

REPORTS AND INQUIRIES

The Solution of the Housing Problem in the Federal Republic of Germany

*The following continues the series of articles appearing in the International Labour Review*¹ *on the efforts of different countries to solve their housing problems and particularly to promote the production of low-cost housing for workers*². The success of the Federal Republic of Germany in its housing campaign is of particular interest in view of the exceptional severity of the post-war housing shortage in that country as a result of war damage and the influx of refugees.

The first steps towards a systematic solution of the acute housing problem that faced Western Germany after the war were taken in the second half of 1949, one year after the currency reform, which had paved the way for organised economic recovery. The first move was the creation of a Federal Ministry of Housing, which immediately set to work to prepare legislative measures as a basis for an ambitious housing development programme. The work of this new body soon produced results in the form of the first Housing Act, passed on 24 April 1950.³

The extent of the effort required in this domain can be judged from the following approximate figures: of the 10 million dwellings on the territory of the Federal Republic in 1939, 2.34 million were either completely destroyed or seriously damaged. Up to the end of 1950 reconstruction and new building had made good only a part of these losses—about a million dwellings had been made available. It was also estimated at that time that 2.3 million dwellings would be required to meet the housing needs of 9.25 million refugees, while a further 1.2 million would

¹ The most recent are: "Workers' Housing Programmes in Asian Countries", Vol. LXIII, No. 4, Apr. 1951; "Housing Problems and Policies in Latin America", Vol. LXV, No. 3, Mar. 1952; David KRIVINE: "Houses for Israel's Growing Population", Vol. LXVII, No. 3, Mar. 1953; H. UMRATH: "Rent Policy in Western Europe", Vol. LXVIII, No. 3, Sep. 1953; G. PARENTI: "Workers' Housing and the Unemployment Problem in Italy: First Results of the Fanfani Plan", Vol. LXIX, No. 1, Jan. 1954; and "Housing Policy in Belgium", Vol. LXX, No. 1, July 1954.

² It may be recalled that the First European Regional Conference of the International Labour Organisation (January-February 1955) adopted a resolution concerning housing construction in which it recalled that the International Labour Organisation is recognised to have special responsibility for matters relating to workers' housing and invited the Governing Body of the International Labour Office to draw to the attention of European governments and employers' and workers' associations its conclusions concerning basic principles, the financing of housing programmes and the reduction of housing costs.

³ Subsequently amended by the Act of 25 August 1953. New text published in *Bundesgesetzblatt*, Part I, 1953, No. 54, p. 1047.

have to be built to cover the demand arising out of normal population growth. In other words, at the time when the effects of the first Housing Act were to become apparent, the total housing needs were estimated, in round figures, at 4,800,000 units.

LEGISLATIVE ACTION

Planned Housing

By the terms of the special legislation aimed at remedying this shortage, the authorities were to promote the building of 1.8 million "social housing" units during the years 1951-56, and this figure was later increased to 2 million (Amending Act of 1953). Before 1 October of each year the Länder governments are required to draw up a social housing programme for the following year. These programmes are then co-ordinated by the Federal Minister of Housing, who is also responsible for allocating to the various Länder the budget appropriations and other funds made available by the federal Government to finance approved schemes.

The Act specifies the methods to be used by the authorities to stimulate housing construction generally. They are, briefly: (a) utilisation of public funds; (b) offer of guarantees; (c) granting of tax relief; (d) making building sites available and (e) relaxation of housing controls.

Housing is divided into the following three categories according to the particular methods used to promote construction: (1) subsidised social housing; (2) housing for which tax relief is granted and (3) housing financed independently. Naturally the figure indicated in the Act as representing the main target of the housing drive applies only to the first of these three categories, but the facilities accorded in the case of the other two are evidence that there is the same concern to encourage all types of housing construction.

Subsidised Social Housing

The Act stipulates that available public funds shall be allocated to finance housing construction for the broad masses of the population, whether in the form of new building, rebuilding, restoration or simply extensions to existing houses. From the material and legal standpoints any of the following forms of building may be adopted:

- (1) family homes (which may contain an additional apartment);
- (2) small settlement housing or workers' estates (family homes with small holding attached);
- (3) houses built with a view to sale and containing not more than two apartments;
- (4) housing with property rights attached (in houses divided up into flats each constituting a separate property) (*Wohnungseigentum*);
- (5) housing held in usufruct—in return for certain payments conferring a permanent right of occupancy (*Dauerwohnrecht*)¹;
- (6) co-operative housing;
- (7) houses for rental.

¹ These intermediate legal forms (points 4 and 5) between ordinary tenancy and full ownership were brought into being by an Act of 15 March 1951 concerning housing ownership and permanent right of occupancy (*idem*, 1951, No. 13, p. 175).

The first three forms indicated above must be given priority, however.

As a general rule subsidies may only be granted for housing with not less than 40 (50 in the case of priority housing) and not more than 80 square metres of room space. A smaller area is allowed in the case of homes for persons living alone or for aged couples, and similarly a larger area may be approved in homes for large families. In addition, the appropriate Länder authorities are expected to see that an adequate number of dwellings are built to meet the needs of these special categories.

