

Tracking Evolutions in CMHC Policy (1965-2006) Using Bob Jessop's Strategic Relational State Theory

by

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ABSTRACT

Sociologist Bob Jessop theorizes that the actions of the capitalist state involve it weighting competing class interests, some of which are invariably afforded greater relevance depending on given political economic circumstances. The favorable selection of certain class interests at the expense of others is a process, moreover, that is subject to influence by changing historical blocs. This thesis examines how the state, using the CMHC as its conduit, has over time managed the often conflicting class interests associated with affordable housing policies. My central argument is that Canada's shift between the golden and globalization historical blocs saw housing policy shift away from Keynesian principles towards globalization, neoliberalism, and financialization. Whereas the golden era saw the state institute numerous publicly funded measures in an effort to solve housing issues, the globalization era compelled the state to withdraw its presence in housing, and more explicitly favor investors and the private sector generally.

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TABLE OF CONTENTS

ABSTRACT	ii
ACKNOWLEDGEMENTS	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF ILLUSTRATIONS	vii
CHAPTER 1: INTRODUCTION	1
1.1 Explaining the Research Process	6
1.2 Limitations of the Research	9
CHAPTER 2: Theories of the Capitalist State	14
2.1 Ralph Miliband’s Instrumentalist Theory	14
2.2 Nicos Poulantzas and Strategic-Relational State Theory	17
2.3 Bob Jessop’s Theory of the State as Social Relation	23
2.4 Jessop, Gramsci, and Historical Blocs	28
2.5 Jessop’s Strategic Relational Theory and the Strategic Selectivities Bias	31
CHAPTER 3: Analyzing Structural Change within Canada	44
3.1 How Do Historical Blocs Emerge? What is meant by Globalization, Neoliberalism, and Financialization?	44
3.2 Contextualizing Structural Change in Canada	50
3.3 Defining the Canada Mortgage and Housing Corporation (CMHC)	54

CHAPTER 4: The CMHC's affordable housing policy (AHP), 1965-1970.....	60
4.1 Defining the State’s Role in Housing Policy	66
4.2 The Housing Slowdown of 1967.....	71
4.3 Discontinuing Public Housing, Bringing the Private Market Back In.....	78
CHAPTER 5: The CMHC's affordable housing policy (AHP), 1971-1980.....	84
5.1 The Hierarchical Distribution of AHP Benefits for Varying Classes	85
5.2 The Inefficiency of Pro-Market AHPs	91
5.3 The Dissolving of the Golden Era and the Privatization of AHP	95
CHAPTER 6: The CMHC's affordable housing policy (AHP), 1981-1990.....	100
6.1 Housing Slowdown in the Early 1980s	104
6.2 Privatization of the Housing Market	106
6.3 Withdrawal of the State from Affordable Housing Provision.....	111
6.4 Discrimination against Renters	114
6.5 How Aggregate Structural Changes Influenced AHPs	116
6.6 Financialization and Initiation of the NHA-MBS Program	119
CHAPTER 7: The CMHC's affordable housing policy (AHP), 1991-2000.....	124
7.1 The Changing Structure of Social Housing.....	125
7.2 The State’s Neoliberal Approach to Deficit Management	126
7.3 The Circumspection of AHP Policy by the State.....	130
7.4 Extending Access to Mortgage Financing for Moderate Income Canadians.....	133

7.5	The Financialization of the Housing Market.....	136
CHAPTER 8: The CMHC's affordable housing policy (AHP), 2001-2006.....		140
8.1	Housing Growth in the Globalization Era.....	141
8.2	Analyzing the Efficiency (or lack thereof) of AHPA	142
8.3	Financialization and Accelerating Usage of NHA-MBS	145
	Figure 8.1: Financial Flows, Issuers of Asset-Backed Securities in Canada.....	147
8.4	The ‘Boxing-In’ and Financialization of the Working Class.....	150
8.5	NHA-MBS Activity and its Connection to the Housing Surge	151
	Figure 8.2: Net Transactions in Financial Assets, Canadian Chartered Banks	155
	Figure 8.3: National Housing Starts and NHA MBS Activity.....	156
CHAPTER 9: Conclusion.....		161
9.1	Summary of Findings in Regards to Tracking the SSB of AHP	161
9.2	How Changing Historical Blocs Influenced the SSB of AHP	169
9.3	Interrogating the Mutability of the SSB of AHP in Canada	171
	Table 9.1: Summary of Policy Changes Examined in this Thesis.....	174
9.4	Possible Avenues for Future Research.....	184
REFERENCES		188

LIST OF TABLES

Table 9.1: Summary of Policy Changes Examined in this Thesis	174
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LIST OF ILLUSTRATIONS

Figure 8.1: Financial Flows, Issuers of Asset-Backed Securities in Canada	147
Figure 8.2: Net Transactions in Financial Assets, Canadian Chartered Banks	155
Figure 8.3: National Housing Starts and NHA MBS Activity.....	156

CHAPTER 1: INTRODUCTION

"...it is not that the solution of the housing question simultaneously solves the social question, but that only by the solution of the social question, that is, by the abolition of the capitalist mode of production, is the solution of the housing question made possible."
- Frederich Engels, "*The Housing Question*," 1872.

The above passage succinctly encapsulates Frederich Engels' position regarding how best to approach what he terms 'the housing question.' The question being posed concerned how society should solve what had become a major housing shortage in Germany during the 1870s (Engels 1872, 1). During this time, "a major polemical debate unfolded in Germany's worker/democratic press on the shortage of housing available to workers in major industrial centres. The influx and increase of the proletariat created a housing crisis" (1). Engels did not believe this housing shortage could be mitigated in any meaningful way by way of reforms where adjustments would be made to the laws governing the production and sale of housing. This is because any implementation of reforms by either the state or by a revolutionary proletariat would only alter and perpetuate, and thus *not overcome* capitalist social relations and the capitalist mode of production. This reasoning is at the root of what Engels called 'the housing question.'

So long as capitalism is permitted by society to exist, the capitalist class will continue to work towards consolidating private property and class power amongst themselves. In so doing, the capitalist class must continue to accumulate surplus value by way of labor exploitation so as to best secure property and power alike. In a capitalist society, then, the production and sale of housing, as with any other commodity, is predicated primarily on producing maximum exchange value so as to create capital, and not on providing use values in the form of shelter for workers.

The contradiction existent between production for exchange rather than for use, where the underlying purpose is to generate more and more capital, invariably leads to crises as history has shown.

From these premises, it may be adduced that the capacity for a capitalist society to adequately house its citizens is a process that will never be free of crisis or strife so long as capitalism remains a society's dominant organizing framework. At the heart of capitalism's longevity has been the reification of capitalist social relations and the perseverance of bourgeois democracy. The idea of reification, as articulated by Lukacs, refers to how unequal capitalist social relations between capital and labor have been rendered invisible and normalized over time. Reification thus works to handicap the urgency associated with the need for people to collectively overthrow capitalism. Capitalism has also benefited from the repressive strength of bourgeois democracy where political regimes like that in Canada are controlled by an "economically dominant class [that] rules through democratic institutions, rather than by way of dictatorship" (Miliband 1969, 22).

Though Engels was addressing the housing question within the specific historical context of late nineteenth century Germany, similar problems concerning housing persist to this day. It is in this spirit that I have decided to explore housing policy as it has evolved in Canada throughout the mid-twentieth century through the early twenty-first century. I feel this is a worthwhile project to undertake given the importance of housing within society. Everyone requires housing of some form or another, and the manner in which it is developed and sold has been a historically complex process. Indeed, housing that is produced within a capitalist social formation takes several forms. Housing can be produced by neighbourhood cooperatives. It can also take the form of subsidized housing provided for low income persons by the state. Most commonly,

housing is created through the private market in accordance with the laws instituted by the state. The development of private market housing especially has been plagued with periods of shortages and crises similarly to that described by Engels in *The Housing Question*. Specifically, I am exploring evolutions in affordable housing policy as they have been produced and re-shaped by the Canadian state. The development of these policies, and the changes they have undergone over time, are such that housing policies have proven incapable of benefiting everyone equally. In a class-based capitalist society, like Canada, those individuals of a relatively low class position, are forced in this day and age to rely on the market rather than the state to satisfy their housing needs. The state is accordingly expected to institute housing market guidelines that will ensure individuals of varying incomes can fulfill their housing needs through the market. This imperative of the state is complicated by capital's prerogative to accumulate profits through the production and exchange of homes despite lower income persons not being able to easily afford the costs of homeownership. At the same time, the state is tasked with producing an environment wherein private market housing growth can persist indefinitely. As such, the state cannot viably consider any radical alternatives to fulfilling everyone's housing needs, such as de-commoditizing housing entirely. It is the way in which the state attempts to satisfy these goals through its formation of AHPs that forms the central theme of this project. Ultimately, this analysis of how the state has over time attempted to satisfy the conflicting interests between producers of housing commodities with those looking for affordable housing alludes to the dysfunction of capitalism itself.

This thesis involves utilizing Bob Jessop's theory of the capitalist state to explore changes in the Canadian Mortgage and Housing Corporation's affordable housing policy (AHP)¹

¹ Given the numerous references being made to affordable housing policy in this thesis, I am employing the acronym AHP as an abbreviation.

between periods of significant political economic change known as historical blocs. Specifically, **I aim to fulfill two related goals.** One, I will explore whether AHP changes served to favor certain class interests more than others at different points in time through what Jessop terms the strategic selectivities bias (SSB) inherent within state policy. Secondly, I am also attempting to establish whether the SSB and the CMHC's rhetoric concerning AHP were influenced at those different points in time by changing historical blocs.

In my first chapter, I will present the theoretical framework of Jessop's theory of the capitalist state, including a thorough delineation of what is meant by the SSB, through a broad literature review of state theory. In performing this task, I will explain the similarities and differences existent between Jessop's strategic-relational state theory with other scholarly perspectives. This is important as I intend to explain why it is that I chose Jessop's state theory as my chosen theoretical framework rather than one of the other theories reviewed, all of which possess relative strengths and weaknesses in relation to one another. Accordingly, I will use the theory not only to understand how changes in AHP have occurred over time, but also how they favor or exclude different classes. The examination of such phenomena correlates with the discipline of political economy, the principles of which derive most especially from Marx's class centered analysis of capitalist society.

Fulfilling the stated goals of this thesis requires I provide in chapter two a delineation of paradigmatic structural changes, which can be otherwise termed as historical bloc formations that have taken place in Canada. There are precise reasons for doing this. One is that state policies, in Jessop's view, are produced by the state through its balancing of competing class interests. At the same time, policy making is subject to determining influence from capital. In light of this, the state is often compelled to favor the interests of capital through its policy

actions. Yet, the capacity for capital to impose its will on the direction of state policy fluctuates in intensity over time. The intensity of such fluctuations, in turn, depends on the given opportunities afforded to different classes within particular historical conjunctures. When historical blocs are formulated within a given conjuncture, policy making activities can follow a relatively stable pattern or blocs. Given this, what I intend to explore in this chapter is the varying degree of influence that historical blocs impose upon AHP formation by the state.

Ergo, I will begin the chapter by first illuminating the nature of structural change in Canada's political economy across the temporal landscape of two historical blocs: the golden era of the post-WWII age, as well as the contemporary globalization era. Accordingly, the second chapter will focus on three structural phenomena that had significant impacts on the evolution of state autonomy, including globalization, neoliberalism, and financialization. Upon defining what these terms mean, I will explore how these phenomena unfolded within Canada during this time of paradigmatic change. In accordance with Jessop's theory then, the research that I will present explores how the structural changes involved in Canada's paradigmatic transition, namely globalization, neoliberalism, and financialization, may have affected the direction of the SSB of AHP to favor certain class interests.

Within this empirical analysis section of the thesis, comprising of chapters four through eight, I will explore the dualistic tension that exists between the CMHC's dual mandates. The CMHC, as an arms-length institution of the federal government, is primarily responsible for facilitating the production of affordable housing through the mechanism of the private mortgage market. At the same time, the CMHC is also tasked with provisioning social policies. On its website, the CMHC (2015) states that it provides assistance to those in the lower income spectrum, as well as those who are systematically disadvantaged, through its various programs.

The purpose of which is to assist disadvantaged persons in acquiring shelter that they would not otherwise be able to access. The task for my analysis, then, is to explore how the CMHC fulfills the imperatives outlined within these mandates, and to justify my claim that these mandates can at times come into conflict. The root of this conflict, to borrow from Jessop's theory, is that the state can only selectively favor some class interests at the expense of others through the AHPs it implements. Upon analyzing my findings through the lens of Jessop's state theory, I will transition into the concluding chapter where I will summarize the key arguments generated through my research and analysis. I will also consider possible avenues for other scholars to undertake with respect to examining evolutions in Canadian AHPs.

1.1 Explaining the Research Process

In order to explore how AHPs are constructed, and in the process, evaluate how certain interests have been favored or biased within these policies, I undertook an examination of primarily archival government sources. This included an examination of past debates between the years 1965 and 2006 within the House of Commons between agents of the state of whom were involved in debating and implementing policies. I complemented this analysis through a study of the CMHC's annual reports between the same timescale (1965-2006). There were important reasons for choosing archived materials from this particular timescale. One, the mid-1960s represented a crucial turning point in the direction of affordable housing policy. It was at this historical conjuncture where the Canadian state undertook significant initiatives in the realm of affordable housing provision for low income Canadians. Prior to amendments made to the NHA in the mid-1960s, the CMHC's mandate was largely driven towards promoting private market ownership, and was largely devoid of welfare-oriented responsibilities. Indeed, the CMHC in the years prior to the mid-sixties amendments, focused its public funds "almost

exclusively on the ownership sector” (Hulchanski 2003, 3). When NHA amendments were authorized in 1964, CMHC’s affordable housing policy assumed a dualistic form where the CMHC intended to both stimulate the development of private market housing, while also providing welfare assistance to those in need of shelter. Additionally, the mid-60s represented a peak of ‘golden-era’ type policies in Canada. Thus, the inception of the CMHC’s social policy mandate by the state during this period appears to be correlative with interventionist-style golden era policies.

By investigating how the SSB of CMHC policy was defined through Canada’s golden era, and then analyzing whether it shifted in response to the paradigmatic restructuring of the globalization era, I will be able to offer explanations as to how and why these changes took place. It is during the globalization era that a surge in housing occurred in the late 90s and lasted roughly until 2006,² the point at which I concluded my research.

Methodologically, the undertaking of this research began with analyzing archived historical debates concerning affordable housing policy between members of the House and Commons. These debates provided me with several crucial points for analysis. First, I was given insights into how affordable housing policy was publicly debated, formulated, and either discarded or implemented into law. I had to consider the ways in which political agents employed rhetoric so as to convince their peers and the voting public that their ideas concerning AHP were most worthy of realization. Analyzing the rhetoric within these discussions of affordable housing policy thus entailed my discerning which class interests were being biased by a given policy. Ultimately, my intention was to track changes in the SSB specifically within these debates concerning AHPs as they proceeded from 1965 through to 2006. It is important to

² The cooling of the housing surge just after 2006 was clearly a consequence of the uncertain conditions in the global political economy following the onset of the sub-prime housing crisis in the United States.

note the breadth of my analysis of these debates was limited, due to my having to select only portions of what were often lengthy events, as well as the fact that the timescale of my investigation stretches over a wide number of years.

My investigation into archival resources included analysis of the CMHC's annual reports between the years 1965 and 2006, in addition to federal task force reports concerning AHP changes from this same period of time. The CMHC reports provided me access to detailed information concerning the content of AHP, and gave insights into how the CMHC frames the policies they promoted and championed within them. The reports themselves are composed as promotional materials for the CMHC where they highlight the various achievements that were attained through their administering of the various policies. As such, they are intended to persuade the public that the CMHC's policies are benefiting the common interest, much in the same way that state agents promote their respective policies within Parliamentary debates. I thus worked to discern the ways in which the CMHC employs rhetorical tactics that obfuscate the reality that many AHPs are inefficient and exclude certain classes of persons from accessing needed assistance. It is through my analysis of the Parliamentary debates, where critics often highlighted the inconsistencies of CMHC policy, the details of which are not found in the rhetoric within the CMHC reports. The act of making connections between these two government produced resources formed a central component of my research.

The incorporation of material from federal task force reports, moreover, allowed me to gain insights into how the political agents within these task forces work to alter the SSB of AHPs in a way that benefits the interests of a given class. Through this research, I was able to critically analyze how certain class interests have been favored within AHPs at the expense of others.

1.2 Limitations of the Research

One important limitation of my research is that I focused my analysis almost entirely on state produced documents concerning CMHC policies. By doing so, I was only able to generate findings that pertained to evolutions in AHP as they were discussed, promoted, and implemented by the state, and not by members of civil society (e.g. social movements), nor by developers or real estate firms. Specifically, I neglected to explore the role of social movements within society as important forces that work to influence the direction of AHP in such a way as to better serve the public good. Given my knowledge of Jessop's state theory as that which I utilized for my analysis, it is safe to assume that Jessop would pay close attention to the role of social movements as potential forces of change within the realm of AHP, especially in regards to citizen-led actions that pressure the state to mitigate problems of homelessness and housing affordability. Consideration of such activity is important in the context of utilizing Jessop's theory as Jessop maintains that the state produces policy by way of strategically weighting competing class interests within changing conjunctural circumstances. Competing class interests in this regard pertain to those embodied by social movement participants, which can run counter to capital's interests that primarily concern maximizing the profitability of the housing market, and rendering all considerations outside of that (e.g. homelessness) as externalities.

I should also make clear that while I have given substantive reasons for choosing to focus my research on archived documents dated specifically between 1965 and 2006, specifically, I would likely have accrued substantial findings if I had been able to analyze documents dated earlier than 1965. If I had done so, I would likely have been able to glean insights into how affordable housing policies were first defined and articulated by the government in the post-WWII period where Canada's housing market was only beginning to take shape in its

contemporary form. Such research would have assisted in my being able to rigorously demonstrate the changing nature of affordable housing policy since its very inception, rather than beginning in the midst of the golden era paradigm, which is essentially what I have done. As it stands, I have provided a brief historical background of the CMHC and its changing functions since its inception in the post WWII period. The purpose of which was to provide historical context for the reader regarding the CMHC's role and functions. With more time, I would have extended the scope of my research to include a more widespread analysis of affordable housing policies prior to 1965.

