
What Factors Shape Canadian Housing Policy? The Intergovernmental Role in Canada's Housing System

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Ce chapitre fournit un aperçu de l'évolution de la politique du logement au Canada et propose un meilleur cadre conceptuel pour analyser les problèmes de logement, et il examine aussi le rôle que joue chaque niveau de gouvernement dans le système de logement au Canada. Le cadre conceptuel proposé repose sur trois idées importantes : (1) la nécessité de reconnaître que chaque pays met sur pied son propre système de logement – des institutions, des lois et des pratiques qui veillent (ou qui ne veillent pas) à ce qu'un nombre suffisant d'habitations de qualité soient construites, à ce qu'il y ait un système juste d'attribution des logements et à ce que le parc de logements soit bien entretenu; (2) la nécessité de comprendre la dynamique des questions juridictionnelles intergouvernementales en ce qui concerne le système de logement; (3) la nécessité de mieux comprendre pourquoi et comment certains groupes en bénéficient davantage. Cette analyse du système de logement du Canada identifie deux ensembles de tendances qui aident à définir les trajectoires probables des politiques du logement au niveau du gouvernement municipal, provincial et fédéral.

Housing policies provide a remarkable litmus test for the values of politicians at every level of office and of the varied communities that influence them. Often this test measures simply the warmth or coldness of heart of the more affluent and secure towards families of a lower socio-economic status.

John Bacher, 1993

This paper provides a brief overview of the nature of Canadian housing policy and the role played by government. It is not about Canada's current housing

problems. Rather, it outlines an improved conceptual framework for thinking about Canada's housing problems and offers an explanation for the policy role played by the different levels of government.

Three main building blocks for such a conceptual framing are presented. The first is the need to recognize that each country develops a housing system – a method of ensuring (or not) that enough good-quality housing is built, that there is a fair housing allocation system, and that the stock of housing is properly maintained. Government plays the central role in creating, sustaining, and changing this system. It establishes and enforces the “rules of the game” through legislation that defines such things as banking and mortgage lending practices, tax and regulatory measures affecting building materials, professional practices (for example, real estate transactions), subsidy programs, and incentive patterns for average households. This system is so ingrained in the culture and so intertwined with related systems (such as tax measures and welfare state benefits) that it tends to be taken for granted, thereby potentially limiting the quality of the analysis and the range of policy options considered.

Understanding the dynamics of the jurisdictional issue in the housing system is the second building block. What role does each level of government play in the housing system? All countries are organized differently, with different levels of government having constitutionally defined roles and a set of practices that have evolved over time. Very similar Western nations have very dissimilar housing systems (Scanlan and Whitehead 2004; van Vliet 1990). In Canada it is the federal and municipal levels of government that have played the more important roles in shaping how Canadians are housed. Over the decades, no matter how the constitutional jurisdiction issue was defined or what any particular province thought about federal involvement in housing, it was the federal government that played the major role in shaping how Canada's housing stock was financed and allocated. With the introduction of land-use planning regulations by the mid-twentieth century, municipal governments began to play a major role in the nature of the form and density of the housing and residential districts in which Canadians live.

The third building block in understanding the dynamics in Canada's housing system is to understand why and how some groups and some housing forms/tenures benefit from public policy decisions more than others. To do this we need to situate housing within the context of the full range of social benefits that we call the “welfare state” and the housing-relevant sociopolitical dynamics that shape it. Analysts have for some time noted that Western welfare states tend to have a dual system of benefits (Esping-Anderson 1990; Myles 1988). The nature of the welfare state system of benefits is important in defining the nature of the housing system (Prince 1998). Canada has a housing system that allocates differential benefits for two groups of citizens on the basis of whether they are in the primary or secondary part of the housing system, as defined below.

CANADA'S HOUSING SYSTEM: POLICIES THAT PRIVILEGE OWNERSHIP

For some Canadians the term “housing policy” is likely to invoke images of public housing, government subsidies for low-income households, and programs aimed at helping Canada’s many unhoused individuals and families. It is easy, though inaccurate, to view housing policy as having this limited scope. One reason is that 95 percent of Canadian households obtain their housing from the private market. Two-thirds of all households own the house in which they live. About one-third of all renters at any time are on their way to eventually buying a house. They are merely passing through the rental market. Only 5 percent of Canada’s households live in non-market social housing (defined here as including government-owned public housing, non-profit housing, and non-profit housing co-operatives) – the smallest social housing sector of any Western nation except for the United States. In Western Europe, the percent of the housing stock in the social-housing sector is much higher: 35 percent in the Netherlands and 15 to 20 percent in France, the United Kingdom, Austria, Denmark, Finland, and Sweden (Scanlan and Whitehead 2004, table 2). These are societies that are similar in many respects to Canada, yet their housing systems are very different. Canada’s housing system, in contrast to that of most Western nations, relies almost exclusively on the market mechanism for the provision, allocation, and maintenance of housing. This is a problem for households too poor to pay market rents for housing appropriate to their needs. These households generate a “social need” for housing rather than a “market demand” for it. A housing system based on the market mechanism cannot adequately – if at all – respond to social need. Given the significant role played by market dynamics, it is easy to assume that government housing policy plays a very small role in Canada. But this is not the case.

Many of the politicians, lobbyists, and average citizens who like to “fed bash” and complain about federal government intrusion in what they claim to be provincial jurisdiction are most likely to be homeowners. However, if it were not for federal government housing policies and programs, past and present, Canada’s ownership rate would be much lower. Mortgage lending and insurance institutions are necessary. These were created by federal and provincial government statutes, regulations, and subsidies in the decade following the Second World War (Bacher 1993). Municipal governments provided the necessary serviced land and zoning regulations that permitted the construction of relatively cheap housing in postwar subdivisions – the sprawl onto new land around all cities, which rarely included provision for rental housing. Since the early 1970s a steady stream of house purchase assistance programs has been necessary simply to maintain Canada’s ownership rate at about two-thirds.

It was not until a policy change in 1963 that the federal government, in a program requiring joint provincial funding, began to directly provide

subsidized rental housing for low-income households. Specially created provincial housing corporations (for example, the Ontario Housing Corporation and the Alberta Housing Corporation) were established to own and manage the housing, under agreements with the federal government. By the mid-1970s, when this “public-housing” program was replaced with a more decentralized and community-based non-profit program, about 200,000 public-housing units had been built (which is about 2 percent of Canada’s current housing stock). This was a rather modest program because of the broader policy objective of leaving as much of the housing system in the market sector as possible (Rose 1980).