Financing from Public Funds

Public funds are made available in the form of low-interest or interest-free loans, which may be granted to anyone desiring to build (private individual, group, private firm or public utility company, municipality, etc.) who complies with the regulations and at the same time can furnish certain minimum guarantees as to character and, where appropriate, technical qualifications. It is assumed that these loans are to be added to funds deriving mainly from the capital market, and therefore need only be covered by a second mortgage. In exceptional cases they may also take the place of the builder's personal contribution or, in the case of firms, serve as temporary working capital in place of the contributions required for priority housing construction (see above).

There is no hard and fast rule as to the size of loans or the interest payable on them. The law simply requires that the amount of the loan and the rate of interest should be such that the expenses arising out of payments due on the capital invested and working costs do not exceed the probable return from the house once it is completed. Thus the recipient of an official loan may even be exempted from payment of any interest if the calculation of costs and returns show that this is necessary. It should be said that these calculations take into account not only the sums borrowed but also a fair return for the builder's personal contribution. The estimated yield from the building is based on the rental value or the actual rents of the houses to be built.

Fixing of Rents

The authorised rental, as a determining factor in the calculation of costs and returns and in the laying down of conditions for the allocation of public funds, is established on the basis of very detailed regulations.

In the case of housing intended for rental, the Länder authorities establish a standard rent (*Richtsatzmiete*), which may vary according to the size of the municipality and other factors but must not exceed a monthly rate of 1.10 DM per square metre of room space. In specific cases (restored or renovated buildings, housing with special features), rents up to 30 per cent. in excess of the official scale may be authorised by way of exception, but only on condition that the house would otherwise be uneconomic. The builder may also be allowed, in the case of these special categories of housing, to fix the rents on his own responsibility, provided that by availing himself of this right he can reduce by at least one-third the amount of the loan that he would require if he kept to the official scale. In this event, however, the rents may not exceed the official rates by more than 50 per cent., and the law gives the Länder authorities full discretionary powers to reduce still further the discrepancy allowed between the two classes of rent.

In the case of housing not intended for rental, the same principles

are used to determine rental value, except that the right of fixing rents independently of the official scales does not exist here.¹

The above rules naturally apply only to subsidised housing, but the question of rent fixing also takes a leading place in the control system that operates in respect of housing built with the help of tax relief obtained under the terms of the Act. According to the Act the owner of a house of this kind is at liberty to fix the rent himself. If, however, it exceeds the amount required for normal expenses (*Kostenmiete*), the tenant may apply to the Price Control Office to have it reduced to the appropriate figure, on the understanding that this reduction must not bring the rent below the level of the official scale plus 50 per cent. Such an application may only be submitted in the 12 months immediately following the signing of the lease.

In the case of independently financed housing there is no control of rents; they are fixed by agreement between owner and tenant (*Marktmiete*).

Offer of Guarantees

The Housing Act provides that the federal Government may guarantee loans intended to finance housing expansion, up to an amount of 100 million DM. An ordinance² passed in implementation of the Act stipulates that this guarantee may be offered only to credit institutions specialising in the grant of such loans, with the proviso that the loans be used exclusively for the preliminary financing of officially subsidised housing or housing for which tax relief has been granted by the authorities.

The Länder are at liberty to provide direct guarantees on behalf of certain builders.

Tax Concessions to Private Investors

Right from the beginning of the reconstruction period the authorities felt it was essential to induce private investors, by means of tax exemption, to place as much capital as possible at the disposal of persons wishing to build. The capital thus attracted to the financing of housing construction is known as "article 7 (c) funds", from the relevant passage of the income-tax law. With time there have been considerable changes in the provisions contained in that article, and the form in which they now remain in force will probably limit its effectiveness as from 1 January 1955.³

According to the present wording of article 7 (c), tax-payers who have granted interest-free loans out of their business revenues for the purpose of housing construction, repayable in equal annual instalments, are entitled to deduct from the taxable profits for the current year 25 per cent. (before the end of 1954, the whole) of the amount of these loans. The latter may not, however, exceed the sum of 7,000 DM per housing unit, or 10,000 DM in the case of family homes (not including the second

¹ Detailed regulations on this whole question were promulgated by the ordinance of 20 November 1950 concerning the calculation of costs and returns and of room space of new housing, and by the ordinance of the same date concerning rentals in the new houses (*idem*, 1950, No. 48, pp. 753 and 759).

² Ordinance of 30 July 1951 concerning the guarantee to be provided by the Federal Republic to encourage housing construction (*idem*, 1951, No. 38, p. 483).

³ Act concerning the tax on income referred to in the notification of 21 December 1954 (*idem*, 1954, No. 42, p. 441).

unit in these) or of dwellings held in ownership. Moreover, loans of this type entitle to a deduction only up to 30 per cent. of the profits, unless the houses in question are being built for the taxpayer's own workers.

The article—which for the time being is effective only for the period from 1955 to 1958—also provides that the loans should be granted for a period of at least ten years and should be used at once by the borrower for the accessory financing (i.e., they must not be used for a first mortgage) of subsidised social housing schemes or schemes of a similar nature not exceeding a certain area.