An additional limitation of my research is my having relied primarily on state-produced resources, including task force reports, Parliamentary debates, and the CMHC's annual reports. As such, I was only able to discern findings from government produced resources that have been constructed for public access. Because of this, any discoveries concerning changes in affordable housing policy that took place within non-public settings, where discussions amongst political agents would not be subject to public scrutiny, could not be realized. Such findings may effectively be excavated through interviews with individuals who possess knowledge of such non-public discussions between those political agents involved in the creation of affordable housing. Though it is difficult to speculate in detail what I would expect to discover through such research, it is possible that I would be able to grasp how political agents consider the public interest when discussing affordable housing policies outside public arenas. This would be a potentially fruitful exercise to the extent that interviewing political agents would allow me to question them more on the *process* of how they communicate political rhetoric, rather than being able only to analyze the rhetoric itself (through engagement with archived debates and other resources). With more time, this is an avenue for research that I would have undertaken.

Another consideration I had to be mindful of when undertaking historical research that utilized archival sources was that the performance of it remains a subjective exercise. Though I would not classify this as a disadvantage per se, it is a caveat that should be acknowledged by any researcher performing such analysis. For the researcher not to do so is to risk attributing too great a degree of truth or objectivity to their produced findings. Any historical researcher, writes Howard Zinn (1980), is “forced to choose, out of an infinite number of facts, what to present, what to omit. And that decision inevitably would reflect, whether consciously or not, the interests of the historian” (616). If we, as graduate researchers, accept Zinn’s argument that historical work is ultimately driven by our own self-interest, then we should take measures to ensure that our interests remain predicated on producing work that does not claim to be the definitive historical truth, but instead, clearly illustrates its subjective character and acknowledges any personal biases or favors that we inhabit as researchers. In light of this, I should make clear that I was able to explore only a small number of relevant archival sources pertaining to the topic of CMHC’s affordable housing policy. My goal, then, was to select and analyze enough source material that I felt would allow me to generate modest considerations that can feasibly germinate future research problems to be investigated.

The importance of acknowledging that historical researchers possess personal biases, and that these biases invariably influence what they choose to present as findings, is important not only for my own reflexive purposes as a historical researcher. It is also useful to consider the subjective component of those findings produced by others that I have incorporated as supporting evidence within this thesis. Following Zinn’s logic, personal biases are inhabited by all those who perform historically oriented research. As such, it is important that I make clear that the findings and analysis I am presenting here is not to be viewed as conclusively or

objectively true. Ultimately, the conclusions made by the researchers I have cited are products of subjective judgements that they have made themselves, of which are informed by their own personal biases and self-interest. Therefore, I do not take for granted in some way that the supporting arguments I have included are necessarily wholly true or accurate in a way that conclusively validates my own assertions. Rather, my goal is to use external sources in a way that accurately reflects the arguments they put forth and that assists me in generating modest findings related to my research problem.

An important caveat should also be noted here for clarification. Throughout this thesis, I often use classifying terms like capital, labor, and the state to describe relations between societal classes, as well as relations that have occurred between these classes with the state. My usage of such language allows me to specify for the reader instances wherein individuals of a certain class in Canada possess interests that can be realized or inhibited by the strategically selective actions of the state.

That said, I acknowledge there is more internal heterogeneity in the formations of state, capital and labor than this thesis tends to recognize. Using blanket terms such as labor to refer to the entirety of working class individuals invites a tendency to overlook the hierarchical inequities faced by individuals of differing incomes, and of varying genders and racial backgrounds. For instance, I often refer in this thesis to the era of the mid-1960s as a heyday in the development of public housing meant to provide shelter for those households of a lower income working class profile.

This is not to suggest that my analysis doesn't explore the grave inefficiencies of measures like public housing. The point I intended to communicate was that from a policy perspective, public housing was an example of AHP that was designed explicitly to favor the

working class. However, my description of the ‘working class’ in discrete terms can render invisible the disproportionate lack of access to state assistance afforded to individuals of varying working class backgrounds. Bacher (1993) illuminates, for example, how it was that “federal housing policies could do nothing to improve the shelter conditions of many low-income Canadian families” (222). In Glace Bay, Bacher (1993) continues, “of 24,186 persons, only 41 percent of households had incomes high enough to be eligible for public housing” (222). In future research, therefore, greater attention should be applied to the internal heterogeneity of various classes and institutions.

CHAPTER 2: Theories of the Capitalist State

2.1 Ralph Miliband's Instrumentalist Theory

The definition of 'state' and its role in capitalist society has many interpretations. Arguing from a Marxist perspective, Miliband (1969) defines the state as consisting of institutions – the government, the administration, the military and the police, the judicial branch, sub-central government, and parliamentary assemblies – through which its law-making and regulative power is exercised in society and secured via its monopoly over the legitimate use of violence. Such theorizing by Miliband suggests the state exists separately from society in its form as an amalgam of institutions. In his analysis, Miliband acknowledges counter-arguments from liberal-pluralists who contend the plurality of economic elites in advanced capitalist societies embody competing interests that work to diffuse usurpation of political influence by any one dominant economic class. Additionally, these competing interests, in the liberal pluralist view, work to effectively integrate lower class workers into the capitalist system through higher wages (competition for workers puts upward pressure on wages). Miliband argues to the contrary that 'elite pluralism' does not "prevent elites in capitalist society from constituting a dominant economic class, possessed of a high degree of cohesion and solidarity, with common interests and common purposes which far transcend their specific differences and disagreements" (1969, 48). Further to this, the activities of the state become consolidated by bourgeois individuals from "the world of business and property" who overwhelmingly occupy important positions within the state apparatus (66). Possessed with solidarity, the actions of these 'state elites' are motivated by common interests, namely capital accumulation, that are bourgeois in nature. As such, these elites are distanced from the plights of subordinate classes. This reasoning is reflective of

Miliband's alignment with instrumentalist state theorizing. Instrumentalists assert "that capital rules to just that extent that individual capitals, particular firms, specific fractions or sectors of capital or the capitalist class as a whole can employ the state as an instrument to promote their interests at the expense of other classes and social forces" (Jessop 1990, 145). Given Miliband's position as a respected Marxist theorist of the state, the analysis given here of his instrumentalist theory provides several benefits for this thesis. One, it outlines from an instrumentalist perspective, the role and nature of the capitalist state as a law-making and law-enforcing entity that works to perpetuate unequal class relations in a capitalist society. Two, by analyzing the relative weaknesses of Miliband's instrumentalist theory in comparison to Poulantzas' and Jessop's strategic-relational conceptions of the state, I will be able to adduce reasons as to why I chose to utilize Jessop's ideas for this thesis.

Poulantzas, meanwhile, argues that Miliband's theory of the state, where capital's success in manipulating state action is conditional upon their consolidating it from within, at least avoids the trap of presuming the state has no autonomy at all. The perception of the state as having no autonomy is often associated with Marx and Engels who asserted in the *Communist Manifesto* that the state is merely a pliant instrument of the bourgeoisie. Poulantzas (1972) argues that Marx and Engels' state theory is thus unable to rectify the complex mechanisms of the state in relation to the class struggle. Though Poulantzas maintains that Miliband's theory avoids similar trappings, he also argues that Miliband mistakenly narrows the relationship between the state and the ruling class to the scale of inter-personal relations. In so doing, Miliband presumes state power is always usurped by members of the bourgeoisie who effectively 'corner' the state apparatus. As such, the interpersonal relations between members of the state and those of the ruling class are rigid to the point where their character becomes interchangeable. Consequently,

Poulantzas suggests Miliband's theory is unable to adduce evidence for the state's relative autonomy.

Miliband's critical theory does succeed in challenging the conventional liberal view of the state. In the liberal view, the state is a discrete entity that can upset the efficiency of free market capitalism through its interventions. Jessop (1990), like Poulantzas, proclaims however that when Miliband discusses relations between the state and capital, he attributes too much power to individual bourgeois agents whom are always capable of controlling what Miliband sees as an ultimately powerless state. For this reason, Jessop contends that Miliband neglects the relationship of mutual interdependence between the state and capital that exists on an institutional level. In perceiving the state as a thing to be infiltrated by the bourgeoisie, Miliband sees the state as existing separately from capital, and thus falls prey to the liberal tendency of discussing "politics in isolation from its complex articulation with economic forces" (Jessop 1990, 30). The liberal state theory of political scientist R.M. MacIver is illustrative of this tendency:

Now that the state has withdrawn from the control of religion, now that it has in general begun to refrain from acting as the arbiter of moral issues, the crucial question of politics concerns its relation to the economic order. So long as the focus of political power was also the focus of economic power, this question had little practical importance; but we have pointed out that in the modern evolution of the state the two have grown not only distinct but in some measure separate ([1926] 2006, 291).

Following liberal state theory, MacIver argues the state should not control the economic business of the country, but should merely uphold the laws governing market societies. As to whether the state fulfills this function, MacIver believes that so long as the state confines itself to a protective role, and allows market activities to be dictated by self-interested persons, the state can temper "for the common good the inequalities and the perils of economic struggle" (299). MacIver thus perceives the state as possessing greater relative autonomy than is argued by Marxists. In

MacIver's view, an overbearing state that intervenes in market activities by its own volition, as opposed to being directed by capital, is likely to amplify the degree of inequality in society. Miliband, who perceives the state as acting to perpetuate relations of class dominance, would certainly disagree with McIver's theory. Jessop (1990) argues, though, that Miliband's perception of the state as being incapable of resisting infiltration by bourgeois agents, fails to establish "the real nature of the state in capitalist society and its inherent limitations as well as advantages for capital" (30). Such argumentation works to situate the direction of this thesis where I am attempting to show how the state produces AHPs not as a pliant instrument for capital's ends. Rather, and I think Jessop would agree, the state implements AHPs that are at times beneficial for capital, and at other times anathema to capital's profit-making imperatives.

2.2 Nicos Poulantzas and Strategic-Relational State Theory

Though Poulantzas is a Marxist, he does not perceive the state as a distinct entity that can be used as an instrument of a dominant class (1968, 191). Jessop (2008) paraphrases Poulantzas who views the state as a social relation that exists as "a material condensation of the balance among class forces insofar as the state actually helps to constitute that balance rather than simply reflecting it" (125). The state, in other words, is not a discrete institution. Rather, it should be thought of as a social relation³ that actively produces a balance among competing class forces and fractions. The state, in this sense, is thus attributed with the function of upholding political order where it prevents "classes and society from consuming themselves: the use of the term "society" indicates that it prevents the social formation from bursting apart" (Poulantzas 1968,

³ Jessop (2008) cites Marx who emphasized that capital is not a thing but a social relation, meaning a relationship between people that is mediated through the instrumentality (means to an end) of things (38). In a similar vein, where Poulantzas describes the state as a social relation, we can appropriate Marx's logic to imply that people form relations between one another that are mediated or shaped by the state to achieve certain ends. Poulantzas' theory suggests the state mediates social relations between classes of people in such a way as to produce a superficial semblance of unity amongst classes. Yet, the production of this class unification by the state is performed ultimately to maintain the dominant classes' superior position relative to subordinate workers.

50). The production of this balance amongst competing class forces by the state is not meant to imply that the state acts neutrally in relation to all classes. In fact, the balance produced by the state between classes is of a superficial nature where the state's function is to "disorganize the dominated classes politically, and at the same time, organize the dominant classes politically" (189). Poulantzas' analysis of the state assists us in developing a perspective of the capitalist state not as a separate institution existent outside society, but rather as a multitude of different social relations taking place within it. By using Poulantzas' ideas, the social relations that constitute the implementation of AHPs by the state can be viewed as a product of the state working to create a balance amongst the competing class forces of capital and labor. If he were to describe this process, however, Poulantzas' would not suggest that the balancing of class interests by the state somehow means that capital and labor are put on equal footing by the state. More likely, Poulantzas would assert that this balancing act by the state only produces a superficial balance between class interests, and that AHPs are ultimately produced in such a way as to sustain unequal capitalist social relations. I use the term 'capitalist state' so as to classify how the state functions within a capitalist society to assist in perpetuating unequal social relations between classes and to create an environment where accumulation can prosper. A capitalist state thus differs from a state in an absolutist or 'police state' form (MacIver 1926) where it tightly controls both the means of production and the lives of the masses.

The capitalist state accomplishes this organizing of unequal class relations, in the words of Poulantzas, through structurally selective actions that consist of "a complex set of institutional mechanisms and political practices that serve to advance (or obstruct) particular fractional or class interests" (Jessop 2008, 127). It should not be inferred in a 'Poulantzasian' sense, however, that the state has absolute power in organizing class rule through such activities. This is because

power is not concentrated within the state, but rather within capitalist social relations that exist outside it. Power thus exists at the level of class relations as the stability of society is determined by the relations of production between capitalists and subordinate workers whom are locked in a perpetual struggle for power (Poulantzas 1968). The actions of the state are thus restrained by having to maintain capitalist social relations. One way the state accomplishes this is by reproducing a division between mental and manual labor⁴ (Jessop 2008). This division, in Poulantzas view, involves the exclusion of the prejudicially termed ‘anti-intellectual’ working classes from full participation in political decision making wherein class power can be publicly challenged. The state constitutes and reproduces this division of labor through the establishment of an educational system from which those deemed to possess ‘the particular intellectual skills’ are recruited for official political participation. These state-enrolled functionaries are conditioned through their educational and bureaucratic training to perpetuate official discourse. This involves elite political agents communicating rhetorically to the public their willingness to uphold liberal democratic values in a way that obscures the exclusionary reality of political power.⁵ Such discourse can be perceived as strategically selective where the state employs selective filtering of information, and withholds from acting on certain issues so as to avoid shedding light on the

⁴ The principle of the division of labor has proven an effective means for capital to inculcate docility within what became the working class within capitalist societies. In such a society, the commitment of workers to complete repetitive labor tasks in perpetuity so as to continue earning wages effectively erodes their capacity for mental enrichment. Chomsky (1993) cites Adam Smith to this effect: “the man whose life is spent in performing a few simple operations, of which effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding...and generally becomes as stupid and ignorant as it is possible for a human creature to be...But in every improved and civilized society this is the state into which the laboring poor, that is, the great body of the people, must necessarily fall, unless government takes pains to prevent it” (18). As demonstrated above, however, the state remains compelled by capital to reproduce the division between mental and manual labor, thereby ensuring the mental degradation of the working classes continues unabated.

⁵ Miliband (1969) establishes his agreement with Poulantzas’ claims regarding the indoctrinating effects of ‘higher education’: “For while universities are centres of intellectual, ideological and political diversity, their students are mainly exposed to ideas, concepts, values and attitudes much more designed to foster acceptance of the ‘conventional wisdom’ than acute dissent from it. Many universities may harbour and make available to their students every conceivable current of thought; but everywhere too some currents are very much stronger than others” (258).

realities of class struggle. In so doing, the state's functionaries employ official unifying discourse that presents the state as a 'class' state, "of a society which is institutionally fixed as one not-divided into-classes; in that it presents itself a state of the bourgeois class, implying that all the 'people' are part of this class" (Jessop 2008, 189). As such, the state operates to suppress workers' capacity to politically organize where they may challenge the dominance of capital in society (50).

The important role played by state functionaries in inculcating workers into capitalist social relations is suggestive of the importance of individual agents in reproducing capital's dominance as argued by Miliband. Poulantzas argues, however, that relations between individual political agents and capital is not one of necessarily increasing intensity. Paraphrasing Poulantzas, Jessop writes that state action involves "complex, cross-cutting, decentralized, non-hierarchical, and antagonistic relations among the different branches of the state ensemble" (2008, 127). At the same time, Poulantzas insists that the state exhibits an apparatus unity that is produced via the dominance of the state branch or unit that represents the interests of capital. This dominant apparatus of the state will employ strategic tactics, such as short-circuiting decision making elsewhere in the state so as to secure its unity and that of all classes. The most efficient strategies employed by all apparatuses of the state occur most often, argues Poulantzas, in an ex post manner through collision "among mutually contradictory micro-policies and political projects formulated in different parts of the state system" (as cited by Jessop 2008, 128).

The idea that such strategies are generally not consciously formulated and implemented by a state intent on furthering the aims of capital's global project is suggestive of a critique by Poulantzas of instrumentalist theories of the state. Poulantzas maintains that in the absence of an actively calculating state that unconditionally avoids policies contrary to capital's interests, the

autonomy of the state is thereby not incapacitated by capital-ruled firms or bourgeois political agents. Nor is the autonomy of state action wholly inhibited by the external imperatives of capital as argued by structuralists. Rather, Poulantzas insists that the state's role in reproducing class domination by capital "must be explained through the strategic codification of power relations" (Jessop 2008, 128).

Much of Poulantzas' ideas concerning the role and nature of the capitalist state proved useful for my analysis, specifically his arguments concerning how the state publicly presents itself to the masses as a unified entity that acts at the behest of all people. The state in the Poulantzian sense controls the flow of information so as to not appear as what it actually is, as an entity that fulfills varying class specific interests at different times. This idea helped me understand how it is that state actors and power networks within the state, as well as the CMHC, communicate AHP changes to the public in a way as to suggest that they are serving a common and unified interest.

Poulantzas' contention that policy is formulated by way of antagonistic relations between power networks proved useful for my analysis as well. This is because it allowed me to discern how it is that AHPs are shaped and implemented into law by way of Parliamentary debates, often of which are hostile in nature, between members of the House of Commons. AHPs, I learned, are of course also shaped through other forms of social relations, such as that occurring between state actors and appointed Task Forces, along with the Finance Minister. Such theorizations by Poulantzas were thus helpful for describing how the state's actions are products of tension fueled relations between policy makers and associated power networks.

Poulantzas' ideas concerning the separation between mental and manual labor, and the associated exclusion of labor from political decision making activities in the state assisted me

greatly in understanding how the state functions from a theoretical perspective. However, I did not have the time to explore this idea in relation to my own analysis due to the limited amount of time that I had available for this project. I also refrained from utilizing Poulantzas' theory regarding how state actions invariably become driven at a given point of time by a dominant state apparatus. It is this apparatus, according to Poulantzas, that works to ensure capital's power is preserved within society. My reasoning for not including this idea into my own analysis is two-fold. One, I was unable to discover the presence of a dominant apparatus within the state that guided the direction of AHP in such a dominant way. Two, Poulantzas' insistence that state policies are formed through antagonistic relations between power networks suggests that any one network does not possess the capacity to override the influence of any other network. As such, Poulantzas' contention that a dominant apparatus ultimately does possess such power works to muddle my capacity to discern the level of autonomy that the state possesses relative to capital. This argument is explored in more detail below.