The Canada Mortgage and Housing Corporation (CMHC), established in 1946, focused public funds almost exclusively on the ownership sector. Although federal legislation in 1949 permitted federal and provincial subsidies for public housing, only 12,000 units were built before the 1963 policy change. The CMHC focused mainly on making the amortized mortgage market work – both for house buyers and for private investors in rental housing. The federal Mortgage Insurance Fund (MIF) was introduced in 1954 to encourage banks to enter the then risky mortgage lending market. Managing the MIF remains today one of the major functions of the CMHC, a federal crown corporation. For about two decades, from the mid-1940s to the mid-1960s, most households obtained at least part of their mortgage loan directly from the federal government (joint public/private sector loans).

Most of the history of the role of Canadian government housing policy and programs is a history of efforts targeted at the house-ownership sector. Depending on when they first purchased a house, Canada’s households would have taken advantage of any number of federal subsidy programs. These have included the Assisted Home Ownership Program, the Canadian Homeownership Stimulation Plan, the Registered Homeownership Savings Plan, and the Mortgage Rate Protection Program. In 1992, as the federal government was ending its social-housing programs for low-income households, it created the First Home Loan Insurance Program, which allows CMHC to insure mortgages up to 95 percent of the value of a house. This temporary program was made permanent in 1998 and is no longer limited to first-time buyers. It enables a 5 percent minimum down payment instead of the previous minimum of 10 percent. In addition, another temporary program, the 1992 Home Buyers’ Plan, is now permanent. It permits first-time buyers, and anyone who has not been an owner for a specified number of years, to borrow up to \$20,000 (\$40,000 for a couple) from their Registered Retirement Savings Plan (RRSP), tax- and interest-free, in order to buy or build a house. It is no coincidence that these measures were introduced just before a federal election.

When an owner-occupied house is sold in Canada, if there is a capital gain, the owner pays no tax on it. This is because of effective lobbying when the capital gains tax was introduced in the early 1970s. Owner-occupied houses were exempted. The Department of Finance estimates that this is a \$3.7 billion

annual subsidy to owners – the amount that would be collected if the capital gain was taxed (Canada, Department of Finance 2004b, table 1). There is no equivalent tax benefit for either private-sector renters or rental-housing investors. This benefit to owners is twice the \$1.8 billion annual subsidy bill (a direct budgetary expenditure) for all federally subsidized social-housing units ever built (the 550,000 social-housing units in the country; an average federal subsidy of \$275 per unit per month).

Owning a house is a long-term investment that helps maintain a certain standard of living over the course of one's life. The 50 percent of Canadian owners who have paid off their mortgages spend only 11 percent of their income on housing and therefore have more funds available for other activities and investments. Moreover, a large, expensive house can be traded for a smaller, less expensive one to free up money, or a reverse mortgage can be negotiated, providing regular annuity payments to the owner. Lifelong renters who cannot afford to purchase a house do not have anything similar to draw on as they age.

It is important therefore, when considering housing policy and the jurisdictional role of the three levels of government, to place the policy discussion in context. Canada has a "housing system," not just particular housing policies and programs for poor people. Although many Canadians refer to the health-care *system* or the social-welfare *system*, few refer to the housing *system*. In most housing discussions in Canada, people generally refer to the housing *market* – which implies and has the image of a non-governmental activity; when they refer to housing policy, they mean a government activity focused on redistribution – helping households in need of adequate housing. But the housing market, in the ownership and the rental sectors, exists in its present form because of public policies and programs. Canada has its current housing system thanks to a long history of government activity and to the ongoing role of all levels of government in creating and maintaining Canada's particular approach to supplying, allocating, and maintaining the nation's housing stock. The focus of the government role in housing, since its first housing program in 1919 (which helped veterans buy houses), has been almost exclusively on the ownership sector. John Bacher aptly named his 1993 history of Canadian housing policy *Keeping to the Marketplace*. The ownership sector of Canada's housing system has always had a well-financed lobby, with sympathetic ministers and deputy ministers, and a majority of Canada's voters supporting it.

The point here is not that there is anything wrong with owner occupancy and government house-ownership policies; it is to highlight the extent to which this key characteristic of Canada's housing system is generally ignored in policy discussions and in intergovernmental considerations of who should do what to help improve the housing system. The availability and cost of residential land and the cost of housing in each market area are shaped by what happens in the dominant part of the housing system – the house-ownership sector. Yet policy discussions tend to be focused on low-income households

and the unhoused, and which level of government ought to do something. With the ownership sector, this jurisdictional debate is usually absent, and all three levels jump at opportunities to assist owners.

During recent decades the growing gap between rich and poor Canadian households has increasingly manifested itself in the housing system. The social need for housing tends to be mainly among renters – tenants whose income (and lack of wealth) cannot generate effective market demand. Public-policy decisions since the mid-1980s have further privileged the ownership sector – even more so than past policies – and have helped exacerbate problems in the rental-housing sector, problems that include widespread homelessness.

As the most extreme manifestation of the housing and income inequity problem, homelessness in its contemporary version began to emerge in the 1980s – when the first significant cuts in social spending began and when baby boomers began to enter the housing market, forcing up prices. While homelessness is not only a housing problem, it is always a housing problem. The central observation about the diverse group of Canadians known as “the homeless” is that they are people who once had housing but are now unhoused. Canada’s housing system once had room for virtually everyone; now it does not. Homeless-making processes are now a part of Canada’s housing and social-welfare systems.

Homelessness does not occur by itself. It is not a “natural” phenomenon. It is the outcome of “normal” day-to-day societal practices. As Jahiel notes,

The events that make people homeless are initiated and controlled by other people whom our society allows to engage in the various enterprises that contribute to the homelessness of others. The primary purpose of these enterprises is not to make people homeless but, rather, to achieve socially condoned aims such as making a living, becoming rich, obtaining a more desirable home, increasing the efficiency of the workplace, promoting the growth of cultural institutions, giving cities a competitive advantage, or helping local or federal governments to balance their budgets or limit their debts. Homelessness occurs as a side effect. (Jahiel 1992, 269)

Having no place to live means being excluded from all that is associated with having a home, a neighbourhood, and a set of established community networks. It means being exiled from the mainstream patterns of day-to-day life. Without a physical place to call “home” in the social, psychological, and emotional sense, the hour-to-hour struggle for physical survival replaces all other possible activities.