Provisions not unlike these, but covering only the use of the builder's own funds, are contained in an ordinance of 7 November 1950 concerning tax relief to encourage the building of houses for agricultural workers.¹ Under its terms, persons carrying on an agricultural or forestry undertaking who have had houses built for their workers are entitled to deduct the cost of these buildings from their taxable income, either all at once in the year when the work was done or in three equal parts spread over that year and the two years following.

Tax Relief for Builders

Under article 7 (b) of the Income Tax Act, the builder of a house used for residential purposes in the proportion of at least two-thirds (80 per cent. in the case of buildings erected in the years 1949 to 1952) may deduct from his taxable income—

(a) 10 per cent. of the building costs in the year of erection of the building and the same percentage the following year; and

(b) 3 per cent. of the same costs for each of the ten subsequent years.

The same rule also applies to the first purchaser of a family home or a dwelling built for immediate sale.

The Act of 30 May 1953 concerning exemption from administrative dues in respect of housing construction² provides that entries in the land register relating to the construction of social housing on the basis of subsidies or tax relief shall be exempted from the official dues, with the exception of confirmation and certification fees. This exemption is also granted when—

(a) a building site is purchased for resale on a non-profit basis to a third party who intends to build on it dwellings of the kind indicated above;

(b) a piece of land is resold after a building containing dwellings of this kind has been erected on it.

Public housing companies and organs of state housing policy³ are

¹ The text of the ordinance, subsequently amended, was the subject of a notification of 27 January 1953 (idem, 1953, No. 3, p. 15). By an ordinance of 27 July 1954 its validity was extended to the end of 1955.

² Idem, 1953, No. 25, p. 273.

³ The rules governing public housing companies are defined in a decree of 1 December 1930 as amended by the Act of 21 February 1940 (see text of notification of 29 February 1940, *Reichsgesetzblatt*, Part I, No. 38, p. 438). These "undertakings", as they are called in the Act, are in reality trust companies or co-operatives that build or manage blocks of small flats and whose profits are limited by law. Before they can be recognised as serving the public interest, these companies have to give a guarantee that shareholders belonging to the building industry will not form the majority and will not exercise a controlling influence over the management of affairs. Moreover, the company's affairs are under the supervision of a company formed for the purpose, on a co-operative regional basis, which in its turn

(Footnote continued overleaf)

exempt from payment of these duties for all their operations relating to the transfer of a site or a building.

By the terms of the first Housing Act, a builder of subsidised social housing or of other housing not exceeding a certain area may be granted a tax concession in that his land tax is kept for ten years at the level fixed before the value of the property was increased by the erection of the new building.

Besides the above concessions, purchasers of housing sites may be exempted from the transfer tax payable on all real estate transactions, which is equivalent to 7 per cent. of the purchase price. As it is for the Länder to decide in what conditions this concession shall be granted, however, the rules obtaining in the matter are subject to considerable variation.

Building Grants

In any reference to fiscal measures, a special place must be given to the system of grants instituted by an Act of 17 March 1952.¹

Under this Act any natural person liable to payment of income tax may receive a special grant if, during the year for which an income-tax return is to be sent in, he has laid out money for—

(a) payments to a building savings scheme for the purpose of obtaining a loan ;

(b) purchase of shares in a housing co-operative ;

(c) payments under special contracts of various kinds to accumulate savings with a view to the building or purchase of a family home or of an apartment.

The amount of the grant is equivalent to 25 per cent. of this outlay but is increased to 27 per cent. if the recipient has one or two children under 18 years of age, to 30 per cent. if there are 3 to 5 children and to 35 per cent. if there are more than 5 children. The grant may not exceed 400 DM per year, however.

The grants are made by the revenue authorities for the area, on application submitted by the saver through the establishment with which his savings are deposited. It is also to this establishment that the grants are paid.

The Act provides that the federal Government shall make available to the Länder the funds required to pay these grants, up to a sum of 60 million DM annually, to be allocated proportionately to the expenditure incurred by the Länder under that head. If this expenditure should exceed the amount of the special allocation, the Land may use to cover the deficit a suitable portion of the federal budget credits allocated to it under the 1950 Housing Act.

Purchase of Building Sites

The first Housing Act merely recommended that public authorities should place building sites at the disposal of interested parties at suitable

must be attached to a central organisation responsible for issuing directives regarding supervision. To offset these measures which give the authorities a right of oversight over the management of the companies, the latter enjoy various privileges, and in particular are exempt from certain taxes and dues. Companies of the same kind in which the authorities hold the majority of the shares are placed on the same footing as the foregoing, but are called organs of state housing policy.

¹ Act of 17 March 1952 concerning the grants to savers for housing construction referred to in the notification of 21 December 1954 (*Bundesgesetzblatt*, Part I, 1954, No. 42, p. 482).

prices, in order to encourage social housing construction. In addition, the municipalities were asked to acquire land that could be used for this purpose.