Poulantzas does convincingly articulate what Jessop calls a strategic-relational theory of the capitalist state, where the state's activities are shaped through confrontational action by multiple antagonistic departments. Yet, Poulantzas' theory stipulates that the state must ultimately fulfill the imperatives of capital. Further to this, the state is the factor "which concentrates, condenses, materializes and incarnates politico-ideological relations in a form specific to the given mode of production" (Poulantzas 1978, 27). In order for the state to accomplish this directive, and effectively inculcate the masses within a system of bourgeois domination, it requires a unification of the apparatuses of the state,⁶ which Poulantzas argues is

⁶ Paraphrasing Poulantzas, Jessop writes that the unity of the state "cannot be explained in terms of constitutional and administrative law. Even if spheres of competence were strictly determined and a precise hierarchy of formal authority had been defined, this would not affect the real structures of power. Rather it was the dominance of the

constituted by conscious strategic practices by the state's dominant apparatus. The intended purpose of this action is to produce unified policy in service of the bourgeoisie. The actions of the dominant apparatus "sees it duplicate subordinate branches, establish its own 'parallel power networks,' penetrate the personnel of other apparatuses, short-circuit decision-making elsewhere in the state system, reorganize the traditional hierarchies of power when appropriate, and switch the relays and circuits of power to suit the global interests of the hegemonic [class]" (128).

Granted, state policy, at least in Poulantzasian terms is most often formulated in a post-hoc and strategic manner amongst antagonistic branches. Yet, Poulantzas' insistence that the state must ultimately produce the conditions for class domination, and that the securement of these conditions is contingent upon a unification of the apparatuses of the state, suggests policy actions must at some point become consciously directed by its dominant apparatus. Jessop's interpretation of the Poulantzasian view is such that state action flows from a largely strategic causality, and yet it is ultimately determined by the structural causality of a determinant mode of production. The incorporation of a determinant structural element within Poulantzas' strategic relational theory, I believe, makes it difficult to determine the degree to which the state possesses relative autonomy vis-a-vis capital in his theorization.

2.3 Bob Jessop's Theory of the State as Social Relation

Jessop (1990), meanwhile, argues the state must not only be defined by its relative autonomy, but also by its responsibilities to the voting public. The state, Jessop argues, is neither a subject nor a thing. Rather, his strategic relational approach conceptualizes the state as a social relation. As such, the state can be seen as existing in material interdependence with other institutional orders such as the economy, where the state is embedded within other social

branch or apparatus that represents the interests of the hegemonic fraction that secured any institutional unity" (2008, 127).

relations that together constitute a normalized working society. And yet, the state initiates continual processes of spatial organization and supervision over the populace so as to create the appearance of a world divided into state and society.⁷ Jessop (1990) writes that “the core of the state apparatus comprises a distinct ensemble of institutions and organizations whose socially accepted function is to define and enforce collectively binding decisions on the members of a society in the name of their common interest or general will” (339). In this sense, the state was socially constructed to serve what it articulates as the common interest of the people.

Accordingly, Jessop believes any Marxist theory concerning the state’s relative autonomy is made problematic by the “very form of the state in capitalist society. For it is not constituted as a private organ of the dominant class but as an impersonal public authority and, in so far as it has definite formal channels of representation and accountability, they are typically tied to more or less developed notions of popular rather than class sovereignty” (144-145).

Jessop’s articulation of the modern state as an impersonal public authority is thus analogous on some level with MacIver’s writings on the impersonal structure of the state. MacIver (1926) defines the state as an “association which, acting through law as promulgated by a government endowed to this end with coercive power,” maintains social order within the community (22). In characterizing the impersonal public authority that is the state, MacIver differentiates between the powers of the modern state with that of the pre-capitalist feudal state. MacIver stipulates that as the state evolved into its modern form, its authority ceased to exist “by virtue of a natural or intrinsic superiority” as it did during feudalism (219). Instead, state authority became justified by protecting the general welfare of citizens and thus not that of a specific class. Every modern state, notes MacIver, where the will of the people is active,

⁷ Jessop (2008) cites Tim Mitchell who argues: “The state should be addressed as an effect of detailed processes of spatial organization, temporal arrangement, functional specification, and supervision and surveillance, which create the appearance of a world fundamentally divided into state and society” (5).

responsibility of powers is given by the people as the ultimate sovereign to a democratically elected government. The general will of the people is designated as the ultimate sovereign as that which ultimately “determines the policy or direction of the state” (12). The general will of the people is rarely representative of the will of all people, however, with democratically elected governments rarely being the choice of all the citizens. It is at most, MacIver argues, a fluctuating majority of citizens who decide to elect new representatives or perpetuate the rule of existing ones. This secures a condition of accountability on the part of the state to ensure re-election by the majority of citizens. The accountability of the state to the general will of the people, MacIver’s argues, is what designates the people as the ultimate sovereign as it is the people who decide through elections whether democratic governments rise or fall; accordingly, governments change their policies while they remain in power in order to secure their survival.

MacIver’s arguments only hold value, though, if the general will of the people reflects what is desired by all people. The ‘people,’ however, are in reality indoctrinated into bourgeois ideology. This involves individuals becoming convinced by the state’s rhetoric to believe they live in a working liberal democracy (Poulantzas 1968; Miliband 1969). In attributing the state’s actions as reflective of the people’s will, MacIver incorrectly perceives the state as possessing absolute autonomy. For if this were true, the state would seek, and have the capability of, mitigating inequities between classes. MacIver’s alignment with Liberal doctrine, to reiterate what was stated above, implies that the state accomplishes this feat by way of enforcing law and refraining from intervening in market affairs. Marxist interpretations of the state indicate by way of historical materialist analyses,⁸ however, that the state possesses only relative autonomy, and

⁸ In chapter 10 of *Capital*, titled “The Working Day,” Marx (1867) examines the persistent capitulation of the British state to industrialists and factory owners: “The law-makers were so far from wishing to trench on the freedom of capital to exploit adult labor-power, or, as they called it, “the freedom of labor,” that they created a special system in

must work to perpetuate inequitable capitalist social relations. The question I am considering is the degree to which state autonomy is compromised by capital.

Though Jessop does not view the state as being unconditionally beholden to capital, his theory of the state is definitively Marxist. This is evident in Jessop's acknowledgement that capital does indeed exert a deterministic logic on the direction of state action. Yet, this determinism is a phenomenon that is always subject to change. Accordingly, Jessop (2008) does not wholly subscribe to either instrumentalist or structuralist conceptions of the state, which generally imply that the state's actions are perpetually determined by capital. Instead, Jessop formulated a strategic-relational theory of the state that follows the principles of autopoiesis.⁹ This theory suggests that major societal subsystems (such as the economy, law, and the state) are self-reproducing and operationally autonomous while also existing in a state of material interdependence. Jessop provides a helpful analogy in describing the nature of these subsystems by citing "Marx's analysis of the apparent self-closure and self-valorization of the circuit of capital that is enabled by the generalization of the commodity form to labor power" (2008, 26). Like the self-enclosed and self-valorizing circuit of capital, the totality of these sub-systems reproduce themselves autonomously. Yet, each system provides the others with an operational context. The system of law, for example, can be said to be self-reproducing with its own agents and institutional structures. Yet, it is intended to uphold private property rights and mercantile ethics. Thus, its existence depends on the presence of an economic system to give it context.

While Jessop claims the state exists in an interdependent relation with other systems, he acknowledges there exists a capacity for "one system in a self-organizing ecology of self-

order to prevent the Factory Acts from having a consequence so outrageous" (sec. 102). Retrieved from <https://www.marxists.org/archive/marx/works/1867-c1/ch10.htm#S5>.

⁹ Autopoiesis, according to *Encyclopedia Britannica*, has its roots in Chilean biology. The term autopoiesis itself "refers to self-producing, self-maintaining, self-repairing, and self-relational aspects of living systems" ("Autopoietic," 2015).

organizing systems to cause more problems for other systems than they can cause for it” (2008, 26). This dominant system is that of capital for the reason that accumulation must grow in perpetuity in order for the material interdependence of systems to remain stable. Juniper (2006) writes that for Jessop, “The critical issue here is capitalism’s greater capacity to escape the constraints and controls applied in other systems, which is in turn a direct consequence of accumulation becoming the dominant mode of social activity and valorisation (5).¹⁰ The emergence of one system that exerts dominance over the others is referred to in **autopoieticist** terms as possessing ‘**ecological dominance**’ and it manifests itself most prominently when ‘historical blocs’ are formulated.

The above review of Jessop’s strategic relational theory of the capitalist state forms a central component of my chosen theoretical framework for this analysis. Of additional importance for my thesis are Jessop’s ideas concerning the SSB and the important role played by historical blocs in influencing policy change, both of which I explore below. Regarding Jessop’s strategic-relational conception of the capitalist state, the principles of which share similarities with those of Poulantzas as discussed above, I utilized a number of Jessop’s concepts within my analysis. Similarly to Poulantzas, Jessop’s articulation of the state as publicly serving what he terms the common interest or general will of the public proved to be an integral theory for this investigation. It allowed me to explain how the state and the CMHC use rhetorical language to communicate the details of AHPs to the public in a way that makes it seem as if everyone will be made ‘better off’ by such policies being implemented into law. These ideas helped me

¹⁰ Jessop’s attributing capitalism with a greater capacity relative to other subsystems to produce greater harm to society than other autopoietic-like systems can cause for it is an idea that shares similarities with Polanyi’s view of capitalism as possessing self-destructive properties. Juniper (2006) paraphrases Polanyi when arguing that “the universal spread of the commodity form and the resulting dominance of market forces and profit-and-loss calculation throughout society could prove self-destructive. This can occur through the extension of commodification to other forms of social life, insofar as non-commercial domains are subject to secondary forms of economic coding, because the dynamism of a global economy may impose a greater burden of adjustment on other non-economic systems; especially as they seek to conform to the requirements of capital accumulation” (5).

understand how such state tactics work to obfuscate how AHPs generally favor one set of class interests at the expense of others. Jessop's theories also proved useful as a means of illustrating why the state perpetuates unequal class relations in this fashion. Indeed, the state in Jessop's view exists within an autopoietic reality with all other sub-systems, where the state must assist in reproducing capitalist social relations. I accordingly utilized Jessop's idea that capital possesses an ecological dominance where it is possessed with the unique capacity to harm all other sub-systems. By incorporating this logic into my analysis, I was able to better account for how the state forms AHPs that do not unconditionally benefit the capitalist class. At the same time, Jessop's theory of the ecological dominance of capital still helps to clarify how capital has the capacity to impose its will on the state in a manner that is greater relative to labor. But how is it that capital manifests this capacity upon the state? If capital's ecological dominance is not conditional or perpetual as Jessop would have us believe, what conditions or phenomena work to augment this capacity held by the capitalist class over the state? One way in which capital finds a way to impose a determining will upon the state is in instances where a new historical bloc is formulated.

2.4 Jessop, Gramsci, and Historical Blocs

The notion of historical bloc is key to understanding the logic of Jessop's state theory as historical blocs are representative of periods of stability within the realm of state policy. Jessop terms this period-specific stability '**structured coherence**.' The genesis of historical bloc as a concept was rooted in Gramsci's desire to develop a more robust Marxist theory of the state (Forgacs 2000). Accordingly, Gramsci critiqued the mechanistic forms of historical materialism within Orthodox Marxism. Such mechanistic analyses are made synonymous with economic determinism in that they presume what occurs in the base (comprised of social relations of

production) determines what occurs in the superstructure (society's culture, institutions, and its state). Gramsci analyzed the passage concerning the structure (base) and superstructure in Marx's 1859 *Preface to A Contribution to the Critique of Political Economy* and read it in an anti-deterministic way:

What the passage says, for Gramsci, is that changing socio-economic circumstances do not of themselves 'produce' political changes. They only set the conditions in which such changes become possible. What is crucial, in bringing about these changes, are the 'relations of force' obtaining at the political level, the degree of political organization and combativity of the opposing forces, the strength of the political alliances which they manage to bind together and their level of political consciousness, of preparation of the struggle on the ideological terrain (Forgacs 2000, 190).

Gramsci thereby challenged the Orthodox Marxist position that occurrences in the base invariably determine change in the superstructure. Gramsci argued to the contrary that "politics in fact is at any given time the reflection of the tendencies of development in the structure, but it is not necessarily the case that these tendencies must be realized" (191). Gramsci thus believed a historical materialist phase of development could only be studied after such change occurs.¹¹ To do so beforehand would presume events are to unfold in a determinate pattern when they may not occur at all. One can therefore deduce that the relationship between the base and the superstructure is dualistic as opposed to deterministic. That is to say, the mutual development of the base and superstructure is "intimately connected and necessarily interrelated and reciprocal" (193). The capacity for changing socio-economic circumstances within the base, then, to affect change within the superstructure is dependent on the relations of force obtaining at the political level. For instance, in a modern society, the state is unable to use force alone to impose its will or the will of capital through the formation of a new historical bloc. Rather, historical blocs in modern societies can be initiated by the state when certain political alliances comprised of elites

¹¹ Gramsci argued that "a structural phase can be concretely studied only after it has gone through its whole process of development, and not during the process itself, except hypothetically and with the explicit proviso that one is dealing with hypotheses" (Forgacs 2000, 191).

are strong enough relative to opposing forces that they can better cement their will through the imposition of a 'superior' ideology.

Gramsci's articulation of the historical bloc as a phenomenon that does not emerge within a deterministic relationship between the base and superstructure is an idea that is wholly consonant with Jessop's strategic relational theory of the state. Jessop (2008) considered the potential that the state and capital, despite their formal institutional separation, "may come to be structurally coupled to produce a relatively unified 'historical bloc'" (25). In light of this, Jessop became interested in discovering the conditions, if any exist, "under which economic and political structures and operations can be coordinated strategically by a power bloc (comprising dominant class fractions and political elites) to guide economic and political development" (25). The process of strategic coordination by such a power bloc is a specifically dualistic occurrence whereby economic, political, and socio-cultural relations become what Jessop terms 'structurally coupled' through the activities of dominant organic intellectuals and elite political alliances. This is a dualistic process in that the collective power possessed by these intellectuals and elites can be asserted in a way that is relatively greater than that which can be mounted by other social forces existent in society (e.g. working class and anarchist movements). Consequently, the ideas produced by these social forces become absorbed by the superstructure, and thereby assist in guiding economic and political development. Since only capital possesses ecological dominance relative to other societal systems, such structural couplings are likely to benefit the capitalist class so long as changing socio-economic circumstances, as Gramsci argued, produce appropriate '**conjunctural moments**' for them to occur. This explanation of historical blocs is admittedly abstract, and will be clearer through an illustration of Jessop's idea of the strategic-relational nature of the state. In so doing, I will make clear how Jessop's use of historical blocs

within his state theory represents his effort to solve the problems of economic determinism within prevailing theory.

Jessop's effort to escape economic determinism sees him reject instrumentalist theories of the state. This is evident in Jessop's insistence that the state is not perpetually controlled by what occurs in the base. Rather, the state and all other systems are operationally autonomous. The operational autonomy of the state is illustrated through Jessop's appropriation of Poulantzas' idea that the state exists not as a singular entity that is infiltrated by capitalist agents, but rather as a strategic field. Further to this, relations take place between the state's intersecting power networks that traverse and conflict with one another, eventually mapping out a general form of state policy (Poulantzas 1978, 136).

2.5 Jessop's Strategic Relational Theory and the Strategic Selectivities Bias

In theorizing the nature of the capitalist state, Jessop (1983) begins from the proposition, as originally stated by Marx, that capital is not a thing but a social relation. It is a relationship between people that is mediated through the instrumentality of commodity production, a process that must continue growing in scale if a capitalist society is to persist. Yet, the contradiction between producing commodities for exchange value as opposed to use-value, where the capitalist appropriates exploitative surplus value from labor, ensures unequal class relations persist between capital and labor. The ongoing search for surplus by capital, where new sources of growth must always be found, invariably leads to crises. Such crises are necessary, Marx argues, as they play a role in re-ordering and re-integrating the circuit of capital as a basis to resume capital's growth.

The longevity of this constant growth scenario, and the internal contradictions it produces thus also depends on the continuity of the class struggle (Poulantzas 1975). From these

propositions, Jessop (2008) “suggests that all forms of the capital relation embody different but interconnected versions of this contradiction and that they impact differentially on (different fractions of) capital and (different strata of) labor at different times and places” (38). Jessop thus perceives the cycle of growth and crises in capitalist societies as phenomena that do not follow a linear or predictable pattern. He also views the impacts these crises have on the class struggle as being erratic as well, and are therefore not amenable to a strict deterministic logic.

In Jessop’s view, capitalism follows a continuous motion of booms and busts, followed by a necessary restructuring that enables growth to resume unabated. In this scenario, the state plays a key role in ensuring the longevity of unequal relations of production between capital and labor, as the continuity of these relations makes capitalist growth possible. In line with the autopoietic conception of society, the state exists among other operationally autonomous systems. Their mutual survival, though, is predicated on their being materially interdependent. In other words, the survival of one system is conditional upon the ongoing functioning of each other system. In light of this, Jessop identifies the state system as tasked with ensuring the survival of this interdependent relation between systems. In other words, a central task of the state is to prevent “the social formation from bursting apart” (Poulantzas 1968, 50). The state accomplishes this feat on a perpetual basis, in Jessop’s view, by producing the “economic conditions for capital accumulation and in institutionalizing class compromises that facilitate capital accumulation” (Jessop 2008, 25-26). While this suggests that the state must ultimately act in the interests of preserving capitalism, Jessop is insistent that the state is not beholden entirely to the capitalist class. This follows from Jessop’s belief that a strategic-relational state theory can overcome the problems of economic determinism. Even though strategic-relational theorists endorse the notion that capital has the ability to impose its will on the direction of state policy,

they do not believe the effects produced by such policy “always favor one class or set of interests” (Jessop 1990, 149). State actions should instead be seen as a product of structural tensions and political struggles between the intersecting and antagonistic power networks that operate within the state itself. In line with the notion of structural selectivity, the form of the state does give it certain structural biases which affects its utility for different social forces. But how does the capitalist state go about reconciling its publicly defined role as impersonal authority that acts to further the common interest, while also producing the conditions whereby capital accumulation can continue unabated? And if the production of such conditions necessarily involves the reproduction of unequal class relations between capital and labor, how is it that the state can be defined publicly as an entity that works towards benefiting the common interest given the exploitative nature of capitalism itself?