The “dehousing” processes operating in society are producing a diaspora of the excluded. Up to a quarter of the homeless people in some Canadian cities are Aboriginal, and about 15 percent of Toronto’s hostel users are immigrants and refugees (Toronto 1999, 19). Race is still a barrier to equal treatment

in Canada's housing and job markets. Families are now the fastest-growing group among the homeless. Some landlords refuse to rent apartments to families with children, to single mothers, or to people on social assistance (Dion 2001; Novac et al. 2002). Many community-based services that used to help these families have lost their government funding. Federal and provincial human rights codes are well-intentioned but often toothless documents with weak enforcement mechanisms. In addition, budget cuts have slowed progress in combatting discrimination.

While most Canadians have adequate housing, about 8 percent live in dwellings that require major repairs and about 5 percent live in housing that is overcrowded. When we disaggregate this information, we find that almost 20 percent of renters, compared with 10 percent of owners, live in housing that is in need of major repairs or is overcrowded. Although the average household spends 21 percent of its total income on housing, owners spend 18 percent, compared with 28 percent for tenants (Canada, Statistics Canada 2000).

The data on Canadian housing conditions reveal that Canadians are divided into two very different groups according to housing tenure. Owners are not only wealthier, but have twice the income of renters. Although there is only one housing market, Canada's housing system has two pools of housing consumers with dramatically different incomes and assets.

The problem has become much worse over recent decades. In the late 1960s, when a great deal of private rental housing was built, the income gap between owners and renters was about 20 percent (Hulchanski 1988). Between 1984 and 1999, the gap between the median income of owners and renters grew by 16 percent (see table 1). In 1984 owners had almost double the income of renters (192 percent). By 1999 the gap had increased to more than double (208 percent). This represents an average growth in the income gap between owners and renters of about 1 percent a year. During the same period, the wealth of owners (which, for most people, is mainly the mortgage-free portion of their house) increased from being twenty-nine times that of renters in 1984 to seventy times that of renters in 1999. Poverty and housing tenure are now much more closely connected (Hulchanski 2001).

An additional problem is that there has been a significant change affecting the feasibility of building rental housing in Canada. This relates to municipal zoning for rental housing. Before the late 1960s and early 1970s there was no condominium form of ownership housing in Canada (Hulchanski 1988). Residential land was zoned for either rental or ownership housing. All areas zoned for medium and high residential densities were by definition rental districts. Low-density zoning tended to be associated with owner-occupied housing (although some houses were rented and some had second suites). Since passage of the provincial legislation creating the condominium form of ownership in the early 1970s, rental housing providers have had to compete with condominium providers for zoned building sites. Since renters have about half the

Table 1: Comparison of Income and Wealth of Owner and Renter Households in Canada, 1984 and 1999

	<i>Median income</i>			<i>Median net worth</i>	
	<i>Owners</i>	<i>Renters</i>		<i>Owners</i>	<i>Renters</i>
1984 ¹	\$41,380	\$21,554	1984 ¹	\$116,845	\$3,985
1999	\$43,478	\$20,947	1999	\$145,200	\$2,060
change	\$2,098	-\$607	change	\$28,355	-\$1,925
% change	5%	-3%	% change	24%	-48%

¹1984 adjusted to 1999 dollars

Source: Canada, Statistics Canada, 1984, 1999

income of homeowners, condo developers can always outbid rental developers for residential sites.

As in the United States, though not in many other Western nations, there is a pervasive cultural and institutional bias against renting. This is a key characteristic of Canada's housing system. In his "history of renting in a country of owners," Krueckeberg puts the problem in the following terms:

We are the inheritors of a nasty and pervasive property bias in our society with roots that run deep, just as other strong biases of gender, race, and nationality still do in spite of our efforts to outlaw them. Our institutions and practices continue to embody and perpetuate the property bias, particularly in the tax system – in the subsidies given to owners but denied to renters and in many of the property tax laws that deny that renters are stakeholders in their communities. The celebration of homeownership in the United States stigmatizes those who don't, can't, or won't buy property. What is needed, it seems, is a civil rights movement for renters. (Krueckeberg 1999:26)

Krueckeberg asks a question about the United States that more Canadians need to ask about the Canadian housing system: "Where are the institutions that promote and protect the economic and political interests of renters?"

As mentioned above, although many Canadians refer to the health-care system or the social-welfare system, they should also recognize that Canada has a housing system, not just a housing market. Owners are happy when they hear that house prices are going up; renters who can afford a house or a condominium watch mortgage interest rates carefully. Few people, however, pay close attention to the rental market and to the social need for housing. Canada's

housing system is out of balance; it is discriminatory in the way it treats owners and renters; and it is a system in which the market mechanism of supply and demand works for the ownership sector but not for the rental sector. It has become an increasingly exclusive system, in the sense that some households are now actually excluded from access to housing. Governments – all three levels – are always making choices when it comes to decisions that affect the housing system. One important element of the policy debate over housing in Canada – especially the effort to create a more inclusive system (the demands from civil society to help low-income households and end homelessness, for example) – is the jurisdictional issue: Which level of government is or ought to be responsible for what part of the housing system?

INTERGOVERNMENTAL JURISDICTION: WHO IS RESPONSIBLE FOR HOUSING POLICY?

The short answer to the above question is that all levels of government have responsibility. They are all continually making decisions to take, or not to take, certain actions. There has never been any dispute over this fact. The dispute has been over jurisdictional issues.

FEDERAL-PROVINCIAL RELATIONS

There was a proposal – never implemented – that would have explicitly removed the federal government from housing policy and program making, though housing was never explicitly defined. In policy discussions, “housing” without a modifier tends to refer to social housing and other forms of housing assistance for low-income households – the expensive policy problems.

When the federal government tabled its proposals for constitutional change in September 1991, housing and “municipal/urban affairs” were two of six sectors offered up as exclusive provincial domains, because they were “more properly the responsibility of the provinces.” The federal government, according to the proposal, was prepared “to recognize the exclusive jurisdiction of the provinces ... and to withdraw from these fields in a manner appropriate to each sector” (Canada 1991, 36–7). No explanation was offered for why these two, along with tourism, forestry, mining, and recreation, were considered to be “more properly” the responsibility of the provinces.

During the negotiations that led to the August 1992 constitutional agreement (Charlottetown Accord), the federal and provincial governments agreed that housing and municipal and urban affairs were among several areas over which “exclusive provincial jurisdiction ... should be recognized and clarified through an explicit constitutional amendment and the negotiation of federal-provincial agreements.” This “should be accomplished,” the agreement stated,

“through justiciable intergovernmental agreements, designed to meet the specific circumstances of each province.” Provincial governments had the option of taking cash transfers, taking tax points, or requiring the federal government to maintain its spending in the province (Canada 1992, s. 3).