It was obvious that these provisions were not nearly detailed enough, and a special Act was passed in 1953 to facilitate the purchase of building sites¹, so that no obstacle might stand in the way of the building drive. This Act provides that the compulsory surrender of land or of a property right restricting its use may be ordered when it is sought—

(a) to erect buildings set apart solely or mainly for housing units not exceeding a certain size ;

(b) to provide, in the usual conditions, gardens or subsidiary installations for such buildings ;

(c) to create public buildings or installations, roads or green spaces for the municipality ;

(d) to obtain a substitute site to enable a person affected by an expropriation order to continue his professional activities thereon.

Expropriation is only allowed in favour of persons capable of using the site to carry out the project for which such a measure was requested, and of doing so within one year. If building operations are not well in hand by the end of the year, or if they are interrupted for a period of more than a year, a new expropriation order may be issued in favour of a third party.

Apart from the purpose indicated under (c) above, municipalities are also at liberty to apply for the expropriation of a site in order to facilitate its transfer to persons capable of building. In a case of that kind, the municipalities are bound to resell the land on a non-profit basis within two years, as a building site or a substitute site. The owner of land for which an expropriation application has been made may prevent the issue of the order if he gives an assurance that he intends to build upon it, and begins building operations within a year ; the time-limit may be fixed at three years if the competent authority considers that sufficiently reliable facts can be adduced in support of the building project. At the same time the authorities are equally at liberty to reject the owner's appeal when major considerations of public interest demand that building should be carried out without delay, or when the refusal to expropriate would impede the execution of a larger project affecting a group of sites. There must always be considerations of public interest to justify expropriation measures.

The owner of the land receives compensation in cash, the amount to be determined by the competent administrative authority, with the proviso that the sum paid in compensation must not exceed the market value of the site. At the request of the owner, compensation may take the form of another site transferred to him in exchange (any difference in value being made up in cash), or an apartment in the house to be built, made over to him on terms whereby he enjoys right of ownership or permanent usufruct. If necessary, this right may also be conferred by decision of the same authority in execution of an expropriation procedure against the owner of the house.

In specific cases the original owner of an expropriated site may apply for its re-expropriation if the building scheme which was the justification for the transfer has not been carried out within the prescribed time.

¹ Act of 3 August 1953 concerning the purchase of building sites (*idem*, 1953, No. 43, p. 720).

In other respects the law lays down very detailed rules of procedures and grounds for appeal in order to safeguard all the interests involved in the ownership of the sites.

Housing for War Victims and Refugees

The Act of 14 August 1952 concerning the equalisation of burdens¹ contains a number of provisions aimed at providing housing for two categories of persons especially severely affected by the war: those whose homes were destroyed or damaged, and refugees.

One clause stipulates that a given portion of the sums deducted under the Act²—and in any case a minimum of 300 million DM per year—shall be made available to the Länder as a loan to be used for the building of housing for such persons. The amount in question will be reduced by one-tenth every year, however, during the ten financial years following that of 1956. The funds thus provided are to be used preferably as loans to enable the persons concerned to acquire a family home or an apartment held in ownership or in usufruct.

The Equalisation Fund, which administers the proceeds from the capital levy, may also grant loans to permit the economic resettlement of persons in these categories. The reconstruction of a house belonging to a war victim which had been destroyed or damaged, and the building of a home at the place where a refugee is sure of having found stable employment, are also regarded as adequate grounds for granting a loan. Annual interest of 3 per cent. is payable on this type of loan, which must be repaid after two years in eight annual instalments; these terms may be adapted, however, to suit the circumstances.

It should be noted that, generally speaking, these loans are granted in addition to other benefits received in compensation for material loss resulting from the war and its after-effects.

One further method of promoting building activities consists in converting the quarterly instalments due from the taxpayer as a levy on his landed property into loans from the Equalisation Fund, provided he uses them to build housing for the categories of persons eligible for compensation.

In 1953, in order to relieve congestion in certain Länder (Bavaria, Lower Saxony and Schleswig-Holstein) where excessive numbers of refugees and displaced persons were living in camps or in temporary accommodation, the federal Government took steps to ensure a more equitable distribution of these homeless persons. As the Länder to which they were to be sent did not have sufficient resources to house them adequately, a special Act³ was passed authorising the Federal Ministry of Finance to make available to them through the Equalisation Fund a special loan, amounting to 200 million DM in all, to be repaid in four equal parts during the years 1957 to 1960.

¹ This was a special law instituting a capital levy, to be spread over a period of 30 years, the proceeds from which are intended to compensate at least in part for the material losses suffered by Germans as a result of war-time happenings or by reason of forcible evacuation from the ceded territories or countries on Germany's eastern borders (idem, 1952, No. 34, p. 446).

² The conversion of old mortgage debts at the time of the currency reform of 1948 operated to the advantage of the debtors. This Act deprives them of such gains, and it is the sums collected under that head that are used for the purpose in question.

³ Act of 30 July 1953 for the purpose of facilitating housing construction for persons to be re-established in the reception Länder and for refugees from the Soviet Zone to be housed in Berlin (idem, 1953, No. 42, p. 712).

The Länder receiving this loan were under the obligation to have built without delay and make available to the persons to be re-established a number of housing units corresponding to the amount of the loan; for every 8,000 DM received they were expected to provide a home for four persons.