As argued above, the state employs techniques of supervision and surveillance over the populace so as to give itself the appearance that it is separate from society; accordingly, the state presents itself to the public as an impersonal authority that acts in everyone’s common interest. Yet, Jessop (2008) argues that state actions or policies cannot benefit everyone’s ‘common interest.’ This is because the unequal class relations existent in a capitalist society ensure the interests of the capitalist class are different from the exploited labor classes. The state’s public role as an institution that works towards the common interest is therefore paradoxical. paradoxical nature of the state is evident not only in its role in preserving unequal class relations, but also manifests itself when the state, in accordance with its role as an impersonal authority, is called upon to resolve society’s problems. It manifests itself also when the state, in accordance with its role as an impersonal authority, is called upon to resolve society’s problems. In so doing, the state is consequently doomed to fail in that many problems lie beyond its control and can in

fact be aggravated through its interventions. This is especially evident in the state's relationship with capital where the capitalist state cannot overtly control productive economic activity as it does in an authoritarian society (Jessop 1990). Thus, when the state fails to mitigate crises in the economy, it is typically assigned blame for the failure taking place. In such instances, Jessop notes, the state doesn't generally die out, but instead becomes reorganized. This involves the reorganization of the forms of institutional separation between the state and society and vice versa. Whereas the feudal or police state possess absolute power to reorganize the means of production to suit its interests, the capitalist state is compelled to take actions that will reproduce capitalist society, namely perpetuating unequal class relations and process of accumulation.

As such, the functioning of capitalist societies is dependent on maintaining the perpetuity of accumulation despite capitalism's inherent contradictions. It is these contradictions, moreover, that produce crises that the state must attempt to fix. In the process of mitigating these crises, the state often has to reorganize itself even if it is to the detriment of the masses. Despite this, the state will always publicly declare that its policies benefit the common interest in order to maintain social cohesion. The ways in which policies are developed, though, is always on a strategically selective terrain (Jessop 1990). Within this terrain, the common interest remains asymmetrical where state policies selectively marginalize some interests while privileging others, thus making them biased. In other words, there can never be a common interest as state policy will always inhabit a particular bias. This is the nature of the **strategic selectivities bias (SSB)**.

The movement of the SSB in favor of a given class, meanwhile, is impacted by how the state's autonomy shifts in strength relative to the power of competing class forces. State action, in Jessop's view, is therefore determined less by the class background of those working in the

state (Miliband 1969), and more so on the “differential class relevance of the effects of the exercise of state capacities in a complex and changing conjuncture” (Jessop 2008, 31). Consider state action, then, as being formulated to favor a given class under always changing structural constraints, and within conjunctural moments whereby an interest or set of interests may be realized by an agent or set of agents acting at the behest of a particular class. As part of the central aims of this thesis, I tracked changes occurring in the SSB over a period of time (1965-2006) within AHP where I determined how such policies favored certain interests over this specific timeframe, within which Canada transitioned between historical blocs. Accordingly, I also sought to find out how the differing natures of these respective historical blocs worked to influence changes in the SSB within AHP.

In regards to structural constraints, these can be viewed as limitations on the autonomy of state action within a given conjuncture. For instance, following the crisis of Keynesianism in the 1970s, and the associated dissolution of capital controls, capitalist states became inhibited in the degree to which they could implement policies anathema to the capitalist class. The state at this time, for instance, could not easily increase its capital gains tax as capital – being no longer inhibited by capital controls – could threaten to invest outside the state’s domestic borders, a tactic known as capital flight. In this sense, the autonomy of the state became constrained by the structural conditions of capitalism during this conjunctural period. The shifting of these structural constraints over time, Jessop theorizes, comes to produce conjunctural moments or opportunities whereby state action can be strategically modified by an agent or group of agents to further a given class interest or set of interests. The role of structural constraints in these conjunctural instances, therefore, is to define the parameters whereby certain interests can be favored while others cannot.

The economic base from which structural constraints are derived, though, does not change deterministically via the whims of the capitalist class. Rather, the base is always strategically organized by the state through its weighting of the collective class interests in society, a process within which certain interests are favored over others. As such, because the economic base is oriented by the state towards the strategic privileging of certain class interests, and is thus not structurally driven to automatically further only capital's demands, there are often conjunctural opportunities for state agents supporting a given class to initiate actions that circumvent structural constraints. The capacity for such agents to impose their will upon the direction of state action so as to satisfy these interests is determined in large part by the level of relevance afforded to whichever class it is that they represent. What Jessop means by this is that state action, and the class interests they favor, is a consistently mutable process where some class will invariably possess a greater differential relevance¹² than others in a given conjuncture. In regards to the term '**agents**,' Jessop is referring to those members of society whose actions are predicated on furthering the interests of the given class that they represent. For agents existing outside the state, their interests are defined by their position in the social hierarchy. Those agents within the state, meanwhile, are thus compelled to strategically weigh competing class interests in a way that eventual policies will satisfy whatever interests they represent, all without upsetting social cohesion.

¹² The fallout experienced by Canadians during the Great Depression, as noted by Campbell (1987), produced a subsequent increase in public support for radical leftist political parties (e.g. the CCF) whose platforms were centered greatly on privileging the interests of the laboring classes. The tide of leftist political support engendered by the populace, combined with the fears of working class revolt held by those in the state and in the private sector, implied that labor possessed a *greater differential class relevance* at this time relative to the capitalist class. In view of this, the state enacted a series of welfare-oriented policies as a means of stemming the populist tide. That said, Campbell makes clear that the Keynesian/welfare oriented policies tailored to favor the working class were far from being greatly transformative, and served ultimately to reproduce the capitalist system as it had been prior to the Depression, albeit with some enhanced regulatory measures.

Jessop insists that the modification of strategically selective state action in a given conjuncture that is intended to suit a given set of class interests is a process subject to constant change. Yet, Jessop also argues that there are instances where such action can produce paradigmatic¹³ change in the form of new historical blocs. This is accomplished through what he calls ‘structured coherence’ where a reciprocal interaction between structurally inscribed strategic selectivity, and structurally oriented strategic calculation, leads to a stable pattern of state action that no longer favors certain interests on a spontaneous basis. In such instances, the SSB of state policy, as articulated above, will be guided towards privileging a given set of interests in a manner that is relatively stable. In alignment with Gramsci, Jessop argues the formation of structured coherence by way of historical blocs involves a structurally coupled and “co-evolving ensemble of economic, political, and socio-cultural relations, the construction of which depends on the activities of organic intellectuals and collective projects as well as on the gradual and emergent co-adaptation of institutions and conduct” (Jessop 2008, 47).

When structured coherence emerges through the formation of a historical bloc, however, the privileging of a given set of interests by the state as a consequence of such change remains a **mutable scenario**. Jessop (2008) writes:

A final preliminary conclusion in this phase of strategic-relational theorization was that structured coherence is always multiply tendential. There are three reasons for this. First, the reproduction of structures is only ever tendential; so too are their strategic selectivities. Second, because structures are strategically rather than structurally selective,

¹³ *Paradigm* is often associated with historian of science Thomas Kuhn and his seminal text *The Structure of Scientific Revolutions* (1996). In it, Kuhn describes paradigms, a word that denotes a pattern of something, in relation to evolutions in scientific practice. Kuhn writes that by choosing paradigms, “I mean to suggest that some accepted examples of actual scientific practice – examples which include law, theory, application, and instrumentalism together – provide models from which spring particular coherent traditions of scientific research” (10). This logic, I believe, correlates with what was a ‘paradigmatic’ transformation in social scientific practice that took place in Canada following its transition from the golden era into the globalization era. I would assert that evidence for this claim is rooted in the proliferation of what are now commonly accepted terms, such as neoliberalism, globalization, financialization, etc. that were coined and utilized by social scientists to evaluate and describe the nature of structural changes taking place in the world.

there is always scope for actions to overflow or circumvent structural constraints. And, third, because subjects are never unitary, never fully aware of the conditions of strategic action, never fully equipped to realize their preferred strategies, and always face possible opposition from actors pursuing other strategies or tactics, failure is an ever-present possibility (47).

This idea flows from Jessop's insistence that his strategic-relational theory of the state can overcome the problems of economic determinism. Yet, what Jessop does not make clear is what kinds of opposing strategies or tactics have the capacity to circumvent structured coherence. Presumably, if certain actors pursuing a strategy that favors a given set of interests possess the power to initiate the production of structural coherence, then the class whose interests are favored by such action must possess greater power relative to other classes in a capitalist society.

The fact is that capital is more than capable of exerting its determinate will on the activities of the state. After all, Canadian history has shown that even during the golden-era¹⁴ when political economic conditions were arguably more equitable between classes than they are now, the rules imposed by the state still overwhelmingly favored the capitalist class (Campbell

¹⁴ Assigning the adjective 'golden' to the era of accumulation that was experienced by the West following WWII is common practice in academic circles and in popular media (see the documentary *Capitalism: A Love Story* by Michael Moore). This is due in large part to the high profit rates and the increased standards of living enjoyed by a prospering middle-class during that time. McNally (2009), however, cautions against using the golden era as an apex against which to measure all other eras of accumulation. In response to those who allege that falling profit rates and wage compression represent persistent crisis conditions in the post-golden era, McNally counters that *all* eras of accumulation are subject to growth limits. These limits themselves, he argues, are products of capitalism and the inherent contradictions that it inhabits. Principally, these contradictions manifest themselves through capital's quest to accumulate at all costs. When Western businesses invest capital in peripheral countries so as to generate lower-cost output, for instance, subsequent wage compression in the core countries can inhibit consumer demand and growth at the national scale. McNally writes:

[The] unique quarter-century long postwar-boom (1949–73) ought not to be the benchmark against which everything else is deemed a 'crisis'. That great boom was the product of an exceptional set of social-historical circumstances that triggered an unprecedented wave of expansion. But, prolonged expansion with rising levels of output, wages and employment in the core-economies is not the capitalist norm; and the absence of all of these is not invariably a 'crisis'. It is utterly misleading to imagine that capital is in crisis every time rates of increase in world or national GDP fall below five or six per cent per annum. Indeed, where wage-compression characterises a phase of capitalist expansion, this may be favorable to profitability while suboptimal in terms of the growth of consumer-demand and annual rates of national economic growth. Yes, capitalist expansion under such conditions throws up limits to itself. But this is what we should expect of all capitalist 'regimes of accumulation'. The capitalist mode of production is inherently contradictory at multiple levels; every pattern of capital-accumulation involves self-generated limits (45).

1987). Jessop, in his articulation of the ecological dominance of capital, certainly does not deny that the state possesses only relative and not total autonomy in relation to capital. That said, because his theory perceives the relation between the state and capital as being persistently mutable, it is difficult to determine the degree to which the state's autonomy is impacted by the determinate power of capital.

If there exists an opaqueness within Jessop's strategic-relational approach to formulating the relation between the state and capital, why is it that he decided to use this theory and not one that adheres to, say, instrumentalist or structuralist schools of interpretation? Jessop, in fact, provides useful and credible critiques of these alternative conceptions of the state. Jessop, firstly, contends that it is debatable as to whether it is possible to develop a theory of the capitalist state in general since capitalism does not exist either in one singular form or in isolation.

Consequently, states "in capitalist societies will necessarily differ from one another" (1990, 44). There are stark differences, for instance, in how Canada and the U.S. regulate their financial services industries. Whereas Canadian banks are tightly regulated by the federal government, the American financial system is loosely regulated and fragmented where capital is raised primarily within powerful securities markets (Bordo, Redish & Rockoff 2011, 145).

From these premises, Jessop offers critiques of instrumentalist and structuralist theories that assume the state follows general patterns of behaviour in response to capital. In instrumentalist theory, the rule of capital over the state is found in the class background and affiliations between the state and private sector elites who are involved in policy making. Miliband accordingly perceives the state elite as largely being drawn from the business world, a phenomenon that invariably directs the construction of policy to favor capital (1969, 46). Jessop criticizes this position, arguing that "there is a wide variation in the social background of

politicians, officials, and economic spokesmen” (1990, 146). Jessop argues there are significant areas of conflict between the interests of particular capitals and “those of capital in general so that advocacy of a given policy by a specific capitalist interest, or its representatives, does not prove that it would further the interests of capital in general” (146).

Similarly to instrumentalism, Jessop criticizes structuralist analyses as focusing too greatly on external structural constraints that encumber the state from pursuing policies contrary to capital’s interests (1990, 146). These constraints are typically rooted in the institutionalized ‘right of capital withdrawal’ or ‘capital flight’ “which obliges the state elite to govern in the self-defined interests of capital on pain of investment strikes provoked by the competitive logic of market forces” (146). Jessop does maintain that structuralism can be useful. He refers to David Harvey (1989) who explores the ways in which municipalities are compelled by capital to attract investment in response to federal level policies that eliminate restrictions on capital movements. Jessop (1990) cautions, however, that by stressing structural constraints, the structuralist approach to state theorizing “suggests that accumulation is the overriding priority of the state elite. Thus, this approach effectively denies that this elite might have interests of its own and/or face pressures from non-capitalist forces” (147). A sufficient state theory therefore requires adequate consideration of the institutional form of states themselves and the reality that not all states will follow general patterns of behaviour within capitalist societies.

In considering Jessop’s work as a whole, it is evident that his theory offers a credible means for state theorists to avoid economic determinism when conceptualizing the state’s relationship with capital. Jessop describes this relation as one of constant mutability, where the SSB inherent within state policy ensures some interests pertaining to a given class will be favored at the expense of others. This scenario is subject to change during conjunctural moments

whereby a collaborating set of agents representing the interests of a given class work to shift the selectivities bias of policy in their favor. As explicated above, the privileging of a given class interest or set of interests by state policy is not limited to spontaneous occurrences within conjunctural moments. Such activity can become paradigmatically entrenched in society through the initiation of structural coherence, which itself may emerge through the formation of a historical bloc. Such relatively stable periods of state action, however, are also subject to change. While these considerations allude to the difficulty in determining the degree to which capital possesses relative autonomy in relation to capital, it does work admirably to mitigate the deterministic problems associated with the other state theories explored here.

This literature review provided an overview of several perspectives on the role and nature of the modern capitalist state. The perspectives reviewed included that of instrumentalist, liberal, and strategic-relational state theories, all of which were explored through an analysis of a major scholar's work from each school of thought. These scholars included the instrumentalist theorist Ralph Miliband, liberal thinker R.M. MacIver, and prominent strategic-relational experts Nicos Poulantzas and Bob Jessop. My analysis focused on explaining how each perspective interprets the role and nature of the capitalist state, and most importantly, to what degree the state possesses autonomy in relation to the capitalist class. My reasoning for doing so was to highlight the relative strengths and weaknesses of each perspective on the state, and also to decipher which theory best explains how the state helps support the capitalist paradigm through policy-making etc. This has particular importance for this thesis as my investigation involves performing a retrospective analysis of how the state implemented changes to AHPs in response to changing demands from the private housing market, homeowners, renters, and others requiring substantial housing assistance.

While conducting this literature review, I was compelled to choose certain ideas, concepts, and terms from the reviewed works for use within my own case study of AHP changes in Canada. I felt Miliband's instrumentalist theory provided a useful lens for critiquing liberal conceptions of the state such as that put forward by MacIver. Upon reviewing critiques of Miliband from Poulantzas and Jessop, however, I discerned that Miliband's theory cannot adequately account for the relative autonomy of the state, a phenomenon that I feel is more credibly adduced by strategic-relational state theory. I came to this realization through my review of Poulantzas and Jessop who articulate the state as existing in a relationship of tension with capital where the state must weight and consider competing class interests when forming policy. During such times, according to the strategic-relational theories of Jessop and Poulantzas, the state has to produce policy that will satisfy certain class interests to an extent that the social formation does not burst apart. At the same time, because the state exists in a capitalist society, it must also ensure that processes of accumulation and growth continue indefinitely, which implies the state acting to perpetuate unequal class relations between capital and labor. This imperative necessitates that the state help to preserve capitalism and the contradictions inherent in its functioning.

As far as determining what ideas from strategic-relational theory to incorporate into my analysis, I felt Poulantzas' theory confusingly attempts to explain state action as occurring by way of decentralized activities between networks, while at the same time, putting forth the claim that a dominant apparatus within the state ultimately determines the direction of the state's functions. I believe Jessop's theory convincingly describes the relative autonomy of the state as existing in perpetual flux. It follows from this that the state's activities work to favor a given class through the shifting of the SSB in a direction favorable to that class's demands. With

respect to providing explanations as to how the SSB shifts in favor of a given class's interests, Jessop proffers that **agents** operating at the behest of a certain class can take advantage of **conjunctural moments** and prevailing **structural constraints** so as to exert their will on the state in a way that is spontaneous and always subject to sudden change. Jessop argues, furthermore, that emergences of historical blocs can exert a determining influence on the direction of the SSB in a way that is more stable and paradigmatic than is the case during **conjunctural moments**. These highlighted concepts are those which I incorporated into my analysis of AHP changes in Canada so as to utilize their explanatory strengths in describing why AHPs changed over time in the ways that they did. It is my utilization of Jessop's strategic relational state theory in this investigation of Canadian AHP changes that I feel is a worthy contribution to the existing theory concerning affordable housing policy and the state in Canada.

CHAPTER 3: Analyzing Structural Change within Canada

3.1 How Do Historical Blocs Emerge? What is meant by Globalization, Neoliberalism, and Financialization?

In line with Jessop's theory, the transition from embedded liberalism towards neoliberalism in Canada was ultimately a product of strategically oriented changes initiated by the state that occurred during a particular conjunctural moment. This being the paradigmatic transition away from golden era policies into the globalization era. As noted above, these structural changes are that of neoliberal governance and globalization, post-industrialism, and financialization. These structural changes were initiated by the state which used policy in order to ensure the survival of the capitalist paradigm.

Terms used to describe structural change, such as globalization, neo-liberalism, and financialization, have proliferated within academic discourse since the 1990s. This has led to multiple understandings as to what these terms mean and confusion over whether they are synonymous with one another. Indeed, Held, McGrew, Daveblatt, and Perraton (1999) opine that while everybody "talks about globalization, few people have a clear understanding of it" (483). Krippner (2005) notes that terms like globalization, neo-liberalism, and financialization "tend to be freely coined and even more freely used," a practice that can dissolve into petty label-mongering (198). Though such problems may persist, an investigation of these terms can develop an understanding of what they mean. In so doing, I can connect their importance to my evaluation of changes in the SSB of the CMHC's affordable housing policies.

