the earlier order as possible. The concept of ‘business-like MHCs’ is given a wide interpretation in this scenario. In the rent negotiation arena, this means virtually status quo where MHC rents de facto remain the normal use-value benchmark, and the MHC rent structure could still, for various reasons, differ from that of the private rental sector. In the housing provision arena, the MHCs still play an active role in the local housing policy, steered only by generally formulated owner directives. In reality, and to some extent informally, the MHCs would keep their role as executors of the municipal policy.

One problem with the resistance scenario is that it is built on uncertain legal ground and thus could be formally challenged. Although municipalities, MHCs and the tenant movement (and several political parties) may see a somewhat weakened status quo as the best available outcome, it would be harder to accept for the private landlords. Their organization might again take the Swedish state to the EU with reference to other parties’ unwillingness to implement the new legislation, and they could also act via the rental tribunes that function as arbitrators in conflicts over rent-setting. In neither case would the outcome be clear, but as we learned from the decision-making process behind the legislation, initiatives and expectations can have their own influence.

In the *system shift scenario* the Swedish housing regime is changed drastically through political decisions, based on ideology, conflicts between the corporatist parties, or pressure from the EU. In this scenario the attempts to adjust the MHCs and the Swedish rental market corporatism to the EU competition legislation are abandoned – and the result is probably pure market rents. In the housing provision arena, the system shift scenario means that the implementation of the Law on Municipal Housing Companies does not lead to a generally accepted equilibrium in the municipalities, so the system breaks down in local political conflict, perhaps new legislation and intervention from the EU. In the long run this would probably mean that MHC dwellings will be distributed on pure market conditions, in parallel with the emergence of some form of means-tested sector.

A system shift could of course take different institutional forms, but it would probably mean that the 2011 Law on Municipal Housing Companies would be abolished and replaced with new regulations both on public housing and on rent-setting. The likely result would be a dualistic rental market with market rents and social housing, two phenomena that thus far have met strong resistance in Sweden, both from political parties and in the public opinion. In any case the potential threat from the EU may again give the landlords’ organization a weapon against status quo. The actor that would stand to lose most from the system shift scenario is the National Union of Tenants, and if nothing else they might be willing to accept a move in the direction of the adjustment scenario in order to avoid a complete breakdown of the existing system.

The discussion about the three scenarios demonstrates how tensions between social responsibility and business orientation are put to an edge by the new legislation. Although MHCs have always had
to weigh economic and social aspects against each other, this tension has now been formalized and sharpened. And this in a situation where Swedish housing policy has to cope with acute problems of housing shortage, in particular for new households including newcomers from other parts of the world. Which scenario prevails will decide how municipalities can manage these questions of destiny; via their MHCs or in a housing market dominated by profit-oriented landlords.

Which scenario is most realistic? The jury is still out, and by April 2016 we are in an unstable and fluctuating situation between adjustment and resistance. In the rent-setting arena the collective parties are testing each other in tough and sometimes failed negotiations, and in the housing provision arena local norms and interpretations are being developed about what it means to ‘promote housing provision in the municipality’ (cf. Boverket 2013). In general MHCs so far seem to keep some room of manoeuvre even within the new legislation (Salonen 2015; Grander 2015; Westerdahl 2015).

**Path dependence and change – concluding discussion**

This paper has demonstrated the fruitfulness of a perspective of path dependence on housing provision. Theoretically, the peculiarities of housing markets, the central role of voluntary contracts and the market orientation of housing policy make housing policy more path dependent than most other policy fields. Historically, the short path dependence-related overview of the development of the Swedish housing regime and its institutions gave several examples of path dependent patterns. More recently, the challenge of the regime from the EU competition law gave evidence of strong tensions between institutionalized continuity and externally initiated change. The discussion of the three scenarios also pointed to some continuity as more likely than complete system shift.

Finally, the policy process has definitely been path dependent. It is difficult to imagine that organized civil society should have a similar corporatist influence on housing policy in any other country.

How should we understand the challenge from the EU more precisely? In strong and deterministic versions of path dependence, the possibility of change is only related to major external shocks like natural disasters, revolutions and wars. Would it be reasonable to see the EU competition legislation as such a major shock? Hardly.

With the weak and actor-related definition of path dependence that has been suggested in this paper change from within existing institutions is also possible. With such a perspective the EU legislation could rather be seen as one factor among others that may upset the balance between political actors, in this case strengthening the power position of the private landlords. So far, at least outside the Stockholm area with its excessive housing shortage, the Swedish housing regime still appears to be seen as both efficient and legitimate – at least when compared with an explicitly selective solution based on market rents and social housing. And, as we have seen in the recent legislation process, the supporters of the old regime still have considerable power.

**References**