At the same time, but under slightly different conditions, a sum of 25 million DM was allocated to Berlin for the provision of housing for refugees from the Soviet Zone.

Housing for Coalminers

Because of the special importance of maintaining an adequate manpower force in the coalfields, separate legislation was passed to cover the financing and implementation of special building programmes for mineworkers.¹ It provides for the levying of a special tax on the sale of coal, at a rate originally fixed at 2 DM per ton of coal and 1 DM per ton of lignite briquettes, but reduced by half from 1 November 1954. The proceeds from this go to make up a special federal fund, which the Government uses through trustee organisations appointed in the Länder to grant loans under conditions similar to those laid down in the general Housing Act. It is specified, however, that the main aim of this special legislation—which will remain in force only until the end of 1957—is to provide a settled residence for the greatest possible number of workers in the coalfields, and that in consequence priority should be given to the erection of buildings that from the technical and legal point of view guarantee to the workers some form of right of ownership in the accommodation occupied by them. In the event of a loan being granted for the building of apartment houses for rental, they must be planned in such a way as to permit of subsequent conversion into individually owned units. Furthermore, builders of such houses are required to give an undertaking that if the property changes hands they will not demand prices entailing an excessive margin of profit.

The use to be made of the financial resources at the disposal of the fund is determined in the light of the proposals submitted by the commissions set up in each mining district to study local housing needs. Representatives of coal-mine workers and employers sit on these committees along with representatives of the various authorities concerned.

Loans may be granted in the first place to miners covered by social insurance or to builders erecting houses for them on a basis of individual ownership in any form. The loans are available in the second place to persons intending to restore or renovate buildings that were already used to house miners before being destroyed or damaged, and to co-operative building societies whose houses are reserved for the same category of workers. Finally, loans may be granted to municipalities for the purpose of financing public works and site improvements made necessary by miners' housing schemes, but the sums used to finance such works must not exceed 5 per cent. of the total amount of the loans granted by the Länder each year to their mining districts.

The Länder governments have power to decree that persons having the right to use housing accommodation reserved for miners shall not forfeit that right if they leave their employment after completing a period of five years' service. The Act further stipulates that the tenancy

¹ Act of 23 October 1951 on the promotion of housing construction for workers in coal mines, amended by the Act of 29 October 1954. The amended text was issued in a notification of 30 November 1954 (*idem*, 1954, No. 39, p. 358).

or use of subsidised housing of this kind cannot be made conditional upon the person concerned being in the employment of a particular mining company, and that any arrangement running counter to this rule is null and void.

Workers Living in Houses Owned by Employers

The general Housing Act contains a similar clause to safeguard the independence of workers living in houses belonging to their employers : it provides that a subsidy may not be granted to an employer wishing to build housing for his workers unless he signs with them a lease specifying that after five years its validity shall cease to be conditional upon the workers' continuing in his employ. This clause also applies to the construction of housing kept at the disposal of the personnel of a particular firm in recognition of a legal or contractual right.

Relaxing of Housing Controls

Under the regulations at present in force all dwellings built without the aid of public funds and completed after 31 December 1949 are exempt from requisition and allocation by housing offices, nor are they subject to certain legal provisions relating to the protection of tenants.

Drop in Costs

Finally, it should be mentioned that the law governing this whole question also includes measures to reduce the cost price of house property and to encourage rationalisation of building methods. In particular, the federal Government is to encourage—

- (a) research relating to the building industry ;
- (b) standardisation of building materials and components ;
- (c) the development of suitable prototypes of houses and components.

It is specified that the federal Government may issue ordinances containing instructions on the use of materials and types of building, on the application of the rules of the German Committee on Standardisation and on uniform regulations for tenders.

PRACTICAL ACHIEVEMENTS

Houses Built

Reviewing the results achieved in the last few years, the Federal Ministry of Housing was able to point out ¹, with legitimate pride, that a total of nearly 2.5 million dwellings had been produced since 1949 and that the aggregate capital invested amounted to some 35 milliard DM. Most of this building consisted of social housing, subsidised by the authorities. As a result of such an unparalleled effort it has been possible to house nearly 10 million people in satisfactory conditions, which is equivalent to saying that one in five inhabitants of the Federal Republic has acquired a new home.

Within the framework of this general reconstruction programme a number of schemes aimed at satisfying certain pressing needs have been successfully carried out, with results that can be stated briefly as follows :

¹ *Deutschland im Wiederaufbau. Tätigkeitsbericht der Bundesregierung für das Jahr 1954* (Bonn, 1954), p. 277.

Resettlement of refugees. From 1949 to 1954 some 750,000 new dwellings were made available to refugees of all kinds. (Apart from this, approximately the same number of dwellings were allocated to them in old houses.) The three special schemes to relieve congestion in overcrowded areas—the last of which is only now nearing completion—will alone have involved the building of some 230,000 units, making it possible to transfer a total of 915,000 persons.