Globalization, neoliberalism, and financialization, for one, should not be viewed as discrete and ahistorical phenomena. In other words, a phenomenon such as globalization did not emerge through a medley of technology and cultural change that was devoid of any determinate factor. The multi-faceted character commonly attributed to globalization has worked to obscure the power of capital that shapes the global political economy. Globalization has been used to describe the acceleration in the mobility of capital, bodies, and information across borders. Such language serves a function for political agents who use the unifying rhetoric of globalization to implement policy that acquiesces to capital's demands (Lewis 2003).

The benign language of globalization thereby serves to obfuscate the corrosive effects of capital in what has become an increasingly globalized political economy. Gill (1995), for one, argues that globalization "is not amenable to reductionist forms of explanation, because it is many-faceted and multi-dimensional and involves ideas, images, symbols, music, fashions, and a variety of tastes and representations of identity and community" (405). At the same time, Gill asserts that the present "mythic and ideological representations" associated with globalization as a concept "serves to reify a global economic system dominated by large institutional investors and transnational firms which control the bulk of the world's productive assets and are the principal influences in world trade and financial markets" (405).

Neoliberalism, meanwhile, has largely been relegated to academic debates (Thorsun & Lie 2006), and the same can be said for financialization. This is not to suggest that globalization is more integral for this analysis than neoliberalism and financialization. Rather, it is worth noting that globalization,¹⁵ along with neoliberalism and financialization, are phenomena that

¹⁵ A view worth considering is that phenomena described by such terms as globalization, neoliberalism, and financialization are not entirely new, but rather are cyclical processes that have historically fluctuated in intensity. The intensity of these fluctuations, moreover, is determined significantly by the nature of the prevailing historical bloc from which they emerge. In regards to globalization, the dictionary defines it abstractly as "a process (or set of

emerged through the crystallization of a historical bloc. Such blocs emerge, according to Gramsci, when political alliances between elites are strong enough relative to other societal forces that they can impose a dominant ideology upon society. As such, political agents have worked to facilitate the emergence of these phenomena through their policy actions. Yet, strategic-relational theorists (Jessop 2008; Poulantzas 1968) would assert that state policy-making is a complex process involving antagonistic relations between power networks within the state itself. The nature of these relations, and the degree to which the eventual policies constructed from them either augment or restrict the power of capital, are determined in large part by the character of the prevailing structural constraints imposed upon the state. It is from these constraints that certain conjunctural opportunities become afforded to a given set of agents whom then work to realize their class-specific interests in the formation of policy.

To develop an understanding of this historical bloc that has persisted worldwide since the restructuring of the global economy during the 1980s and 1990s, it is best to develop a firm understanding of what is meant by neoliberalism and financialization. Like globalization, neoliberalism is a popular term in academic settings; it is also an often misunderstood term (Lees, Slater & Wyly 2008). Standard definitions of neoliberalism, for instance, are not

processes) that embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or interregional flows and networks of activity, interaction, and power” (as cited by Held et al. (1999), 483). Similar emphases on time-space compression, and a transformational acceleration in the movement of people and activities across borders, are found in numerous scholarly definitions of globalization as well (Lewis 2003; Gill 1995). These transformational processes have been going on for centuries, and are thus not entirely new. From the sixteenth century onward “Europeans traveled the world, conquering the Americas and Oceania before making colonial incursions into Africa and Asia” (Held et al. 1999, 484). In recent decades, though, globalization has accelerated in a scope and scale that goes far beyond previous eras, where not only people but social, political, economic, and cultural activities are moving and stretching “across political frontiers, regions, and continents” at a rapid pace (484). Naim (2009) agrees that contemporary globalization differs from its previous historical incarnations, writing that “the quantitative change in each of globalization’s components – economic, cultural, and [sic] military, etc. – is so enormous that it creates a qualitative change. This alone has opened possibilities that are completely new – and also consequences that humanity has never seen before” (29). Similar considerations regarding neoliberalism and financialization are detailed below.

comprised of necessarily new ideas.¹⁶ Rather, the ideas of neoliberalism resemble those of eighteenth century liberalism. Such ideas, Lees et al. (2008) indicate, rest on the belief that free-market exchange of private property is the ultimate organizing principle for society. Though they identify the commonalities between neoliberalism and classical liberalism, Lees et al. neglect to acknowledge the integral role played by the state in producing the conditions whereby neoliberalism can exist. The definition of neoliberalism given by Thorsun and Lie (2006) identifies the importance of the state as that which must refrain from activities that lie outside the realm of protecting “individual, especially commercial, liberty, as well as strong private property rights...Free markets and free trade will, it is believed, set free the creative potential and the entrepreneurial spirit which is built into the spontaneous order of any human society, and thereby lead to more individual liberty and well-being, and a more efficient allocation of resources” (14-15).

Thorsun and Lie’s explanation of the neoliberal state is logical from a strictly *philosophical* standpoint. The neoliberal state, however, is by no means ‘weak.’ The *reality* of actually existing capitalism as it persists within the current neoliberal paradigm (McChesney 1999; Harvey 2007) requires the presence of a highly powerful state (Polyani [1957] 2001). The functioning of the neoliberal paradigm within actually existing capitalism corresponds with the actions of powerful actors, of whom are indoctrinated by bourgeois ideology through their education (Miliband 1969). These powerful actors, such as ‘free market’ economists and corporate-financed public relations firms, have inculcated the public into believing free market policies are the most efficacious. At the same time, they condition the public to view government action as being generally ‘inefficient’ (McChesney 1999).

A similar confusion emerges with respect to the term financialization, as it does with neoliberalism and globalization, in that their character as singular terms invites a tendency to view them as novel, as opposed to intermittent phenomena. Krippner (2005), for one, agrees with Braudel (1982) and Arrighi (2010) that “financialization is a recurrent phase in the evolution of capitalist economies” (199). To investigate this point in detail, however, would go beyond the aims of this thesis. Yet, it is important to define what is meant by financialization and its implications as an influential force in the West’s prevailing historical bloc, of which continues to be defined by globalization, neoliberalism, and post-industrialism. By doing so, I can connect the importance of financialization in relation to how the CMHC in Canada takes advantage of what has become a financialized economy. In such an economy, I will argue, the CMHC has exploited its access to borrowable funds from investors in financial markets. In so doing, the CMHC uses such funds to accumulate capital for its operations.

Like globalization and neoliberalism, defining financialization is a similarly difficult task. Krippner (2005) paraphrases Arrighi in defining financialization as “a pattern of accumulation in which profit-making occurs increasingly through financial channels rather than through trade and commodity production” (174). In this sense, financial refers to activities related to the provision or transfer “of liquid capital in expectation of future interest, dividends, or capital gains” (174-175). Christophers (2011) perceives financialization as being principally concerned with the structural dynamics of a capitalist economy. Accordingly, when an economy becomes financialized, more of the wealth that circulates within it is “deemed to be generated through finance” (273). Epstein (2001) sees financialization as implying increasing interdependence between financial markets, financial institutions, and financial elites with the state in the overall operation of the economy, both at the national and international level. Though Epstein’s

recognition of the state as playing a vital role in a financialized economy serves to fill a gap present in the other definitions, the analysis performed by aforementioned scholars (Krippner 2005; Christophers 2011) remain concerned with exploring financialization at the institutional level. Such explanations, while crucial for understanding financialization in aggregative terms, must be complemented by considerations for how workers themselves have become subsumed within financial relations. In this way, a thorough understanding can be produced as to how financialization directly affects the working class. This is important with respect to my investigation as I am seeking to understand how AHP changes by the state over time have either favored or disregarded the interests and well-being of the working class. Indeed, Canada's transition into the globalization era led to AHPs themselves becoming more financialized. This implied the formation of policies that would both facilitate an acceleration in investment activity in the housing market, as well as produce a low-deficit and low inflation climate wherein such activities could proliferate. What my analysis aims to demonstrate is how these developments affected the working class with globalization era policies working to extend housing credit to more low income families. At the same time, restrictions on public spending has meant less public money being devoted to providing shelter assistance to those persons requiring it.

Accordingly, it is useful to draw from Palley (2007) who examines financialization within a specifically neoliberal context. In so doing, he identifies four policy factors that have 'boxed in' the working class, conditioning them to financialize their daily life (Martin 2002). The policy factors identified by Palley (2013) include the state's commitment to "small government, labor market flexibility, and abandonment of full employment" (36). Though Palley's usage of the term 'small government' is misleading in the sense that neoliberalism requires a strong state, he correctly identifies the state's neoliberal tendency to withhold support for labor. Such state

actions are illustrative of the financialization in the West where the central concern for the state and financial institutions becomes maintaining healthy asset prices as opposed to productivity garnered through high wages. A financialized economy “seeks to constantly reproduce itself in an attempt to maintain and increase profitability; financialization thus necessitates an intense and continuous search for ‘new asset seams that can be turned into collateral’ (Leyshon & Thrift 2007, 98). In a finance driven economy, such operations consist largely of securitizing future asset-based income streams such as mortgage debt, for example.

Following Lukacs’ theory of reification, financial relations involved in capitalizing potential home owners, where mortgage debt lent to homeowners is securitized and sold to investors in financial markets, becomes effectively normalized over time where their nature as capitalist social relations is made invisible. The fact that they are capitalist social relations thus renders those concerns external to profit making, including dangers associated with provisioning high-risk mortgages, as subordinate to the pursuit of profits. Leyshon & Thrift (2007) note “one of the abiding financial stories of the last 20 years or so [has] been the search for, and the corresponding expansion of, what counts as a reliable income-yielding asset” (100). The growing influence of financialization over the state and financial institutions has led to increasing home equity usage by homeowners who now receive less welfare support from the neoliberal state. The family residence has become not only a place of shelter, but also an asset used to generate income. The use of the home as a source of equity, for instance, has led households to use more debt to offset costs associated with unemployment, education, and medical expenses (Montgomerie 2009).

3.2 Contextualizing Structural Change in Canada

The paradigmatic shift that took place in Canada in the mid-1980s, wherein embedded liberalism was replaced by a paradigm favoring ‘free-market’ capitalism, had major implications for class struggle. This paradigmatic shift in Canada involved a transition away from embedded liberalism and towards ‘free market’ globalization, neoliberalism, and financialization. Brennan (2012) summarizes this transition:

The “golden era,” 1945 to the mid-1970s, was characterized by the establishment of the Keynesian welfare state. During this time, governments were activist, sought full employment, regulated capital and currency flows and levied comparatively high taxes to finance social programs. During this era, the power of unions solidified and workers throughout the income spectrum enjoyed a greater share of income gains as a result of economic growth. Income inequality in Canada shrunk during this period. The “globalization era”, mid-1970s onward, led to a reversal of many golden era policies and programs. Inflation-fighting and deregulation replaced the pursuit of full employment. Trade and investment rules were liberalized. There was a retrenchment of welfare state programs, the introduction of tax cuts, and the de-unionization of workers. Income inequality in Canada grew to Gilded Age proportions during this period (3).

In line with this reasoning, the political process of welfare state retrenchment and de-unionization by the state is part and parcel of a larger trend of a structural transition towards neoliberalism and financialization. This structurally-based transition initiated by the state was enabled in part by the usage of unifying rhetoric by political agents. Lewis (2003) argues that policies that restructure the political economy of a country must first attain credibility with the populace so as to be given consent for their implementation. For example, Lewis writes, “globalization may be real, but what also matters is the ability to persuade people that it is real so they will be susceptible to an argument framed in globalization’s terms” (91). The unifying rhetoric of globalization works to reify the manner in which policies favoring globalization serve to augment capital, oftentimes at the expense of labor. Lewis argues thusly:

Globalization tilted the domestic playing field in favor of neo-liberal reform because it increased the leverage in political debate of policy that favored capital. The threat of capital’s exit, the increased power of financial capital as debt mounted, and capital’s

heightened distrust of inflation skewed perceptions of the state's policy autonomy and argued for pro-market reforms (92). Following this reasoning, the enactment of neoliberal reforms in Canada during the mid-1980s gained the consent of the public through the usage of supportive economic rhetoric by political agents.

Through the mid-1980s and 1990s, the state put forth a concerted effort to produce conditions whereby financial capital especially could prosper. Upon Canada's transition into the globalization era, the augmented power and mobility afforded to financial capital imparted additional structural constraints on state policy. Lewis (2003) cites Robert Cox (1994) who articulates three important structural changes in the global political economy that strengthened financial capital. This strengthening of finance, in turn, directed state policy in a manner that made managing debt and inflation paramount, rather than welfare spending for the working class. Lewis references Cox as follows:

In a global environment, the weapons of investment strikes and capital flight, along with the threat of their deployment, exert discipline on unions and government spending. Capital once viewed inflation as relatively benign. But after the 1970s experience of high inflation and tight profits, capital punishes states that do not keep inflation low. The second element is the structuring of production. The emphasis is less on economies of scale attained by more production, and more on the economies of 'flexibility' that stem from producing in peripheral countries. Flexibility includes the option of moving production sites, which weakens the leverage of labor relative to capital. Workers, especially those outside of professional elites, are much less mobile than capital. Third, there is the role of debt. Corporations and governments became highly reliant on debt to finance their operations. As the percentage of revenues these entities dedicate to debt-servicing payments rises, they become relatively more accountable to bondholders and less accountable to shareholders and citizens. The options available to governments on the exchange rate, fiscal policy, and trade policy fronts are constrained by the implicit loan conditions set by global financial markets. Cox argues that productive corporations are similarly constrained. With financial and productive capital decoupled, financial capital driven by short-term returns is the real autocrat in the system (101).

The abstention of the state away from 'golden era' policies promoting full employment and collective bargaining, where the state was willing to run deficits and invest in domestic

productivity despite increased risk of inflation,¹⁷ is demonstrative of a strategic shift within the state towards financialization. The momentum of this shift, moreover, was enabled through the emergence of the forms of structural constraints as outlined above by Cox. In the globalization era, the focus of the state and financial institutions became centered on maintaining prosperous asset prices as opposed to production and consumption attained through high wages and productivity. The importance for the state to assume the mantle of inflation and debt management upon Canada's transition into the globalization era was due to the heightened risks that high debts and inflation pose to investors. A country experiencing rising deficits, for instance, can produce sudden changes in interest rate levels, that when combined with volatile and inflationary prices, may produce difficulties for investors to gauge the potential for returns within such an area. As Lewis argues, "capital will either exit or not enter a high-inflation country unless a premium in the interest rate is offered to offset the higher risk of investment" (101). Higher interest rates, though, both suppress investment (due to higher borrowing costs) and increase public debt to financial capital as governments are compelled to pay greater interest to their creditors (101). In order to attract financial capital, then, capitalist states became obliged in the globalization era to acquiesce to financial capital's demands once financialization took hold. This meant more of Canada's growth was to be centralized in activities related to the supply or transfer of liquid capital "in expectation of future interest, dividends, or capital gains" (Krippner 2005, 174-175). In order for such gains to be continually realized by financial actors

¹⁷ The 1977 McCracken Report by the Organisation for Economic Co-operation and Development (OECD) was a watershed document whose authorship of authoritative experts imbued the report's claims with a scientific legitimacy. The authors of the report discouraged state-led investment in productivity, claiming that "creating inflation to *bring unemployment below its natural rate* destabilizes and accelerates the inflation rate because inflationary measures work only so long as people are fooled into believing that inflationary growth has a real rather than a nominal basis" (Lewis 2003, 93). Though the McCracken report itself was not given a lot of attention by the Canadian government, its promotion of the idea that there exists a 'Non-Accelerating Inflation Rate of Unemployment' (NAIRU) attained hegemonic status in Canada by the mid-1980s. Thereon, NAIRU "increasingly directed conceptualizations of economic and social policy" (94).

and institutions, newer income-generating assets must be sought out. Like in the United States, the search within Canada for profitable assets that could be securitized during the peak years of the globalization era and the prevailing historical bloc (1996-2006) led to an exploitation of the market for affordable housing.

These arguments have worked to collectively establish the tenets of Jessop's state theory, as well as produce a discussion of temporal structural change in Canada from between the end of WWII through to the consolidation of the globalization era and its associated historical bloc. Having provided a discussion of structural change within the larger Canadian political economy, I can now examine how these changes impacted the direction of the SSB within affordable housing policy (AHP).

3.3 Defining the Canada Mortgage and Housing Corporation (CMHC)

Given that Canada's AHP is administered by the CMHC, it is best to first explain the role of the CMHC as an agent of the federal government. Upon its inception in 1946, "the Central Mortgage and Housing Corporation was created (changed to "Canada" Mortgage and Housing Corporation in 1979) to house returning war veterans and to lead the nation's housing programs" (CMHC 2015). In its early years, the corporation's basic functions were to administer the National Housing Act (NHA) and the Home Improvement Loans Guarantee Act,¹⁸ and provide discounting facilities for loan and mortgage companies. CMHC was thus created to administer its obligations in accordance with the NHA:

The purpose of this Act, in relation to financing for housing, is to promote housing affordability and choice, to facilitate access to, and competition and efficiency in the provision of, housing finance, to protect the availability of adequate funding for housing

¹⁸ "The Home Improvement Loans Guarantee Act was passed in 1937. Under the Act, a chartered bank could make a loan to the owner of a rural or urban home to cover the cost of repairing, altering or making improvements to the home. Loans were not to exceed \$2,000 on any single property. Royal Bank subsequently introduced Home and Farm Improvement Plans (National Employment Commission)" (Royal Bank of Canada [RBC] 2015).

at low cost, and generally to contribute to the well-being of the housing sector in the national economy (*National Housing Act 1985 R.S.C*).

The obligations of the CMHC are subject to amendment by the legislative branch of the state which includes the Senate and the House of Commons. Ergo, the CMHC functions at the behest of the federal government to administer the objectives of the NHA as stated above. In administering these laws, the CMHC stimulates the development of affordable private market housing.

The contents of the CMHC's mandate as stated within the NHA speak to the tensions existent between use value and exchange value as originally theorized by Marx (1976). What the NHA states is that the CMHC must administer policies that will facilitate indefinite growth in the housing market, a process that necessitates un-ending production of homes. The focus of the NHA on stimulating housing development is not predicated merely on generating use-values in the form of shelter for Canadians. Housing developments imply the creation of multiple exchange values and the generation of profits therein, with respect to the sale of land, the sale of labor for construction, the buying and selling of resources for home building, and the sale of homes between mortgagors and debtors, etc. The mandate assumed by the state to help perpetuate the creation of these exchange values thus exacerbates the contradiction inherent between use and exchange value. This is because state policy is intended in this way to generate an ever growing market for the use-value associated with purchasing a home despite the fact that commodity markets invariably run into limits in the form of limited number of buyers and finite resources as far as labor, materials, and available credit is concerned. When these limits are reached, as they often do, crisis conditions can and do emerge.