Although this constitutional agreement was rejected by Canada’s voters in a national referendum, the desire of the federal government (with its huge annual deficits at the time) to extricate itself from social housing subsidies continued into the 1990s. In the March 1996 federal budget, the government announced that it would transfer administration of federal social-housing programs to provinces and territories, ending fifty years of direct federal involvement in the administration of social-housing programs. As stated in the 1996 *Budget Plan*,

CMHC will phase out its remaining role in social housing, except for housing on Indian reserves. The first step has already been taken – there has been no funding for new social housing units since 1993. To further clarify jurisdiction in the social housing field, the federal government is now prepared to offer provincial and territorial governments the opportunity to take over the management of existing social housing resources, provided that the federal subsidies on existing housing continue to be used for housing assistance for low-income households. This should result in simpler administration and improved service to Canadians. The issue of the role for third parties in the administration of the social housing stock will be discussed with the provinces and territories. (Canada, Department of Finance 1996, 43–4)

This was a unilateral policy decision, not the settlement of a legal or constitutional dispute over jurisdiction. It was also a financial decision – a means of saving money at the federal level. The federal government, though maintaining its involvement in the ownership sector and playing a major role in the housing system through CMHC, would not provide any new money for meeting housing needs. This policy decision handed responsibility down to the provinces, and some provinces handed it down to municipalities. The federal government would no longer be responsible for the stream of subsidies once the initial funding packages for the approximately 500,000 social-housing units expired.

What about the provincial and territorial role in social housing and related urban and social programs since 1993? Most of their policies and program changes also represent a withdrawal from helping those most in need. It is important, however, to place provincial and territorial budget cuts in housing, social spending, and urban affairs in the context of the federal government’s downloading of the deficit onto provincial taxpayers. Provinces can either raise taxes to make up for the cuts in federal transfer payments (creating the conditions for a taxpayer revolt and boosting the popularity of politicians who

promise tax cuts) or they can pass on the cuts to groups that have no electoral clout.

Federal cash transfers to the provinces and territories have been falling since the early 1980s. The share of federal expenditures transferred to the provinces and territories ranged from 3.6 to 4.2 percent of GDP in the early and mid-1980s. Since 1996 it has ranged from 2.3 to 2.8 percent of GDP (Canada, Department of Finance 2004a, table 8). In short, huge amounts of money that were once transferred to provinces and territories were unilaterally withdrawn. The money had previously been used for health, education, and welfare programs. Some federal funding, particular for health care, has since been restored.

Another way of looking at these federal budget cuts is to examine the share of total budget revenues that federal cash transfers represent. In Ontario, for example, during the first period (1980–86) an average of 17 percent of provincial revenues came in the form of federal cash transfers. During the second period (1987–95) this had fallen to an annual average of 13.4 percent. By the third period (1996–2001), only 9.3 percent of Ontario's budget revenues came from federal cash transfers. The amount has been increasing in recent years. By the 2003–04 fiscal year, the federal share had increased to 13.4 percent as a result of new federal-provincial spending agreements. This is still substantially less than the 1980s levels (Canada, Department of Finance 2004a, table 22).

This historic shift in transfer payments has made it more difficult for provinces and territories to replace federal cuts in social-housing spending should they wish to do so. Of course, most provinces have not wanted to engage in social-housing spending, except for Quebec and, until recently, British Columbia. From time to time, some provinces have played an active role in housing, but this has been an exception. Between 1985 and 1995, for example, the Province of Ontario played a significant role in adding to the social-housing stock of the province and assisting with housing needs in other ways (such as raising social assistance benefits and the minimum wage).

The federal government during the 1990s not only cut the transfer payments to provinces but also reduced its direct spending on housing, thereby saving the Treasury about \$1.5 billion a year. The approximately \$2 billion of federal money spent annually on housing (1 percent of total federal spending) pays for subsidies on about 550,000 social-housing units that were built before the 1993 termination of the federal role in subsidizing new social-housing units. Dismantling the social-housing supply program meant that provinces and municipalities had to bear the indirect costs of inadequate housing and homelessness. These include the costs of physical and mental health care, emergency shelters and services, and policing.

In contrast, eighteen years earlier, at the January 1973 Federal-Provincial Conference on Housing, the federal minister of urban affairs defended his government's position on provincial demands for block funding by arguing

that housing and urban programs were “matters of national concern,” that block funding would “clearly weaken the Federal Government’s role in providing leadership and co-ordination in housing and urban programs across Canada,” and that housing had “obvious social and economic impacts on the country” and was “relevant even to the question of national unity” (Canada, Ministry of State for Urban Affairs 1973, 8).

By the time the Liberals were back in power in 1993, they simply implemented the previous Conservative government’s termination of the social-housing supply program. The 1996 decision made by Paul Martin, as finance minister, to download federal social housing is in sharp contrast to what, as opposition housing critic, he had recommended a few years earlier in his 1990 task force report on housing: “The federal government has abandoned its responsibilities with regards to housing problems ... The housing crisis is growing at an alarming rate and the government sits there and does nothing ... The federal government’s role would be that of a partner working with other levels of government, and private and public housing groups. But leadership must come from one source; and a national vision requires some national direction” (Martin and Fontana 1990a).

The recommendations of the National Liberal Caucus Task Force on Housing, chaired by Paul Martin and Joe Fontana, who were in opposition at the time, provided a detailed and comprehensive set of housing recommendations (see table 2 for a summary). The report called for “the development of a national housing policy and related strategies” and named specific categories of housing programs that ought to be federally funded (Martin and Fontana 1990b). These could have provided the basis – a policy framework – for moving forward on addressing housing problems under a Liberal government. Yet during the 1990s the Liberal government failed to implement them. In fact, it did the opposite, attempting to exit altogether from helping Canadians in need of housing assistance. The federal government was indeed engaged in housing policymaking.

The main point here is that it is politics – policy decisions by the government of the day, under the specific realities of the times – and not any legal or constitutional constraints that define the federal role in housing, and the same is true of the provincial role. However, this is played out in the broader context of a historical continuity that privileges housing interventions in the ownership sector and interventions that conform with and are supportive of the market. By contract, the provision of social housing replaces the market (some households end up living in non-market housing), and any programs to help impoverished and homeless households are expensive. Housing is the single largest budget expenditure for most households. Programs that provide an adequate housing support, via whatever option, are simply very expensive.