An initial programme providing for the building of 30,000 dwellings for refugees recently arrived from the Soviet zone was carried out in 1953-54, and a second, involving 17,000 units, will be completed in the spring of 1955. Incidentally, this particular aspect of the housing shortage is still a source of concern to the responsible authorities, as may be seen from the fact that already further sums from various sources have been earmarked for the building of some 20,000 units, while in addition the federal budget for 1955 contains appropriations to cover a building programme representing a further 25,000 dwellings.

Mineworkers. From the introduction of the coal tax (end of 1952) until October 1954, some 90,000 dwellings were built for coalminers, but this did not fully meet the need, and a further 40,000 dwellings are still to be built in the mining areas concerned during the next few years.

Apart from these housing schemes, which are financed from the proceeds of the tax just referred to and contributions from the Länder, a special building programme was carried out in the Ruhr from 1952 to 1954 with Marshall Aid funds (E.R.P. counterpart funds), the aim being to build 5,300 family homes with gardens, which would become the property of miners.

Between 1949 and 1954 inclusive, 2,487,000 housing units were built: 215,000 in 1949, 360,000 in 1950, 410,000 in 1951, 443,000 in 1952, 518,000 in 1953 and 541,000 in 1954.

As regards the proportion of houses built with financial assistance from the authorities, it may be noted that, out of the aggregate figures for the last two years, approximately 370,000 dwellings have been created yearly in implementation of the general Housing Act and the special schemes (social housing). The remainder represents the number of dwellings financed independently or without special facilities other than tax relief.

It is estimated that, in spite of the rapid growth of housing resources, there is still a shortage of some 3 million units, owing to the formation of new households (200,000 to 250,000 per year) and the steady influx of refugees from the Soviet zone.

Financial Resources

The funds used to finance housing construction come from three main sources: the capital market, public funds and the contribution made by the builders, including sums borrowed privately by the latter. With the passage of time there has been a marked change in the proportions coming from these different resources. Since 1951, the year in which demands on public funds reached their maximum (at 46.8 per cent. of all capital invested), there has been a steady falling off in contributions from this source, until in 1954 they represented only 32.2 per cent. of the total. In the case of funds from the capital market, on the other hand, the reverse trend has been apparent, since during the same period the figures rose from 29.8 to 41.8 per cent.

FUNDS USED TO FINANCE HOUSING CONSTRUCTION

(Thousand million DM)

Year	Capital market ¹		Public funds ²		Other resources ³		Total
	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage	
1950 . . .	1.6	42.1	1.7	44.7	0.5	13.2	3.8
1951 . . .	1.4	29.8	2.2	46.8	1.1	23.4	4.7
1952 . . .	1.6	25.6	2.4	38.3	2.3	36.1	6.3
1953 . . .	2.5	32.4	2.8	35.2	2.5	34.4	7.8
1954 . . .	3.5	41.8	2.7	32.2	2.2	26.0	8.4

¹ Loans granted by savings banks, mortgage banks, social insurance and life insurance establishments, etc.

² Credits allocated by the federal Government, the Länder and the municipalities, sums derived from the Equalisation Fund, proceeds from the tax on coal, etc.

³ Builders' own funds, loans and grants from employers, tenants' contributions, loans from private individuals, etc.

This development is largely the outcome of the federal Government's financing policy. At the beginning it was a case of setting the ball rolling by mobilising all the available resources of the federal Treasury and of local groups ¹, while at the same time taking steps to promote increased saving and the investment of private capital in building, by offering various tax concessions. This drive undoubtedly achieved results, for if we study the expansion in the total volume of capital invested from 1950 to 1954 and compare the index of this expansion with that of the different elements which go to make up these investments, we shall find that there has been a far greater increase in the contribution of private capital than in that from public funds. The indices of this expansion in 1954 (base 1950 = 100) were: total capital invested, 221; public funds, 159; loans from the capital market, 219; other private resources, 440.

In view of the obvious success of its campaign and having regard also to the growing liquidity of the capital market—savings bank deposits, for instance, are increasing from year to year—the Government appears to feel that the time has come to impose deliberate limitations on the extent of the contribution made by the authorities to the financing of housing construction. This new trend is revealed in such measures as the reduction of the sums on which income-tax exemption may be claimed ("article 7 (c) funds"), the 50 per cent. cut in the coal tax, the proceeds from which go to subsidise miners' housing, and above all the proposed introduction—the Bill has been submitted to Parliament—of a ceiling for the loans that may be granted out of public funds. All these measures, incidentally, are part of a general policy the final aim of which is to reduce official controls in this field as far as

¹ In this connection it must be mentioned that quite considerable sums were also provided by the United States as part of various projects such as the European Recovery Programme (Marshall Aid) and the Foreign Operations Administration (F.O.A.). The former made available to the federal Government, in the years 1950 and 1951, some 325 million DM to be earmarked for the building of homes for workers in the industries receiving aid under the Marshall Plan, and, in part, for the resettlement of refugees in the reception countries. The same body also allocated a sum of 100 million DM to cover a special housing construction programme for Ruhr mineworkers (1952-54). The F.O.A. provided 63 million DM to build housing for refugees from the Soviet Zone.

possible, bringing building activities into line with the principles of a "free market economy with a social bias" (*soziale Marktwirtschaft*), a formula which sums up the general trends in the economic life of the country.