The overwhelming focus on the part of the state to facilitate housing production for the purpose of generating exchange values additionally conflicts with the state's additional

responsibility for helping to provide the use-value of a home for those who need state assistance. The state accordingly is restricted in terms of the breadth of housing policy it can consider; housing cannot be de-commoditised by the state despite everyone requiring it as a public good. The asymmetrical focus of the CMHC on housing development drew criticism from the Ontario Association of Housing Authorities (OAHA), which in a 1964 study titled *Good Housing for Canadians* issued the following statement:

Housing performance under the National Housing Act has been production-oriented rather than distribution-oriented, a quantitative operation qualitatively devoid of broad social objectives and economically inaccessible to many Canadians. The production of new houses should be a means to an end, not the prime objective (1964, 49).

That said, the CMHC nowadays is also tasked with producing social policy. It is involved “in a wide spectrum of activities, from helping low-income families, persons with disabilities, seniors and Aboriginal Canadians access affordable housing, to ensuring housing markets function efficiently to help Canadians access a range of housing options” (CMHC 2015). One can thus surmise that a central task of the CMHC is to provide access to affordable housing for individuals unable to acquire shelter through the market. My research has shown evidence that this **dual** responsibility of the CMHC is **dualistic**, with one mandate often coming into paradoxical conflict with the other.

In order to demonstrate the dualistic nature of the CMHC’s AHP, it is important to define affordable housing as it is a subjective term that is not easily explainable. Wilkie (2007) argues that affordable housing means many things to different people. It can be thought of as an umbrella term used to describe different kinds of housing, including “emergency and shelter beds, transitional housing, supportive housing, social housing, affordable or subsidized rental units, and affordable home ownership” (1). This definition suggests affordable housing is

produced with the intention of assisting those who otherwise cannot readily access shelter. CMHC (2015) states that housing is considered affordable if shelter costs account for less than 30 per cent of before-tax household income. Affordable housing, as in Wilkie's explanation, is similarly defined by the CMHC as an umbrella term that includes all housing provided by the private, public and not-for-profit sectors as well as all forms of housing tenure (i.e. social, rental, private ownership and cooperative ownership). The reason that the state focuses on producing housing that is specifically 'affordable' is, I believe, related to the state having to facilitate the creation of homes as exchange values by helping facilitate access to private market housing to people in a greater range of income classes.

The production of affordable housing in Canada has historically taken numerous forms, each of which involves varying degrees of facilitative action by the state. The provisioning of public and social housing, for instance, involves the state either completely subsidizing shelter costs for applicable individuals (public housing) or subsidizing only variable portions of total housing costs (social housing). The CMHC (2015) writes that "toward the end of the 1940s, the federal government embarked on a program of much-needed social and rental housing, creating a federal-provincial public housing program for low-income families, with costs and subsidies shared 75% by the federal government and 25% by the province." Because the state was assuming the costs of housing the poor, public housing policies favored the interests of lower income persons as well as systematically disadvantaged classes.

The privileging of disadvantaged persons through the Canadian state's enactment of an entirely state-funded public housing program following WWII did not occur in a vacuum. The conjunctural period in which this public housing program was initiated allowed for a greater state presence in economic affairs (Lewis 2003; Finkel 2006; Campbell 1987). This 'golden era'

trend of state involvement in the provision of affordable housing continued into the 1950s. This period saw the focus of the CMHC shift towards providing individuals with direct mortgage funding during a time when the Federal and Provincial governments were cooperating more to build low-cost housing (CMHC 2015).

Despite the apparent bias of these publicly funded actions to favor lower income groups in accordance with the CMHC's social mandate, the golden era was not marked entirely by a dualistic shift away from affordable housing policies that were less favorable to capital. The mid-1950s saw lending activities by the CMHC become replaced "by the Mortgage Loan Insurance Program which helped stimulate lending activities" by private market lenders (CMHC 2015). This insurance worked to compel mortgage lenders to extend mortgage financing to more people. The insurance provided lenders with a guarantee from the state that they would be remunerated in the event a borrower defaults.

This chapter began by fleshing out the meaning of the term historical bloc, followed by a retrospective account of the transition between blocs in Canada between the golden and globalization eras. There were multiple purposes for doing so. I chose to begin by defining historical bloc, for instance, because the idea forms a central component of Jessop's theory. Indeed, the emergence of a historical bloc, Jessop argues, implies the cementation of a dominant ideology by elites. This can lead to structural changes that can affect the direction of the SSB in a way that is stable and paradigmatic, what is otherwise known in Jessop's terms as **structured coherence**. What this chapter did was to ground this idea in a specifically Canadian context. By this I mean I explored the nature of structural changes as they occurred in Canada following the transition between the golden era and globalization era blocs. Using textual evidence and narratives from other scholars, I adduced this transition in historical blocs in Canada as igniting

significant structural changes. This manifested into a shift within the state away from the embedded liberalism, Keynesianism, and welfare state policies, characteristic of the golden era. Beginning in the mid-1980s, as the above arguments indicated, the state began favoring policies concomitant with the principles of globalization, neoliberalism, and financialization.

It is at this point in the chapter, whereupon I completed my elucidation of Jessop's theory, where I began the process of utilizing this theory for my investigation of AHP changes in Canada. This process began with my using the last section of this chapter to define the CMHC and outline its mandate as the entity responsible for administering AHPs. What this section makes clear is that there exists a tension within what is the CMHC's dualistic mandate. This tension is rooted in the CMHC's responsibility to both facilitate the development of affordable housing, while at the same time, administer shelter assistance programs for those who cannot afford private market housing. It is this particular tension within AHP and the CMHC's dualistic mandate that I will focus on analyzing within chapters four through eight.

CHAPTER 4: The CMHC's affordable housing policy (AHP), 1965-1970

Demonstrating the dualistic nature of AHP through the end of the golden era will be performed in this chapter using archived sources of government documents dated between 1965 and 1970. Beginning my analysis with archival material from 1965 was deliberate in that this year marked the beginning of significant intervention by the state in affordable housing provision. In its 1965 annual report, the CMHC declares that “following amendments to the NHA in 1964, there was a decisively increased effort by the federal, provincial, and municipal governments, along with private groups to meet the housing needs of the low income strata” (CMHC 1965). The amendments themselves included “extended aid for federal-provincial public housing projects” (Oberlander, Fallick, & Anderson 1992, 57). This public housing initiative coincided with the federal government being willing to facilitate cooperation with other levels of government in a collective effort to produce affordable housing. This allowed substantial sums for social housing measures to be loaned from the CMHC to cities and provinces, thereby affecting an increase in socially oriented housing activities by the state. Oberlander et al. write:

As well, the Corporation could provide 90% loans to provinces, municipalities, or their agencies for public housing schemes and their land acquisition and servicing programs, and it could make up 50% of operating losses on such schemes. A new section of the NHA furnished 90% loans to non-profit companies for low-income housing projects, including hostels and dormitories. Significantly, provinces and municipalities could now enter the low-rental field independently of Ottawa while still benefiting from federal financial aid. June 1964 proved to be a turning point in Canadian housing history (58).

Given these arguments, I was able to pinpoint the extent to which these activities by the state affected which class interests were favored within AHP during the golden era.

It is true that the 1964 NHA amendments marked an important evolution in the dualism of the state's housing policy mandate. This dualism is evident in the pressure faced by the state

to ensure housing growth remains indefinite, while also providing shelter assistance to those who need it. The 1964 amendments, though, were preceded by crucial changes to the NHA in 1944 and 1956, and the creation of the CMHC itself in 1946.

The amendments of 1944, for instance, worked to establish the leadership role undertaken by the federal government in its effort to at least ‘appear’ to be instituting significant reforms promoted as helping more low-income Canadians secure housing. Indeed, the state devised these welfare oriented amendments in 1944 as a way of tempering fears within the public of the possibility of another Great Depression emerging after WWII. The state took these actions because this fear held amongst the public, which itself was fueled by the reality of housing shortages after the war, had manifested into support for radical political change. Bacher (1993) writes:

Utopian expectations encouraged by wartime sacrifice in the name of high principle, when combined with escalating housing shortages, led to enormous public pressure for bold government intervention. As usual, Clark¹⁹ would promote the appearance of change while blocking the substance of what reformers were urging, a comprehensive housing policy designed to curb speculation and make a high-quality residential environment affordable to all. Both the passage of the National Housing Act of 1944 and the creation of the Central Mortgage and Housing Corporation were superb political statements. They allowed King’s government to sail the rough seas of mounting social expectations without introducing more radical measures that would have alienated some of the Liberal Party’s traditional supporters, the downfall of R.B. Bennett’s Conservative government with its New Deal proclamations of 1935. The NHA was passed shortly after the creation of family allowances, a significant step in the evolution of the welfare state... Likewise, CMHC was a hastily drafted substitute for rent-control and veterans’ rental-housing programs that were being wound down – but it had the appearance of yet another important public intervention to ease the housing crisis (165).

The 1944 amendments to the NHA saw the federal government provide aid for slum clearance and urban renewal (Miron 1988). It was held by state policy-makers that eliminating slum dwellings would mitigate the ‘pathology’ of slum areas (Purdy 2002). Notable architect and

¹⁹ “To a remarkable extent the course of *Canadian* housing policy from 1935 to 1952 was set by the deputy minister of finance, W. C. Clark” (Bacher 1988, 5).

community planner Humphrey Carver cautioned, however, that slum elimination must be integrated with a comprehensive approach to city planning (Purdy 2002).

The state would have been wise to heed Carver's warning regarding the need of highly interventionist planning with respect to urban renewal. NHA amendments made in 1956 allowed, for the first time, urban lands that were purchased by federal funds to be used for commercial redevelopment. Capital's contradictory nature requires, however, that such lands be bought and occupied not simply to those requiring their use-value as shelter. Rather, capital desires that higher income persons occupy such land as they offer greater potential for remuneration. According to Purdy (2002), the tenant selection processes for a blighted area like Regent Park "were partially based on the desire to have 'high-grade' tenants. The repressive aspects of the technocratic initiative thus went hand-in-glove with the creed that every citizen had a right to decent housing" (145). Local business elites that were lured by the state into providing subsidized rental housing for low-income families "frequently combined their urban-renewal schemes with the razing of historical neighborhoods, underpaying expropriated homeowners, and the construction of over-large public housing projects, devoid of needed complementary recreational services" (Bacher 1993, 213). These initiatives by the state follow in line with the general thrust of housing reform in the first half of the twentieth century. Ideologically, these reforms were predicated on overturning the distressed state of working-class housing in Canada, where laboring families could be made to "prop up class cooperation and maintain social hierarchy in the tumultuous first decades of the century" (Purdy 2002, 130). This imperative pursued by the state, Purdy (2002) argues, involved nationalizing or 'Canadianizing' the working classes, where social and economic problems were to be blamed not

on capitalism, but rather on the ‘un-Canadianness’ of immigrant and native-born working families. Bacher (1993) writes:

According to press surveys, urban renewal was resented by both the Chinese and the Italian residents of the disrupted communities... The clearance was regarded by the Chinese residents as racially motivated because of their or their parents’ forced displacement by the torching of their homes prior to the First World War. Chinese community spokesperson Foon Sun observed that “the Chinese seem to be goats of the whole thing.” Like Halifax’s blacks, Vancouver Chinese were cleared out of their neighborhoods to encourage industrial and commercial development on the lands in which they formerly lived (218).

At the same time that minorities were being pushed out of their communities, federal government policy in Canada sought to bond working class Canadian citizens to nationalist oriented forms of suppression and control. The Home Improvement Plan (HIP) of the 1930s and 1940s, for one, totally excluded non-citizens and favored only stable workers who owned property (Purdy 2002). Such policies worked to reinforce unequal social hierarchies and diffuse anti-capitalist sentiment and solidarity between workers of all stripes. In a Poulantzian sense, the state worked to disorganize the dominated class politically, while organizing the perpetuation of unequal capitalist social relations. Similarly, Jessop would likely surmise from these arguments that the SSB of AHP worked to suppress anti-capitalist sentiment and working class solidarity. It accomplished this by strategically favoring the interests of Canadian citizens specifically, while at the same time, excluding and marginalizing immigrant working class families. It should not be inferred from this, however, that the state wholly subjugated the working class throughout the postwar period. The repercussions of the state’s urban renewal plans are part of what was a complex and problematic effort by the state to effectively house lower-income citizens without upsetting the perpetuity of unequal capitalist social relations. Indeed, the state incurred a great deal of public opposition to its ‘arrogant urban-renewal projects’ that helped to nurture the NHA amendments of 1964 and 1973, which led to the

significant production and delivery of social housing in the golden era (Bacher 1993). Having now contextualized the policy-changes that preceded the 1964 NHA amendments, and that set the stage for evolutions in policy that occurred thereafter, I can now transition into my own research in this chapter concerning AHP changes that occurred between 1965 and 1970.

This chapter thus marks the beginning of what is a chronological analysis of AHP in Canada beginning just after the NHA was amended in 1964, thus augmenting what became a dualistic tension at the heart of affordable housing policy. The purpose of this analysis being chronological is that I am tracking evolutions in the SSB of AHPs in Canada over a time period when significant changes took place within Canada's political economy in the form of shifting historical blocs. This serves a corollary purpose by allowing me to explore whether the SSB, and the rhetoric from political officials and by the CMHC concerning AHP, were influenced at different points in time by changing historical blocs. It is from this investigation that I can better determine whether AHP changes worked to favor certain class interests more than others at different points in time via alterations in the SSB.

The following chapters (4 through 8) include statements concerning housing policy from House of Commons members and by the CMHC that establish how such policies favor a given set of interests. Between the years 1965 and 1970, these interests are typically those of lower-income and systematically disadvantaged classes, who in the absence of state support are often unable to meet their housing requirements. As well, the statements made by Parliamentary debate participants in many cases correspond with interests associated with the CMHC's commercial mandate, that being the stimulation of housing starts within the private market. By analyzing these debates in relation to relevant external sources, I sought to identify the extent to which policies favor one set of interests at the expense of others.

Through my analysis, I also worked to answer the following questions concerning affordable housing policies in Canada, including: how did those officials involved in the debates frame the affordable housing issue for the public? What proposed solutions did state actors put forth as ways to increase the health and efficiency of Canada's housing market? How did such state actors use rhetoric to articulate the common interest within their proposed solutions to problems with affordable housing provision? Examining these documents through the lens of Jessop's state theory allowed me to pinpoint which interests are being favored within affordable housing policies.

Exploring AHP changes between the years 1965 to 1970 is important also in that these years represent the meridian of the golden era historical bloc. By examining AHP changes during these years, I can therefore adduce the ways in which this historical bloc influenced the direction of the SSB, in addition to the shape of rhetoric from state officials and by the CMHC. From these premises, I applied Jessop's theories to an analysis within this chapter of the state's response to the housing market slowdown of 1967. As was the case whenever housing market slowdowns occurred between the years of 1965 and 2006, the state became compelled to respond with policy changes intended to re-stimulate growth. These efforts manifested into policies allowing capital to reap significant profits through their being permitted by the state to charge higher interest rates on mortgage loans. The way in which these policies were presented to the public, however, was such that they were rhetorically promoted by state officials and by the CMHC as furthering the common interest. During this historical bloc, this promotion of policies by the state entailed the federal government selling the public on the promise that the state was taking an active role in mitigating this slowdown. It is through my usage of Jessop's theories that I was able to lift the

cobwebs from the state's rhetoric, and decipher how it is that these policies actually favored capital to a greater extent relative to other class forces.

From this, the discussion focuses on the reorientation of AHP where public housing developments were discontinued by the state in the late 1960s in response to recommendations from the Hellyner Task Force (HTF). The HTF, as a power network that possesses the capacity to influence policy formation, advised the state to find ways to involve the private market in its affordable housing measures. The subsequent adoption of these recommendations by the state is illustrative of what became an ongoing trend in AHP as the following chapters demonstrate. This trend saw the state actively seeking ways to involve the private market in measures designed to house those in need of assistance. That these were definitively pro-market, as opposed to Keynesian initiatives implemented by the state in the late 1960s, suggests that in the realm of AHP, the state did not strongly adhere to the principles enshrined by the golden era historical bloc.

4.1 Defining the State's Role in Housing Policy

Under the National Housing Act over the past ten years the production of half a million new houses has been subsidized or assisted in one way or another... That is to say 90 percent of the entire housing output associated with the National Housing Act has been provided for the middle income or upper income classes... But only 10 per cent of the NHA output was provided under the sections of the act specifically designed to benefit people in the lower income brackets... I submit that it is clear from this pattern that Canadian housing policy has been heavily committed to the support and aid of the private market; and rather to the production of housing than to its distribution, which has been left almost entirely to these private market forces... Now it is proposed in this new resolution that the provinces, or perhaps I should say the municipalities, which are designated by the provinces, may create and own public housing projects themselves. The federal government, through CMHC, is to provide long term capital assistance in the form of loans and in the form of grants for such projects (Nicholson 1965, 3716).

Nicholson's speech encapsulates the dilemma faced by the state in regards to how it permits the CMHC to facilitate the creation and distribution of resources (in the form of funding,

programs, etc.) used for affordable housing provision. Nicholson identifies housing policy as being overly committed to supporting the production of homes by the private market. As the minister in charge of housing, Nicholson is tasked with introducing legislative bills to the House of Commons where their relative merits and weaknesses are debated, eventually leading to their either being discarded or voted into law. Nicholson is advocating the passage of legislation intended to favor lower income classes at the expense of capital. This is because the proposed legislation permits municipalities to create and own public housing projects that are funded entirely by the state. Thus, public housing projects provide no revenue stream from which capital can profit.

In response to Nicholson, Social Credit Party member Marcel Lessard expresses support for Nicholson's initiatives. At the same time, he questions whether the proposed legislation conflicts with a law passed the year before permitting the federal government to make direct loans to municipalities. Lessard warns the federal government may anger "Quebec by circumventing their authority and not providing the loans through the provinces first." In this instance, Lessard identifies an ongoing theme within AHP debates. This theme pertains to jurisdictional conflicts existent between the federal and provincial governments concerning responsibility over housing. Such conflicts manifest whenever the federal government attempts to directly address municipal issues through its policy measures. In their own analysis of AHP, Christopher Dewing and William Young of the federal government's political and social affairs division, along with Economics Division researcher Erin Tolley write:

The provinces will jealously guard the constitutional arrangements that give them exclusive control over their municipalities. Any injection of the municipal question into national constitutional discussions has, in the past, provoked a reaction that has jeopardized even the ad hoc relationship between the federal and municipal governments (2006, sec. 1).