There is no legal or constitutional impediment to federal or provincial governments engaging in any variety of housing policies and programs. The federal

**Table 2: Liberal Task Force on Housing, May 1990:
Ten Key Recommendations¹**

All Canadians have the right to adequate housing	That the issue of housing rights be placed on the list of items to be discussed at the next First Ministers' Conference.
Restore cuts to transfer payments for provincial social assistance programs	That cuts in transfer payments to the provinces for social assistance be restored and that negotiations be initiated with the provinces to increase the shelter component of provincial social assistance allowances.
An income supplement for the working poor	That the federal and provincial governments establish a new social program providing an income supplement for workers whose earnings from employment leave them below the poverty line.
A national conference on homelessness be convened	That a national conference on the homeless be immediately convened to set real objectives and policy responses for the eradication of homelessness in Canada.
Eliminate all substandard on-reserve housing	That the federal government set the year 2000 as the target for the elimination of substandard on-reserve housing and allocate the necessary funds to accomplish this objective.
Restore funding for the federal Co-op Housing Program	That funding for the federal Co-operative Housing Program and the Rent Supplement Program be increased to allow for the construction of 5,000 new co-operative housing units annually.
Provide affordable housing for all Canadians with special needs	That the federal government ensure that an adequate supply of affordable housing units be made available for individuals with special needs.
Develop a new community housing investment mechanism	That the federal government immediately develop new community and housing investment mechanisms that facilitate the supply of affordable housing through public-private and nonprofit-private partnerships.
Review all forms of taxation on housing	That the federal government convene a special meeting with the Federation of Canadian Municipalities to review the full range of consequences of housing taxation at all three levels of government.
Develop a national housing policy	That the federal government convene at the earliest possible date a national housing forum to discuss the development of a national housing policy and related strategies, such as municipal infrastructure, aimed at alleviating the housing crisis in Canada.

¹There were twenty-five recommendations in total.Source: Martin and Fontana 1990b. See www.urbancentre.utoronto.ca/findingroom/

and provincial governments have historically engaged in many different programs, both unilateral and joint. The jurisdictional issue appears to be significant only because politicians raise it when they do not want their level of government to be responsible for addressing a particular housing problem.

THE MUNICIPAL GOVERNMENT ROLE

There is a constitutional barrier when it comes to a direct federal-municipal relationship in a policy area. Municipalities can do only what their provinces allow them to do. In practical terms, however, this has not been a barrier for federal government involvement in local housing and related neighbourhood issues. If federal money is made available to municipalities, it is politically difficult for a provincial government to deny municipal government access to that money. There is a long history of federal government programs that assist municipalities on key housing and neighbourhood issues.

Even before the Ministry of State for Urban Affairs was established, the federal government supplied “slum clearance” funding to municipalities under the 1944 *National Housing Act* (NHA), “urban redevelopment” funding under the 1954 NHA, “urban renewal” funding under the 1964 NHA, and “neighbourhood improvement” funding under the 1973 NHA. As a result of the decision to build more public housing in 1964, the provinces created housing corporations to channel federal money to municipal housing corporations. When the federal government wanted direct credit for its housing activities, it changed from federally funded public housing, developed and administered by the provinces, to non-profit housing under the 1973 amendments to the NHA (Rose 1980). After 1973 the federal government directly funded (without provincial involvement) new social-housing projects built by non-profit societies as well as non-profit housing corporations established by municipalities for that purpose. And when, as noted above, the federal government did not want to fund any further new social housing, it unilaterally stopped all such funding in 1993 (Hulchanski 2002).

There was also no constitutional problem with the federal government establishing a Ministry of State for Urban Affairs (MSUA), as it did in 1971. MSUA dealt with “urban” issues, not “municipal government” issues. It was an experiment in building a new kind of federal government institution for policy development and for advising government on issues that cut across many departmental and governmental jurisdictions. After the Second World War, the federal government had a considerable impact on urban areas through its involvement with airports, transportation, health care, postsecondary education, children’s programs, social services, Aboriginal peoples, military installations, the location of government facilities, employment and training programs, research and innovation investments, regional economic development initiatives, and immigration policy (most immigrants and refugees settle

in the three largest metropolitan areas). These policies and programs were rarely coordinated and were not part of any explicit federal urban strategy or agenda (Oberlander and Fallick 1987).

During the 1960s it became clear that many federal programs were *de facto* urban programs, yet their urban impact was rarely mentioned or considered. MSUA had a mandate to coordinate and integrate federal initiatives and policy relating to urban regions. The ministry had two main functions: (1) the coordination of well-established federal activities in fields such as housing, transportation, and public works as they affected urban Canada; and (2) offering policy advice on federal urban priorities and initiatives. The ministry was to conduct research to create and sustain an effective information and analytic base for urban public policy, and to carry out interdepartmental and intergovernmental consultation, including consultation with those most directly affected – municipalities (Gertler 1987).

Many provinces, especially Quebec, were not happy about this federal initiative. They chose to view “urban affairs” as synonymous with “municipal affairs,” which they saw as a provincial responsibility. Municipalities at that time were not very well organized and had no unified position or voice. This has changed recently because the Federation of Canadian Municipalities has become an increasingly active and effective national organization and lobbies on behalf of municipal governments.

In 1979 MSUA was abolished. Michael Pitfield, secretary to the cabinet at the time, provided the following explanation for the ministry’s demise: “As the ’70s came to an end, the Trudeau Government came to look upon MSUA first, as a front for a retreat to show the public federal sensitivity to provincial demands and, ultimately, as a piece of government apparatus to sacrifice in order to demonstrate federal sensitivity to popular concerns with ‘Big Government.’ As the 1979 general election came down upon it, the Trudeau Government declared victory and wound up the Ministry of State for Urban Affairs” (Pitfield 1987, 34). He added: “From my own perspective, it was wound up just as it was beginning to succeed” (*ibid.*, 35).

From that point on, until very recently, the federal government showed no interest in formulating a national urban strategy, in understanding urban trends and the impact of federal policies on cities, or in providing resources in a coordinated fashion. In fact, beginning in the mid-1980s, as the federal government withdrew transfer payments from the provinces, the provinces in turn withdrew resources from municipalities and, in some cases, downloaded expensive functions to them. Recent federal initiatives affecting urban areas have tended to be ad hoc responses to immediate political pressures. As a result, urban social problems were compounded.