Housing Costs

It was indicated earlier that from 1949 to 1954 the building of 2.5 million housing units had necessitated the investment of 34 thousand million DM. That means that on an over-all average one unit cost 13,600 DM, including the price of the land. The annual averages show a marked tendency to rise, however. Whereas the average cost of a unit was only 13,600 DM in 1952 (i.e., corresponded to the general six-year average), it had risen to 15,300 in 1953, and according to estimates will be in the neighbourhood of 16,000 for 1954. The explanation for this steady rise in housing costs—apart from the general increase in prices that occurred at the time of the Korean war—is the improvement in the quality and capacity of housing, and the greater proportion of housing built for individual ownership, particularly of family homes. The cost of the latter may vary between 20,000 and 30,000 DM according to site and fittings, whereas the cost of an apartment with about 50 square metres of floor space in an apartment house is 14,000 DM on the average (1954 figures).

With a view to reducing building costs, the federal Ministry of Housing is encouraging research into the rationalisation of building techniques, and is extremely active in publicising among those concerned methods calculated to increase productivity in the trade. It provides grants for research into possible improvements in the methods of drawing up plans and carrying out preliminary operations, and in the domain of new materials, techniques and equipment. Since standardisation constitutes a sure method of reducing costs, the federal Ministry, in agreement with the Länder Ministers concerned, has also issued two special decrees (one of 24 December 1951 and the other of 12 September 1952) on the introduction of compulsory standards in social housing construction.¹ The standards laid down are compulsory for all housing built with the help of public funds, and it is strongly recommended that they be adopted in other building operations. They apply chiefly to certain materials and components, the height of storeys and staircases, internal layout, the dimensions of windows and doors, etc. Failure on the part of the builder to apply these standards means that official loans will be refused or even withdrawn.

The federal Ministry is pursuing the same object, rationalisation, when in 1951-52, in collaboration with a special mission sent by the Economic Co-operation Administration and using funds supplied by that body, it carried out a special "building and development" programme to produce more than 3,000 housing units in 15 different towns. The programme was carried out in connection with a competition in which some 700 architects and building firms took part, and the purpose of it was to produce proposals regarding technical means of reducing building costs. The results, after careful checking, showed that the adoption of rationalised methods made possible a saving of 10 to 15 per cent. on the prices current at the time.²

¹ *Deutschland im Wiederaufbau. Tätigkeitsbericht der Bundesregierung für das Jahr 1952* (Bonn, 1952), p. 193.

² *Idem*, p. 187.

Finally these activities received a new impetus when the German Building Centre was set up in Cologne in 1954. The primary task of this organisation will be to pass on to industrial circles the information it has collected on the results of scientific research and the most up-to-date methods in this field.

Housing Construction and the Trade Unions

Public utility building societies are playing an important part in housing expansion—it appears that more than one-third (in 1953, 40.3 per cent.) of the housing units built in the last few years were erected for societies of this kind. A special place among them must be given to trade union building societies, of which there are at present 17, owning a total capital of 26 million DM. According to the most recent report of the Federation of Trade Unions¹, they completed or initiated the building of some 24,000 dwellings in 1952 and 1953, and planned to begin 29,000 more in 1954. At the end of 1953 they owned approximately 48,000 housing units.

Besides routine work of this sort carried out through their building societies, the trade unions occasionally take direct action in this sphere, as in the case of the "Schleswig-Holstein pilot-project" undertaken in 1949-50 with the aid of Marshall Plan bodies (Economic Co-operation Administration). As a result of this project 10,000 dwellings were erected for refugees from the East, of whom there were a great many in the Land in question. The characteristic feature of this scheme was that on the initiative of the Federation of Trade Unions a special "working group" was set up, which comprised, in addition to the Schleswig-Holstein Ministry of Social Affairs and the Federation of Trade Unions itself, the organisation of the refugees living in the Land, the German Co-operative Wholesale Purchasing Centre and a large number of public utility building societies and other building firms. One result of this co-operation on such a broad basis was that it proved possible to reduce building costs by at least 15 per cent. as compared with the general level; the average cost was barely 9,000 DM per unit.²

It is only natural that the trade unions should also show constant and very keen interest in the general trends of housing policy. For instance, as it was recently being debated whether the building of housing for rental should be legally restricted to a certain numerical proportion of the housing built for individual ownership, to the advantage of the latter category, the Federation of Trade Unions was anxious to make its views known to both Houses of Parliament, and set forth in a memorandum in 1953 the principles which it considered should be adopted. It stated that the two types of housing should be judged and promoted on their merits. The fundamental purpose of social housing construction, quite apart from the system of ownership, is to attract workers to or establish them in the neighbourhood of existing or potential places of employment. Thus the choice of the type of housing to be built in each particular case inevitably depends on the nature of the economic end in view, and to lay down hard and fast rules as to the numerical pro-

¹ *Geschäftsbericht des Bundesvorstandes des Deutschen Gewerkschaftsbundes 1952-1953* (Düsseldorf, 1953), p. 38.