The fact that Lessard questions Nicholson over whether the proposed legislation will anger Quebec is unsurprising when considering Nicholson's antagonistic view of what he perceives as undue control held by the provinces over housing. Oberlander and Fallick (1992) write that Nicholson brought with him into Parliament "a serious concern for housing limited by his view that provincial jurisdiction over the field circumscribed the federal government's role" (57). From his position of power as minister of housing, Nicholson had the capacity to publicly support federal involvement in developing public housing within municipalities in a way that limited interference from the provinces.

Relating these jurisdictional conflicts concerning AHPs to Jessop's state theory produces several important points. One, the jurisdictional claim made by the provinces concerning housing policy is demonstrative of structural constraints that prevailed prior to the significant changes made to AHPs beginning in the mid-1960s. This **structural constraint** implied that the federal government was unable to implement policies allowing for greater federal involvement in affordable housing creation. This, as noted above, was the concern facing Nicholson in his efforts to pass legislation permitting the federal government to facilitate public housing developments within municipalities. There was in the mid-1960s, however, a **conjunctural moment** wherein the golden era historical bloc allowed for a greater state presence in economic affairs generally. Accordingly, the federal government worked assiduously to take a leadership role during this time over the direction of AHP. At this time, as indicated above, the SSB of AHP was focused greatly on revitalizing blighted urban areas and to provide public housing assistance therein. In this spirit, agents operating within the federal housing ministry moved forward during this **conjunctural moment** to formulate working partnerships with the provinces in order to realize these policy goals.

Indeed, Housing Minister John Nicholson viewed provincial jurisdiction over housing matters as a hindrance to federal involvement. His antagonism, though, was not existent on an institutional level between the federal and provincial governments. During the early to late 1960s, tensions between these two levels of government regarding housing policy were tempered through the federal government's institution of power-sharing arrangements between itself with the provinces. Temporary working partnerships between the federal and provincial governments were established via amendments to the National Housing Act (NHA) in 1949 and 1964. Dewing et al. (2006) write:

In 1949, amendments to the *National Housing Act* (originally passed in 1938) authorized joint federal-provincial programs to provide low-priced homes for sale or rent. The amended Act authorized cost-sharing by the federal and provincial governments for land assembly and servicing (75% was paid for by the federal government). Municipalities were allowed to participate in this program if their province passed legislation authorizing local administration of the provincial aspects of these housing activities. A further series of amendments to the *National Housing Act* in 1964 created more comprehensive programs aimed at overall urban renewal and not just housing. As a result, the federal government could authorize a 50% contribution towards the preparation of plans, the acquisition of land and buildings, and the installation of municipal services in urban renewal plans. The federal government could also make loans to the provinces and municipalities to finance up to two-thirds of their costs. Until the end of the 1960s, the provinces generally went along with these activities, in large part because the condition in the cost-sharing agreements gave them considerable control and also because, as a Crown corporation, the CMHC developed its policies with relative autonomy and without direct control by the federal Cabinet (sec. 3).

It is apparent from this narrative that governmental relations were peculiarly cooperative during this period. Securing the cooperation of the provinces, moreover, was contingent on the federal government permitting the provinces to maintain considerable control over municipal policy by virtue of their large stake (25%) in the agreed upon cost-sharing agreements. It is through these cooperative relations between the federal and provincial governments, as argued by Dewing et al. (2006), that numerous socially oriented housing policies were initiated at the municipal scale, including land assembly and urban renewal plans.

Analyzing Nicholson's proposal in relation to our key questions regarding how politicians and ministers rhetorically framed the affordable housing issue for the public, along with the proposed solutions that they and state institutions put forth as ways to increase the health of Canada's housing market, creates several points worth noting. By publicly denouncing AHP as being overly supportive of the private market, for instance, Nicholson frames affordable housing as an issue requiring greater state involvement by way of funding for public housing. Nicholson thus believes the private market alone is incapable of producing a requisite amount of affordable housing for lower income persons. In a 1966 speech to the House of Commons, NDP member Reid Scott states a growing shortage of mortgage money threatens to produce a critical stoppage in housing construction. He refers to the president of the National Homebuilders Association (NHA) who suggests in order to stem this threat, the "government should re-enter the field of direct mortgage loans for speculative housing" (Scott 1966, 2992). Because of the tightening of the money supply, Reid says two effects are created. One, interest rates on mortgages rise because of heightened competition for available money. Two, as conventional lenders shift capital to non-NHA loan areas, such as office buildings, the housing market dries up. Scott (Mar. 24 1966) argues:

Does the government intend to re-enter the direct lending field if a mortgage shortage develops and, if so, to what extent? Does the government intend to permit banks to enter the NHA field to supply some of the needed funds? Is the government giving any thought to trying to design some orderly consistent method of providing mortgage financing in Canada (3158-3159)?

Bryce Stuart Mackasey, as Parliamentary Secretary to the Minister of Labor for the Liberal government, disputes Scott's suggestion that the housing industry is jeopardized by a shortage of money. Mackasey asserts there were 120,000 housing units under construction in Canada in

1966. Citing his superior (the Minister of Labor), Mackasey states “that it is not the intention to authorize CMHC to make direct speculative loans at this time” (1966, 3159).

The above exchange between Scott and Mackasey reveals the state’s obsession with ensuring housing growth continues unabated. This is evidenced in Scott’s contention that the shortage of mortgage money threatens to produce a critical stoppage in housing starts. Though Mackasey refutes Scott’s suggestion that the housing industry is facing a crisis, he assures Parliament that 120,000 housing starts alone is evidence that Canada’s housing market is in good health. The assertion from Scott that housing conditions dry up whenever lenders shift capital towards more profitable non-residential investments is reflective of Nicholson’s belief that private forces alone cannot fulfill housing needs. Scott, like Nicholson, thus frames the affordable housing issue in the mid-1960s as one requiring state intervention.

4.2 The Housing Slowdown of 1967

In regards to the housing shortage, NDP member John Gilbert asserts in a 1967 debate that “all levels of government are blind or apathetic to the housing crisis (12853).” Gilbert continues:

...moneys for housing have moved into the building of shopping centres, office buildings, and high rental apartments because of the high yield of return in these fields. This underlines the importance of direct government participation in the housing field and the necessity of change with the government being primarily responsible for financing housing needs... The trouble was not that houses could not be built but rather that lenders sought projects yielding higher interest rates, thereby leaving housing needs unfulfilled (12853).

Gilbert criticizes those who believe chartered banks will ease the shortage of mortgage capital upon their being allowed to enter the mortgage market following the Banking Act amendment in 1967. He believes banks will not be able to provide financing help quickly as their interest rates

will be the same as that of conventional lenders, neither of which are easy for homeowners to afford. According to Gilbert (1967):

The federal government through CMHC should make available large amounts of money for new houses, public housing, senior citizens housing and cooperative housing... There should be large-scale land assembly projects by both provincial and municipal levels of government, with financial participation by CMHC. This would cut down the high cost of serviced land in urban areas... Assembled lands by provincial and federal governments should be leased for development purposes, enabling reduced prices of serviced lots and community control over land use (12864).

Gilbert stresses that Canada's housing market is in crisis and state policy has failed to mitigate it.

Again, like Nicholson and Scott, Gilbert publicly frames the affordable housing issue as requiring greater action from the federal government. Gilbert also shares with his peers a similarly pessimistic view of the private market's capacity to stem the shortage of mortgage capital. He argues that banks, despite their being permitted through 1967 legislation to lend credit within the mortgage market, the fact that they cannot charge interest rates higher than conventional lenders means banks will be reluctant to issue credit. In terms of offering solutions to the crisis, Gilbert proposes the federal government initiate actions to serve the housing needs of lower income people. He argues the federal government, through the CMHC, should provide funding for social housing as well as initiate public land-assembly. Land-assembly projects are anathema to capital in that they reduce the cost of land for housing, and by extension its profit-making potential. Land assembly involves joining continuous lots to make one larger parcel of developable land. Acquiring land and reducing its cost per housing unit works to ensure a proportion of the housing units can be sold or rented at below market rates for low and moderate income households (Georgia DCA 2014).

The primary objective of federal housing policy can simply be stated as decent housing for every Canadian, the instrumentalities for reaching the goal are not simple... Federal housing legislation incorporates two broad types of instrument. On the one hand there is the loan insurance apparatus which has the purpose of improving the private residential

mortgage market, and stimulating the greater flow of capital resources into housing. These arrangements, while they may be of direct significance mainly to middle and upper income groups, serve nonetheless to increase the total stock of housing and, through the filtering process, to benefit lower income groups. On the other hand, there is a variety of loan and subsidy arrangements designed to modify and transcend market forces and to provide accommodation directly for people whose incomes or other factors would not otherwise enable them to obtain it (Andras 1969, 9175).

It is useful to apply Jessop's theory as a means of examining these statements by Gilbert and Andras. The purpose being for us to better understand how their actions are products of the interests they represent as agents of the state. In regards to Gilbert's indictment of private market forces as being unwilling by their own merits to mitigate the housing slowdown, in addition to his pessimistic view of the state's 'apathetic' response to the slowdown, is evidence of the particular interests he represents. These interests being those that championed greater federal state power within the realm of AHPs. Such actions by Gilbert are corresponsive with the general direction of the SSB of state policy during the golden era historical bloc when the federal government possessed a greater capacity to intervene in the housing market.

Andras's statement similarly reflects the prevailing direction of the SSB with respect to federal state involvement in the housing market during the golden era. In so doing, Andras elucidates the dualistic character of AHP where the federal government tasked itself with having to satisfy the housing needs of all income classes, which can be otherwise be articulated as '**the common interest**.' As Jessop would remind us, the state often rhetorically communicates its policies as capable of benefiting the common interest of all persons as Andras does within this debate. Yet, the state is unable to favor everyone's interests within a given policy no matter how benevolently they may appear when presented by politicians. Indeed, in the same debate as cited above, Andras goes on to ask that if the aim of housing policy is simply to increase the housing stock, why doesn't the state wholly support the filtering process he just described, while at the

same time, induce the private market to create housing developments? His answer is that exclusive reliance on the private market for housing provision is expensive as there are limits to the amount of resources that can be allocated to such construction. He stresses, therefore, that the government cannot ignore its social priorities. In his terms, there needs to be a focus not only on improving private housing output but also “stimulate the provision of modest accommodation for low income people. Bill C-192 incorporates amendments to the [NHA] that affect both the loan insurance arrangements and those provisions aimed primarily at housing for low income people.”

(9175). Andras continues:

To clarify the immediate and long term intentions of the government let me state clearly that we support in principle, and will give high priority to, the continuation of federal assistance for increasing the supply of housing for low income groups... Specific public housing projects which have been approved by CMHC, but on which final authorization was delayed pending a statement on policy, will now be given the go ahead (9176).

Minister Andras' proposal for Bill C-192 reveals the way in which ministers must present policies in a way that they are framed rhetorically as solutions to problems. In this sense, policies are presented as benevolent resolutions rather than as legislation that invariably benefits some interests at the expense of others. Andras begins by articulating the dualistic nature of federal housing policy where the focus is at once centered on stimulating housing construction, while at the same time, providing shelter to those whom mortgage lenders will not extend financing. Andras proceeds to explain that Bill C-192 will uphold the government's social priorities by permitting the construction of formerly delayed housing projects. Accordingly, rather than present the proposal in strictly class neutral terms, Andras states that while the proposal does provide benefits for the private mortgage market, it also gives high priority to supply housing for low income groups.

This is an instance where an AHP proposal is presented to the public as benevolently efficient and as being capable of satisfying everyone's interests. Inadequacies within such rhetoric can be helpfully discerned by analyzing parliamentary debates which are often antagonistic affairs. Consider Gilbert's response to Andras:

After listening to (Andras') 26-page performance today, I can only conclude that he has attempted to become an image-maker. He has attempted to become the good guy with regard to housing, because housing has become so delicate an issue in Canada that all the newspapers and housing authorities have begun to jump on the government for action. Bill C-192 is really a slap in the face to most Canadians. It represents capitulation to the financial institutions in respect of mortgage financing and interest rates...I also note that after the Liberal backbenchers read Bill C-192 they became very disturbed because they found it wanting in regard to supplying houses to persons in the low income groups and in regard to alleviating the high cost of land. I have said that this bill amounts to a capitulation to the financial institutions. When I read clause 2 of the bill, which frees the fixed interest rates on insured loans through the instrumentation of the Governor in Council, my first reaction was: Who asked the government for this change? Was it the borrowers, the mortgagors, or was it the banks, the insurance companies and the trust companies? Let me assure you, Mr. Speaker, that it was not the mortgagors who asked for the freeze on interest rates to be lifted, but rather the banks, the insurance companies and the trust companies. [Prior to the lifting of the ceiling on interest rates], these companies have been playing a cat and mouse game with the government. Instead of ensuring a steady flow of money into the mortgage market, they have held back and refused to participate or have invested in other fields that give them higher yields (Gilbert 1969, 9185-9187).

This counter argument from Gilbert against Andras' Bill C-192 proposal can be discussed in relation to our key questions highlighted at the outset of this chapter. Gilbert, for instance, perceives Andras as expressing himself falsely as 'the good' minister who is responding to pressures from civil society that desire government action in housing policy. Gilbert says he and others in the Liberal Party felt the bill did not favor the interests of lower income groups in the same sense that Andras publicly declared it would, arguing that it lacked initiatives (supplying lost cost housing, alleviating high land prices) tailored to low income needs. Additionally, Gilbert perceives the lifting of the ceiling on mortgage market interest rates as an act of capitulation by the state to the demands of mortgage lenders rather than borrowers. In this case,

banks first required the lifting of interest rates, which thereby increased potential for higher yields (higher valued mortgage payments from mortgagors) before it would be willing to invest substantially in housing.

Gilbert's indictment of Bill C-192 as a policy that overtly favors the interests of mortgage lenders at the expense of mortgagors has some basis in empirical fact. Oberlander and Fallick argue that in 1967, new starts in the private residential market began declining "as housing needs showed a marked increase; by contrast, provision of accommodation for the poor and the elderly and for students, as well as the initiation of urban renewal programs, grew significantly" (1992, 59). Canada's housing policy in 1967 is thus demonstrative of the state failing to balance competing class interests. Lenders were not compelled at this time to invest significantly in housing, a problem that the state was tasked with having to ameliorate. At the same time, state policy in 1967 succeeded in producing accommodation for low income persons. The root of the housing market decline, Oberlander and Fallick argue, was identified by the state as a consequence of interest rates for mortgage lending being fixed at a maximum of 6%. Because interest rates at this time were fixed and capped, lenders were more likely to seek higher yield investments outside the residential market. Thus, by not investing in what it perceived as an unprofitable housing market, capital hijacked the autonomy of state policy. In other words, the state became compelled to pursue policies that would raise the profit-making potential of housing. Accordingly, in an effort to satisfy capital and ignite housing market activity that must continue unabated, the CMHC set the fixed NHA interest rate at an attractive rate so as to stimulate investment. Subsequently, housing development rose to an all-time peak in 1968 (CMHC 1968). The federal government, in an effort to sustain such growth, freed the NHA interest rate in 1969 "to stimulate lending by the chartered banks. Total private loans financed

under the Act jumped 67.5% over the 1966 figure” (Oberlander & Fallick 1992, 59). Gilbert’s indictment of Bill C-192 as originating from the demands of lenders rather than mortgagors is rooted in the threat posed by the freeing of interest rates where lenders become permitted to charge homeowners with potentially higher interest payments outside the state’s control. The motivations of the state for implementing such legislation must be correctly identified as a consequence of structural constraints imposed by capital upon state autonomy where capital’s investment strike promulgated the reactionary legislation discussed here. The CMHC’s affordable housing policies of 1965 to 1970 were thus of an expressly dualistic nature. That is to say, certain policies were produced with the publicly stated intention of favoring lower income classes, while others benefited lenders.

Given these considerations, how would Jessop articulate what took place in the realm of AHP following the housing slowdown of 1967? Jessop would likely point to this event as being evidence of the mutability of the SSB, as well as an instance where capital exerted its ecological dominance over the direction of AHP. Following this logic, the onset of crisis conditions within Canada’s housing market in 1967 marked the strengthening of structural constraints upon federal state policy. The slowdown itself, according to debate participants and supporting scholars cited above (Oberlander & Fallick 1992), was attributed to capital flight within the realm of housing investment. Because the state is tasked with producing an environment wherein accumulation can take place, and where housing development must remain indefinite, the state became compelled to institute policy conducive to generating housing growth above all else. For the state to do nothing in this regard risks allowing capital to harm the stability existent between all of society’s sub-systems. Such an instance is correlative with Jessop’s conceptualization of capital as possessing **ecological dominance** over the rest of society. The presence of this structural

constraint, combined with the crisis conditions that the slowdown in housing investment created, produced what was a **conjunctural moment** for capital. This moment saw banks exert a deterministic pressure on the direction of the SSB where the state responded by lifting restrictions on interest rate levels, thereby allowing banks to reap significant profits in the housing market.

4.3 Discontinuing Public Housing, Bringing the Private Market Back In

One could argue the capacity for the state to enact welfare oriented policies for housing the poor during the late 60s was made possible through the legitimation afforded at that time to embedded Liberalism and Keynesian economics. Such argumentation should not suggest this era of policy-making was somehow more utopian than now. The so-called ‘golden-era’ was an era in which capitalism was reproduced in Canada largely as it existed prior to its legitimation crisis after the Depression (Campbell 1987). The only major difference largely being the presence of Keynesian technocrats, who along with cooperative agents of the state, worked to smooth the ebbs and flows of the Canadian business cycle. Capitalist social relations themselves were left largely unchanged, Campbell argues, as was the closed system of decision making that took place within the state where public opinion was not a decisive factor in policy discussions. Indeed, fears of another depression striking the global economy after WWII helped stimulate a change in strategy in the realm of CMHC policy. This change manifested into a greater degree of federal support from the state for those requiring assistance. At the same time, as such policies were being formulated (cited below), there remained a concerted effort on behalf of the state and of capital to perpetuate capitalist social relations within the golden era.