To do nothing – or at least initially to appear to be doing nothing – became increasingly difficult for the federal government by the end of the decade. With pressures building from civil society organizations and from

municipalities themselves for federal assistance, the prime minister established a Caucus Task Force on Urban Issues. In its 2002 interim report, the task force noted the need for “coordination, collaboration, cohesiveness and commitment to a new approach to Canada’s urban regions” (Liberal Party 2002, 2). This was similar to the Speech from the Throne thirty-two years earlier, which had drawn attention to the “new accumulation of problems” caused by rapid urbanization and the need to “foster coordination of the activities of all levels of government and contribute to sound urban growth and development” (Canada, House of Commons 1970). The task force’s interim report opens with a now widely accepted assertion that Canadian cities are in crisis: “There is mounting evidence that our cities are ailing due to deteriorating infrastructure, declining air and water quality, traffic gridlock, homelessness, growing income polarization and marginalization, and budget crises. With few ways to generate revenue other than through property taxes, urban regions are finding it increasingly difficult to provide basic services and make repairs to infrastructure (Liberal Party 2002, 2). After much talk and many promises, the 2004 and 2005 federal budgets allocated some new funds for housing and municipal infrastructure. As in the past, the federal government is launching housing and urban affairs initiatives in the face of strong political pressures (and during a minority government) – without the jurisdictional debate getting in the way.

Is there anything special about municipal government’s commitment to and action on housing issues? The answer, for the most part, has to be no. Voter turnout at municipal elections tends to be very low, with owners voting in greater numbers and demanding proper attention from city council on zoning matters. The “not in my back yard” (NIMBY) pressures on municipal politicians are great. It is very difficult to locate housing or housing-related services for low-income people in most municipalities. While they do not have a substantial tax base, municipalities do have resources, and city councils rarely vote on a consistent basis in favour of programs or initiatives that target the very poor in their communities.

THE DUALISM IN CANADA’S POSTWAR SOCIAL POLICIES

A number of questions flow from the history outlined above. Why did the federal Liberal Party have a policy in favour of funding numerous housing and urban programs when it was in office during most of the 1960s, 1970s, and early 1980s, but not during the 1990s? Why has it seemingly re-engaged in these issues by allocating funds for social housing and municipal infrastructure in the 2004 and 2005 budgets? Why did Paul Martin and Joe Fontana not implement their 1990 housing task force recommendations when their party was elected in 1993 and Martin became finance minister? Claiming that the government at certain times “lacks a political will” to take action and at

other times “has the political will” to take action is not helpful. This is a descriptive statement, not an explanation.

The explanation must be set, as noted at the beginning of this paper, in the context of an understanding of how policies have evolved over several decades – there is indeed significant continuity – and all aspects of Canada’s housing system, including the jurisdictional debates and the focus on market provision of housing, must be included in the analysis. There is a common theme to postwar Canadian housing. There is a dualism – a differential treatment of owners and renters, of those who are well off and those who are poor. There is simply no evidence that governments have ever intended to make progress towards a more inclusive and just housing system. This was not a policy objective, though it appears in political rhetoric around election time.

THE SOCIAL SECURITY AND THE SOCIAL ASSISTANCE WELFARE STATES

The term “welfare state” refers to the set of social practices and strategic accommodations designed to address specific problems of the day relating to both the production of goods and services and their distribution (Myles 1988, 74). Since the early 1990s, and in view of the large package of dynamics subsumed under the term “globalization,” the welfare state has been undergoing a historic shift that we have yet to fully analyse and understand. Canada has (or perhaps had) what is usually described as a liberal welfare state, in which means-tested assistance, modest universal transfers, and modest social insurance plans predominate, and in which interference with the commodification of goods and services is minimized, the granting of social rights minimized, and a dualism between market and state allocation maintained (Esping-Anderson 1990, 26–7; O’Connor 1989; Myles 1988). The dualism relating to the allocation of benefits is helpful in understanding Canada’s housing system. The dualism explains why there is political will to help one part of the housing system and not the other. It also explains why there was at least some effort to help households most in need of housing assistance during the 1960s and 1970s and why even this minimal government role was cut back in the 1980s and then eliminated in the 1990s.

Until the development of the postwar welfare state, government provision of help to those in need was based on a social assistance model, in which welfare assistance for certain categories of “worthy” poor was designed to allow individuals and families to subsist. After the 1940s the social security welfare state emerged alongside this social assistance welfare state. The social security welfare state was never an anti-poverty welfare state. It was designed to provide wage stabilization for the emerging middle class, not to engage in redistribution to assist the poor. In contrast to the means testing of the welfare state, there are two principles of distribution in the social security welfare state: universality and wage replacement. Universality means payments

become entitlements, rights of citizenship, or earned benefits. Wage replacement benefits were linked to past earnings and were at levels high enough to maintain a continuity of living standard when the wage earner left the labour market due to illness, unemployment, or disability. The aim of the social security welfare state is “to smooth the flow of income over the ups and downs of the economic life cycle of individuals and families” (Myles 1988, 86–7). Owners certainly consider the non-taxation of capital gains on the sale of their houses to be an entitlement (not a welfare-type subsidy). Few politicians in a country where a vast majority of voters own the house in which they live (or hope to own it one day) even mention this inequity in the treatment of owners versus renters.

The problem which the social security welfare state sought to address is the maintenance of high and stable levels of mass consumption. This was part of the more general Keynesian approach to management of the economy. The big problem during the postwar years was not how to produce enough but how to stabilize product markets. Systems of wage stabilization helped to solve this problem. Since the end of the Second World War, the federal government’s housing activities have been part of this process by focusing on achieving high and relatively stable levels of housing starts. This contributed to overall economic growth and provided many well-paying jobs. The federal government successfully carried out this housing activity in a fashion that is compatible with and assists (rather than replaces) housing, land, mortgage lending, and real estate markets. This aspect of housing policy, part of the social security welfare state, has nothing directly to do with assisting impoverished households obtain adequate housing – which is a function of the social assistance part of the welfare state.

The most relevant feature of Canada’s welfare state for assessing the dynamics of housing policy (who gets what, of what quality, and with what state assistance) is the dualism in the provision of benefits. There is still the social assistance welfare state that has continued to develop since the last century, but in addition there is now the social security welfare state alongside it. There is some overlap where benefits are universal – though most universal programs have been abolished. In general, however, a dualism existed and continues to exist in many policy areas, including housing.

Dualism refers to the existence of two different benefit systems for two different groups in society. In the case of housing, it exists for the two different housing tenures: owning and renting. One set of policies is based on market-differentiated benefits, in which the state plays a key but often an indirect role in developing and maintaining benefits (for example, indirect subsidies through tax exemptions, special regulations and so on). The other set of policies is based on means-tested benefits through social assistance programs (direct subsidies to individuals).