² For further details regarding this pilot project see H. UMRATH: *Arbeiterbewegung und Wohnungsbau in Europa* (Brussels, European Regional Organisation of the I.C.F.T.U., 1953), pp. 48-56.

portions in which the two categories of housing are to be built would simply place difficulties in the way of adopting the most suitable solution. Moreover, before giving the final preference to housing intended for individual ownership, it would be advisable to improve the working conditions and wage rates of the workers, so that they are not compelled to lower their standards of living too drastically in order to pay for housing of this kind.¹

In a more recent statement, the trade unions declared that they did not by any means disapprove of the promotion of housing construction with a view to individual ownership, but that by reason of the continuing housing shortage and the higher cost of family homes, which involves the builders in expenses that are still too heavy, they believed that for the present absolute priority should be given to the building of housing for tenants in the low-income groups.²

Present Trends in Housing Policy

The authorities responsible for housing policy began in 1952 to stress the advisability of encouraging individual home ownership, and held the view that priority should be given to building schemes aimed at creating a settled family home for those concerned.³ An expression of this same trend can be seen in the special clauses inserted in the 1953 amending Act to the legislation of 1950, which call upon the competent authorities to bear this aspect of the problem in mind. A Bill now awaiting the attention of Parliament contains various provisions for a further accentuation of this trend in official policy, for example by the creation of a special fund of 50 million DM for the preliminary financing of building operations of this kind by the grant of short-term loans intended to supplement the builders' own funds where these are inadequate. By virtue of another clause the builder of a family home whose personal contribution amounts to at least 30 per cent. of the total building cost shall be entitled to an official loan with priority over any other builder. In addition, any builder of a family home shall be granted a further loan for each child, from the third onwards.

At the same time the federal Government wishes to bring social housing gradually into line with the principles of free enterprise, and to that end proposes first, as mentioned earlier, to fix a ceiling for loans granted by public authorities, though it will be permissible to exceed the maximum rates allowed when rents cannot otherwise be kept at a level accessible to the lowest-income groups of the population.

Concurrently with this limitation of the financial contribution of the authorities, the Government also intends to discard the system of rent standardisation (*Richtsatzmiete*), whereby rent scales considered socially equitable were established *a priori* and compulsorily applied, though the owner of the house to be built might receive compensation in the form of a variable grant for any losses arising out of uneconomic conditions of rental. In the government view experience has shown this system to be detrimental to the very interests it was intended to protect, since the official scales were looked upon as minimum rates and quickly put a stop to any competition that might have led to a reduction in the

¹ *Geschäftsbericht*, op. cit., p. 449.

² *DGB Auslandsdienst* (Düsseldorf, July 1954).

³ *Deutschland im Wiederaufbau. Tätigkeitsbericht der Bundesregierung für das Jahr 1952*, op. cit., p. 189.

level of rents. On the other hand, the official rates no longer constitute a barrier to an increase in rents, since it was an easy matter to get round them by demanding from house-hunters a contribution to the building costs. Consequently, the proposed measures are likely to prohibit any non-recoverable contribution from a tenant of subsidised housing.

Finally the federal Government considers that it would hardly be logical to invest large amounts of capital in new houses and at the same time overlook the constant drain on the real estate wealth of the nation resulting from inability to keep existing housing in a good state of preservation where rents are inadequate to cover the cost of repairs. While it is not thinking of the premature abolition of all rent controls, the Government believes that there is need for a reasonable rescaling of the old rents, and with this in view has brought before Parliament a special Bill to authorise suitable increases.¹

CONCLUSION

The first impression that emerges from this rapid survey of the action taken to solve the housing problem in Western Germany is one of tremendous achievement, set against the background of the country's general economic reconstruction. The energy devoted to organising this vast programme represents, as it were, the moral aspect of the policy initiated.

From the technical standpoint the salient feature of this policy is that the principle of private ownership in the field of housing has been retained intact. The State, while itself guaranteeing a considerable part of the funds required and enforcing strict controls as regards distribution of floor space and fixing of rents, has deliberately refrained from building housing belonging to public bodies. On the contrary, its method is to appeal to private enterprise, and its final aim, in a word, is to return to a state of affairs in which housing needs will be satisfied in the normal way through the traditional interplay of supply and demand.

If we look at it from the social angle, the policy adopted must first of all be given credit for having provided decent accommodation for the millions of war victims and refugees who for years suffered the consequences of a most appalling housing shortage. At the same time it has as its keynote the desire to enable as many families as possible to achieve ownership of their own homes and, until such time as this desire becomes a reality, to reduce as far as possible the burden of rents for the low-income groups.

As we have seen, there is unanimity among those concerned regarding the aims to be achieved, as they are stated by the competent authorities, but there seems to be some divergence of views as to the means to be employed. Such differences of opinion, however, are of only secondary importance, since in the choice between individual ownership of one's home and paying rent the deciding factor will be the level of general prosperity.

¹ *Deutschland im Wiederaufbau. Tätigkeitsbericht der Bundesregierung für das Jahr 1954*, p. 284. See also V. E. PREUSKER: *Reformwerk zur Überwindung der Wohnungsnot*. Bulletin des Presse- und Informationsamtes der Bundesregierung (Bonn), 1 July 1954.