How can we best conceptualize Canada’s housing system? The dualism means that there are two separate parts to Canada’s housing system, a primary

and a secondary one, each with its own distinct and unequal range of government activities and subsidies – and each, therefore, with separate policy trajectories. These two mirror the dualism in Canada’s welfare state. The primary part of the housing system is a component of the social security welfare state, whereas the secondary part is a component of the social assistance welfare state. Table 3 provides a summary of the key features of Canada’s dual housing system.

Table 3: Canada’s Two-Part Housing System: Key Features

	<i>Primary part¹ (about 80% of households)</i>	<i>Secondary part² (about 20% of households)</i>
Type of welfare state	Social security welfare state: ensure high living and accumulation standards over the ups and downs of the economic cycle	Social assistance welfare state: ensure subsistence for the “deserving” poor, without competing with market mechanism
Method of distributing benefits	Universal benefits, distributed as entitlements, as “rights” “earned” by investors and owners	Selective discretionary benefits, distributed by means testing and targeting
Economic rationale	Ensure high and stable levels of consumption and accumulation (housing as a key sector of the economy)	Meet basic (minimum) housing needs of some of the “truly needy,” while minimizing de-commodification effects of programs
Political rationale	Political clout of middle class and of house-building, mortgage-financing, and real estate industries	A “stop and go” process of addressing housing needs, depending on political circumstances and strength of the beneficiary groups
Federal role based on constitutional considerations	Federal government will continue to be involved no matter what the constitutional arrangement; economic and political management issues are more important factors	Likely only if federal government seeks to enhance national unity by a strategy requiring higher federal profile on certain issues deemed to be of national significance

¹Includes most homeowners, tenants at the higher end of the rental market, and some social-housing residents.

²Includes tenants at the lower end of the rental market, some rural and impoverished homeowners, and some social-housing residents.

The primary part consists of about 80 percent of households, including most owners and those tenants who live in the higher end of the private rental market. It also includes households that live in the co-operative housing sector and some but not all of those who live in non-profit and public housing. These households have secure tenure in good-quality housing appropriate to their needs and at a price they can afford. The secondary part consists of everyone else, including tenants in the lower half of the rental market (where housing quality is low), residents of poor-quality and poorly managed subsidized housing, and rural and impoverished owners. The division is in large part, though not totally, based on housing tenure (owning and renting). All three levels of government behave in a similar fashion. They privilege the ownership sector and provide good-quality social housing to a minority of those in need of adequate and affordable housing. They tend to ignore the needs of most low-income renter households.

The very nature of the type of welfare state that Canada has developed – and, in particular, the dualism in the distribution of state benefits – is the key factor in shaping Canada’s housing policy and programs. It is this broader policy context in which decisions about housing policy and programs are made. The primary part of the housing system receives benefits mainly in the form of entitlements (universal rather than selective) as “natural” parts of the way the housing system operates. These include the government-created and managed mortgage lending system, the government mortgage insurance program, the special tax treatment of capital gains on owner-occupied housing, the occasional programs to assist with the initial down payment, and the generally superior community services and amenities in districts with higher-cost owner and tenant-occupied housing. Low-income households, if they happen to receive any benefits, generally do so on a selective means-tested basis aimed at meeting minimum needs. Households in the secondary part of the housing system have little political clout, and in the new economic realities that have emerged since the early 1990s (“globalization,” more “flexible” labour markets, and the like) they may have even less. Thus, Canada’s housing system, for purposes of analysing government activities, consists of two substantially separate and distinct housing subsystems. Each has its own distinct form of government involvement. Government reacts differently to housing problems based on which subsystem the problem is in.

TWO HOUSING POLICIES FOR CANADA’S TWO-PART HOUSING SYSTEM

Based on this analysis of the evolution of the government role in Canada’s housing system, there are two sets of trends that help define likely policy trajectories, one for the primary part and another for the secondary part of Canada’s housing system.

POLICY FOR THE PRIMARY PART OF THE HOUSING SYSTEM

For the primary part of the housing system, the federal and provincial governments will continue to play an interventionist role during difficult economic times, whether or not exclusive jurisdiction is given, taken, or claimed by either level. The house-building sector is a key part of the economy and, with the support of middle-class owners, is able to mount an effective lobby. Federal government housing activity relating to the primary sector, whether direct (budgetary spending programs) or indirect (tax expenditures), is rarely considered to be a subsidy or a drain on the economy or on the federal budget. Rather, these actions are viewed as the proper responsibility of government in difficult times, and the subsidies are considered incentives and entitlements – as rights associated with investing in and owning housing.

For the federal government, it is a very practical economic and political rationale, based on immediate short-term considerations that govern the decision either to take action or to refuse to take action. This is the historical record, and there is no reason to project any change. Political philosophy and constitutional and jurisdictional nuances matter little when the government is confronted with political pressure capable of being mobilized because of problems in the primary part of the housing system. “Problems” here include any range of policy decisions on issues that provide special treatment for the primary part of the housing system. An example is the introduction of the tax on capital gains in 1972. One category of capital gain was exempted from the tax – the capital gain on the sale of owner-occupied houses – even though it was recognized that such an exemption was regressive among owners (the beneficiaries) and discriminatory in that it excluded one-third of households (renters) (Powers 1992; Dowler 1983).

Another example is the federal government’s decision, announced in the 1992 budget, to introduce the Home Buyers’ Plan, which allows house buyers to use up to \$20,000 in tax-sheltered retirement savings as part of their down payment. This was resisted by federal officials because it risked retirement savings, because it introduced an ad hoc benefit for some house buyers, and because there was no evidence that such incentives do anything more than move demand for new houses forward (that is, there is no long-term net gain for the economy). The pressure “to do something” during a severe construction slump, however, became so great that the federal government granted the demands of the house-building and real estate lobbies. In his 1992 budget speech (1992, 12–13), the finance minister admitted that the Home Buyers’ Plan “responds to requests from industry groups, provincial governments and individuals” and that it “will support strong growth in the housing sector this year.” In the same budget, however, social housing was further cut from the expected 12,400 units to about 8,000, and the co-op housing program (about 3,500 units) was terminated. All social-housing supply programs were terminated in the next budget.

The proposed constitutional agreement that was reached in August 1992 does not appear to affect the federal role in relation to the primary part of the housing system. It has been implemented, however, in relation to the secondary part of the housing system (the 1996 downloading of federal social housing to the provinces). It should be noted that the preamble to section 3 of that agreement, a section on roles and responsibilities, states that “when the federal spending power is used in areas of exclusive jurisdiction” it should, among other things, “contribute to the pursuit of national objectives” (Canada 1992). This implies that there would have been little or no change in the ability of the federal government to initiate its own housing measures even if the voters had approved the constitutional accord. Are there any federal policies or programs about which it cannot be claimed that they “contribute to the pursuit of national objectives”?

Housing plays such an important role in the economy that, during recessions in particular, both the federal and provincial governments have a consistent record of introducing short-term programs that most often are focused on assisting ownership and tenants in the high end of the rental market (the primary part of the housing system), particularly those who are able to buy a house. During the 1970s and 1980s there was a consistent pattern of introducing short-term private-sector subsidy programs (of which the early 1990s Home Buyers’ Plan is an example, though it has become permanent). This type of federal housing program activity results from economic and housing market conditions and the stronger political clout of actors in the primary part of the housing system.

In the mid-1970s, in response to the recession, during which housing starts and rental starts fell sharply and vacancy rates fell to the 1–2 percent range in most major metropolitan areas, the 1974 and 1975 budgets introduced the following programs: the Multiple Unit Residential Building (MURB) tax incentive, the Registered Home Ownership Savings Plan (RHOSP), the Assisted Home Ownership Program (AHOP), and the Assisted Rental Program (ARP). The finance minister explained in his June 1975 budget that these measures were designed to “stimulate demand” and to “give an important stimulus to a sector of the economy which has not in recent months played its full role in providing jobs for Canadians.” While these programs were introduced within the context of a government wanting to assert the federal role, the particular measures were directly the result of the economic conditions of the day as they affected the housing system. All these measures were targeted at the primary part of the housing system – ownership and the higher end of the rental sector.

A few years later, in response to housing-sector pressures created when mortgage interest rates hit their highest level in history (21 percent in August 1981), the 1981 and 1982 budgets announced a number of new federal housing initiatives that were designed to “spur recovery in the housing industry.”

They included short-term subsidy programs for owners (the Canada Home Ownership Stimulation Program and the Canada Mortgage Renewal Plan) and for investors in the higher end of the private rental sector (the Canada Rental Supply Program). There was also a temporary increase in the allocations of social-housing units (2,500 more units in 1982 and another 2,500 in 1983). Thus, both parts of the housing system received some assistance at this time.

POLICY FOR THE SECONDARY PART OF THE HOUSING SYSTEM

Political philosophies, legal nuances in constitutions, and intergovernmental agreements do matter, or at least seem to, when it comes to the secondary part of the housing system. Housing subsidies for lower-income households are part of the social assistance welfare state, over which the provinces claim jurisdiction. They certainly want federal money, but they want to distribute it through programs of their own choosing.

Trends in the federal role in the secondary part of the housing system depend very much on the particular nature of the federal-provincial relations and disputes of the day. The constitutional and social policy philosophy of the federal political party in power is also very important, as is the effectiveness of national housing and social welfare organizations in mobilizing popular support for specific housing and urban policies and programs. The federal government will unilaterally do what it wants if it has the political will to do so. Jurisdictional issues are not in the way. But alleged jurisdictional issues are a problem if the federal government does not want to change its policy or engage in a particular program. The in-between measure is the joint-funding formula – an offer of federal money if it is matched by provincial governments. This is a good delaying (and even avoidance) tactic, and it allows the federal government to point the finger at the provinces when citizens complain that something should be done. The recent federal funding for some “affordable housing” (not necessarily social housing or housing targeted at the greatest need) is an example. After two years, very few units have been subsidized and very little money has been spent. Since the subsidy levels are relatively shallow, the money may not assist many people currently in the secondary part of the housing system.

The trend in federal housing and urban affairs activity in relation to the secondary part of the housing system is, therefore, difficult to predict. For the immediate future, current policies will likely continue, creating a growing division between the quality of the housing for those fortunate enough to be in the primary part of the housing system (the standards of which are among the highest in the world) and the households stuck in the secondary part. Growing homelessness in the 1990s did not result in governments doing anything that has resulted in fewer homeless people. The problem is larger today than five years ago when the federal government started its Supporting Communities

Partnership Program, which has sprinkled the country with some money for services for homeless people and with many press releases about this federal initiative. It will take a very serious deterioration in the quality of the existing aging rental stock (which has already begun to occur) and widespread discontent and effective organization by grassroots organizations for positive and effective federal action to be taken.

An emerging reality that has likely affected (and explains) the current federal government's decision to ignore the secondary part of the housing system relates to changes in the broader economic situation. Global economic trends and domestic corporate investment strategies (economic globalization) mean that there is no institutional or structural imperative to do much about the people in the secondary part of the housing system, other than to forestall embarrassment (too many homeless on the streets). A large unskilled pool of labour is no longer required as it once was.

Such a trajectory for federal housing policy also means growing regional disparities between the larger and economically stronger provinces and the rest of the country. Regional housing market situations combined with changes in provincial governments can result in provincial activism in social housing and urban affairs in the wealthier provinces, which only makes regional disparities even greater. Between 1985 and 1995, for example, Ontario produced about 50,000 housing units with its own funds, thereby removing that many Ontario households from the secondary part of the housing system. In addition, up to 1995, Ontario used its own funds to supplement the federal-provincial social-housing program to eliminate what it considered to be the more regressive regulations imposed by the Conservative government in the 1980s and early 1990s.

For the foreseeable future, there is likely to be more talk and promises and announcements (and re-announcements) of potential spending programs rather than any significant investment in assisting households that are in desperate need of adequate housing they can afford. While support for the primary part of Canada's housing system will continue, there is likely to be very little federal activity in the secondary part of the housing system. The budget compromise reached between the minority Liberal government and the New Democratic Party in 2005, even if fully spent as planned, will not make much of a dent in the social need for housing, nor will it do much to decrease homelessness. In the end, the debate over whether and how to address housing needs and homelessness is a political problem, and there is no scientific or objective way to arrive at an answer to a political problem. The nature of the problem is well understood, and the potential sets of programs are not complicated or even very expensive for a country with Canada's wealth. The question about serious and effective government action on current housing and urban problems is a question about political will. What pressure is there for government to address homelessness? Why worry about poor-quality housing for poor

people, urban and rural? There seems to be no economic or significant political pressure to address problems in the secondary part of the housing system. It is, by definition, secondary – not primary. All three levels of government will continue to worry about problems as they arise among households in the primary part of the housing system. The major change affecting the “welfare state” and the sense of nationhood since the early 1990s may mean that the secondary part of the housing system does not matter at all.

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