CMHC Annual Reports 1965-1970:

Increasing efforts by all levels of government to provide low income housing. CMHC granted authority to provide 90% loans to provinces, municipalities, or their agencies for

public housing schemes. CMHC allowed to make loans to non-profit organizations to assist in financing rental projects for elderly persons and low income families (CMHC 1965).

Legislative changes enacted in 1966 allowed the ratio of loan to lending value for NHA-financed rental housing projects to be raised. This was done with the purpose of helping to satisfy the demand for rental accommodation from those requiring greater financial assistance from the state. Production of low-rental accommodation for the less fortunate must be supported by vigorous complementary housing policies on the part of the provinces, “with whom the Federal Government must co-operate in achieving its objectives” (CMHC 1966).

No cutback in Government spending on housing, including loans for low-rental housing in 1966. 1967 saw a massive injection of Federal Government funds in direct support of the private mortgage market and in assistance to a variety of housing programmes. CMHC able to provide direct loans to non-profit companies to assist in the financing of rental projects for lease to low income families. Substantial increase planned in 1968 for Federal Government’s response to provincial and municipal social housing needs (CMHC 1967).

These three highlights from the CMHC's annual reports suggest that at the same time these initiatives were being debated by political officials, these same policy-makers were persistently concerned with any threats to private housing market growth. When responding to declines in housing starts, which was identified by officials as being driven largely by the reluctance of capital to invest in housing, policy actions in the late 60s were accordingly geared towards stimulating private investment. Despite arguments from housing policy critics opposing such actions as being overly private-market oriented, and who at the same time championed the interests of lower income classes, these pro-market initiatives were nonetheless ascended into law. The initiation of these legislative acts by the state appeared centered on the belief that they would reverse the decline in housing investment, and were thus enacted in response to the structural constraints (investment strikes) imposed upon the state by capital. This interpretation of the debate rhetoric is concomitant with the CMHC’s own rhetoric concerning their achievements as stated within their annual reports between 1968 and 1970 that are cited below.

CMHC set fixed NHA interest rate at an attractive rate so as to draw a subsequent high level of investment in residential mortgages by lenders. In so doing, private lending

activity was instrumental in raising start volumes. The Federal Government continued heavy support for public housing through loan assistance and Federal-Provincial partnerships. Mid-60s amendments to NHA brought increase in support by provincial governments for provision of low-income housing (CMHC 1968).

In 1969, CMHC bridged closer relations between mortgage markets with the rest of the market to better compete for long term capital. This involved the removal of impediments to full participation of chartered banks in mortgage lending, in addition to taking steps resulting in eventual freeing of the interest rate on NHA loans. State also lifted restrictions on loan-to-value ratios on conventional mortgage loans, thus permitting issuance of mortgage loans of higher value relative to the home (CMHC 1969).

Through these changes, accommodation was enabled for those who cannot afford open market rents and who do not qualify for public housing. Additional amendments intended to spur private market housing development saw amortization period on NHA loans for new and existing homes extended to 40 years from 35. Mortgage insurance fees paid by borrowers were also reduced by 50% (CMHC 1969).

One of every four units started in 1970 were undertaken specifically for those in lower income ranges. Latter half of 1960s saw a strong emphasis of direct support by the CMHC in the provision of subsidized public housing for low-income groups. Yet, Federal Government's commissioned task force on Housing and Urban Development found through their work that social integrity of public housing projects needed to be questioned (CMHC 1970).

As these highlights from CMHC's annual reports show, policies during this period were largely intended to mitigate the problem of declining housing starts in 1967. The year 1970, as indicated in the CMHC's annual report from that year, also marked the end of what Fallis et al. (1995) term the first 'affordable housing phase' in Canada, "dominated by the construction of publicly managed public housing projects targeted towards poor tenants" (x). The end of this era was promulgated, Warne (1989) argues, by society increasingly perceiving public housing as ghettos that limited people's "ability to climb out of poverty" (17). At the same time, Warne notes that "the costs of acquiring adequate housing within the private market had become a problem, and by 1966 housing starts were not meeting requirements" (17). What Warne neglects to articulate, however, is that the limiting of housing starts at this time were a product of not only high building costs, but also the abstention of capital to invest in what it saw as an unprofitable housing market. In the extract cited above from the CMHC's 1970 report, the task force being

referred to is the Hellyer Task Force which released in that year a review of housing market policy. In it, Warne notes, the task force recommended “improvements to mortgage financing, encouraged limited dividend, non-profit and co-operative housing projects, land assembly to reduce housing costs and urban assistance. In addition, it urged an end to large scale public housing projects,” and encouraged actions to integrate lower income classes into the private market (17).

It is apparent from reviewing the extracts from the CMHC’s reports from 1969 to 1970 that the recommendations put forth by the Hellyer Task Force were adopted by the state. The lifting of restrictions on loan-to-value ratios on conventional mortgage loans, for instance, would permit lenders to extend mortgages of a higher value relative to home values to those who would otherwise be unable to secure mortgage financing. This measure, as is noted in the 1969 report, was accompanied by a lengthening of the amortization period on NHA loans. In so doing, the state ensured more affordable housing was to be provided to lower income classes through the private market as opposed to through state subsidies. The state also, in accordance with the recommendations of the Hellyer Task Force, began in 1970 the process of gradually dissolving its public housing program. The implication here is that the dualistic nature of AHP was by 1970 irrevocably transformed. That is to say, the de-legitimization of public housing by the state eliminated what was formerly AHP that was explicitly intended to favor lower income persons. This is because public housing is provided wholly through state funds, and thus excludes opportunities for capital to profit. These processes of policy transformation were articulated by the state as being initiated with the intention of ensuring the state upholds its social responsibilities in a more efficient way that helps lower income persons attain shelter who otherwise would not either qualify for public housing or be able to afford market rents. Indeed,

as Warne asserts “the government response was swift, and the programs introduced kept the policies of encouraging market efficiency and social justice intact, with programs more finely tuned than before” (17). Taken as a whole, we can surmise that the state effected a transformation in the dualistic structure of AHP. That is to say, capital was afforded the favor of being able to extend credit to greater numbers of persons in a wider range of income classes at attractive rates of interest. This dualistic shift, moreover, was promulgated by capital’s imposition of structural constraints in the form of investment strikes on state autonomy. In reality, this meant that when starts began declining in the late 1960s due to a capital strike in the housing market, the state was compelled to initiate the pro-market reforms articulated above.

This chapter outlined the contours of AHPs as they evolved during the golden era years of 1965 and 1970. During these years, my analysis showed the federal government was firmly committed to fulfilling its social welfare responsibilities in regards to providing housing assistance in the form of subsidized housing for the poor. The intensity by which the federal government assumed this leadership role with respect to housing assistance provision is evident as well in its acting to formulate power-sharing arrangements with the provinces. These arrangements worked to temper jurisdictional conflicts between the federal and provincial governments regarding control over housing policy. Upon these arrangements being solidified, the federal government was afforded the capacity to institute AHPs that were purposed towards fulfilling its dualistic mandates as stated within the N|H|A. A central component of this agenda, as explained above, was the use of state subsidies to achieve these ends. It is within the historical bloc of the mid to late 1960s that capitalist states generally possessed a stronger inclination to intervene in the market by way of public spending and strengthening the welfare state. The state had the legitimacy to do so given the success of Keynesianism during |WW|II. Indeed, McNally

(2009) asserts that “[The] great boom was the product of an exceptional set of social-historical circumstances that triggered an unprecedented wave of expansion” (45).

In light of these considerations, it is easy to view the mid-1960s as a gold-standard for AHP development in Canada. Yet, it is integral to remember that the post-WWII era largely reproduced capitalism as it had existed prior to the Great Depression and the advent of Keynesianism (Campbell 1987). Capitalism was thus reproduced during the golden era with its contradictory nature intact. In other words, the contradiction existent in the production of use-values for the purposes of generating ever greater numbers of exchange values, from which capital can be accumulated, remained the standard model of capitalism in Canada. As such, crises continued to occur as was the case in the housing market in 1967. Upon the occurrence of this slowdown, the SSB underwent a gradual shift away from favoring lower income classes. This shift began with the federal government lifting restrictions on interest rate levels so as to entice banks to invest more in housing development. This action by the state is thus reflective of its responsibility to stimulate housing development indefinitely. Despite the SSB in the mid-1960s being decidedly fixed upon the state provisioning public housing for lower income persons, the slowdown of the late-1960s, combined with the recommendations given by the pro-market oriented Hellyner Task Force, led the federal government to begin involving the private market more within AHP. The SSB of AHP thus underwent a gradual shift away from the state acting to fulfil the shelter needs of lower income persons through strict use of the public purse, and became oriented towards satisfying these same interests in a way that capital could be enabled to profit. The implications of this evolution in the SSB of AHP will be explored in the following chapter.

CHAPTER 5: The CMHC's affordable housing policy (AHP), 1971-1980

This chapter begins by outlining the hierarchical manner in which the benefits of policies are distributed amongst classes. What my analysis reveals is that benefits become disproportionately less efficient as they are distributed further down the income scale.

From there, the analysis considers the effects of stagflation and the gradual dissolution of the golden era historical bloc in Canada on the shape of AHPs going forward. The evidence presented here reveals a consistent effort by the state in the 1970s to provide widespread assistance in the form of programs and subsidies for persons in need of help acquiring shelter. Yet, the legitimacy of such measures became eroded as housing subsidies did not produce enough affordable housing to stem what had become a housing market slowdown. The slowdown itself was a product of overall recessionary conditions in Canada. The focus of this particular analysis is centered on examining the dualism of AHP where the institution of social welfare policies by the state coincided with pro-market housing policies in the mid-1970s. It is through this analysis where changes in the SSB within these AHPs will be identified and explored. The assorted benefits of these policies, the analysis shows, are distributed in a hierarchical fashion with lower income classes being largely excluded from accessing the benefits of the Assisted Home Ownership Program (AHOP), for instance.

The final section of this chapter highlights the way in which Canada's housing market was to become increasingly privatized by the end of the 1970s. The privatization of the housing market followed analogously with what had become a gradual rise of neoliberal sentiment in Canada. It will be shown below that the state's incapacity to mitigate the stagflationary crisis during the 1970s ushered in a wave of anti-Keynesian sentiment from pro-market politicians.

These agents derided what they perceived as an overheated presence of the state in private market affairs as being responsible for the crisis itself. Such discourse, it will be shown, proved successful as initiating a gradual change in the direction of the SSB of AHP away from providing widespread assistance for lower income persons. This is evident, for example, in the state's dissolution of public land assembly programs which were intended to lower the costs of land, and housing by extension, for potential homeowners. It is from this that the analysis will transition into an exploration of the privatization of the housing market in the 1980s.

5.1 The Hierarchical Distribution of AHP Benefits for Varying Classes

...the Dennis Task Force on Low-Income Housing in 1971 recommended that the Federal government should undertake an aggressive land assembly program to stem the most inflationary factor in the housing cost: the price of land. However, the Federal loan provision for the acquisition of servicing land for housing purposes expired March 31, 1972. This is an indictment in itself... There is need for greater action by the Minister of State for Urban Affairs (McCleave 1972, 2806).

During this period, the government's efforts have been directed not simply to creating numbers of dwelling units but to ensuring that housing is available to those who need it most. Policies have been deliberately aimed at providing for those who need assistance in getting housing. Through its agency, the CMHC, more than 140,000 housing units have been created in the past four years under programs designed to help people with low incomes... The measures contained in the residential mortgage financing act represent the latest in a series of initiatives by the government to bring more private capital into the residential mortgage market. Our purpose in doing so is to ensure that financing is available at the most reasonable cost possible to people in the middle income group and for those who cannot obtain financing in the usual way... The act's provisions for assistance in the public assembly of land will be extended and strengthened to make this program more useful to provinces and municipalities for land development... New measures will be proposed to provide financial assistance in the form of loans and matching Federal-provincial subsidies for low income people who wish to own their own homes. We intend to give these people the opportunity of purchasing their own homes and having that pride of ownership that goes with the purchase of a home (Basford 1972, 2812).

It is necessary to recognize that housing is a primary social, economic and physical need, yet there persistently prevails all across Canada a severe shortage of family housing at reasonable prices... To alleviate this situation the Federal government provides funds for low-income housing programs in distant and isolated areas. The provincial and municipal governments are establishing subsidized housing programs which more often than not

produce social ghettos. As to private enterprise, it is continuing to serve mainly the socio-economic class which is least affected by the housing situation (Marshall 1972, 2814).

The arguments put forth here by the participants reveal several points worth considering in relation to our key themes. First, there is a continued emphasis by House of Commons members to interrogate the acting Minister in charge of housing for what they perceive as lacking Federal involvement in affordable housing provision for lower income classes. McCleave, for one, uses dramatic rhetorical language to 'indict' the government in power for not providing enough support for low income persons through public land assembly initiatives. In so doing, McCleave, as a Progressive Conservative, is assuming the role of critic of the prevailing Liberal administration in order to delegitimize the current housing Minister, who is himself a Liberal party member.

While McCleave's rhetoric espouses the need for the Liberal government of 1972 to reduce housing costs for the poor, Jeffrey House argues the historical record of government policies intended to house the poor have been narrow in imaginative scope up to the time of his writing in 1976. The narrowness in the scope of housing policies for lower income classes has prevailed, according to House (1976), regardless of whether the administration is Liberal or Conservative. I make this point for two reasons. One, given House's assertion, McCleave's rhetoric could just as easily be articulated as a critique of his own party rather than the Liberals. Secondly, the narrow scope of housing policies targeted towards poor people as put forth by House is analogous with the rhetoric put forward by both Ron Basford and his critic Jack Marshall cited above. House writes:

Without government action, the market mechanism leaves gaping holes in the supply of shelter to Canadians. There are several policy approaches which may be expected to alter this situation: 1) One can do away with the market in housing entirely, and treat housing as a right, rather than a commodity to be bought and sold; 2) One can assist the market by building public housing for those people who have no chance whatever to purchase or

rent housing on the market; 3) One can build public rental units for those totally unable to acquire shelter through the market, and subsidise either builders or consumers in the middle levels of the market. The government of Canada, whether Conservative or Liberal, has steadfastly adhered to the third alternative. There has been strict adherence to the principle that different forms of housing assistance are appropriate to different income groups; generally, moderate income people are assisted with loan guarantees, low cost mortgages and grants, and allowed to find housing of their choice. Low income people usually have only one choice offered by their government: to live in state owned housing. At present, public housing of this sort accounts for 1.9 per cent of the nation's housing stock,' which by government policy has been deliberately populated with those who are in economic or social difficulty.' It is usually located on marginal land, far from employment centres and social amenities (51-52).

Using House's logic, correlations are evident between the rhetoric of debate members in the House of Commons with what House articulates as housing policies designed by the state to favor defined income groups. The quality of those policies designed to house the poorest classes, are according to House comparatively worse than those targeted to higher income groups. Using this logic, consider Basford's assertion that the Federal government is introducing new measures in the form of loans and matching Federal-provincial subsidies for low income people who desire to purchase their own home. Jack Marshall, meanwhile, criticizes Basford and the government in power for not adequately recognizing that affordable housing is under-supplied in Canada. In order to alleviate this shortage, Marshall contends, the government improperly relied on provisioning subsidies that isolate low income persons away from higher income classes that are less affected by such shortages. Ultimately, using House's logic, it appears both Liberals and Conservatives have tended over time to reproduce this scenario whereby AHPs distribute benefits in a hierarchical fashion with low income persons being disproportionately excluded.

As articulated above, the dualistic shift in AHP in the late 1960s involved a greater emphasis by the CMHC to support the provision of affordable housing through the private market. This transformation is evident in what became the second phase of social housing policy in the 1970s. Fallis et al. write:

During the second phase – roughly 1970 to 1985 – Federal housing policy expansively subsidized non-profit societies and tenant co-operatives to build a stock of publicly funded housing. The intent was to move Canada toward a European model, creating a large, publicly subsidized rental housing stock that would assure high quality, low-rent accommodation to all modest-income Canadians. These “third sector” landlords were neither government agencies nor private developers. To avoid the problems arising in large, government-run projects that concentrate poor families, public policy in this phase favored “income mixing” in third sector projects – providing “shallow” subsidies to middle-income tenants and “deep” subsidies to poor tenants (1995, xi).

As Fallis et al. indicate, the government affected a shift away from provisioning affordable housing through public housing that was funded by the public purse. The preferred mode in the second era for producing social housing, that being subsidized housing targeted to lower income classes, was carried out by the state in cooperation with the private market.

The political economic environment in which the state carried out its newfound AHP in the 1970s was plagued by recessionary turbulence. Lewis (2003) articulates this era as one of stagflation where unemployment and inflation rose concurrently to crisis level proportions. As the downturn accelerated, it signaled the onset of a legitimization crisis for the ‘golden era’ paradigm of the previous decades. As such, the state’s interventionist policies of the golden era became viewed as failures that the state needed to correct so as to restore conditions of perpetual growth. Oberlander and Fallick (1992) describe these conditions as they unfolded in the early 1970s:

The years immediately following 1973 were extremely volatile owing to unfavorable macro-economic conditions, rapidly rising housing costs, and growing private rental supply problems. Pressure for public intervention was great. Wage controls, deductions in public expenditures, changes in unemployment insurance, cutbacks in health care, expansion of the prison system, promotion of private sector housing, and stimulation of tax expenditures represented ways of righting the previous decade’s imbalances. Housing was singled out as a cause for concern (64).

The negative implications for housing market growth as a consequence of recession in 1973 prompted the state to try and reverse this trend. Such a task proved difficult for the state to accomplish given that the private housing market exists outside its direct control. The housing

market exists, rather, as part and parcel of the self-valorizing and self-reproducing capitalist system. Accordingly, the state failed to offset the housing slump despite initiating a costly amount of subsidies to try to mitigate it. The state's failed interventionist policies were followed by a shift away from the Keynesian-type measures of the golden era towards policies favoring fiscal restraint and less intervention in private market affairs. Oberlander and Fallick (1992) write:

A dramatic expansion in housing subsidies occurred between 1973 and 1978 as the Federal government responded to economic and political pressures caused by rapidly increasing housing costs and sharply falling housing starts...Job maintenance and job creation became important issues when the unemployment rate began to climb in 1974 and continued to advance until levelling off in 1978. In response to the rising inflation rate, Ottawa introduced wage and price controls in 1975. With a growing Federal deficit and with an increasing realization that the slump was not a temporary aberration, policy-makers abandoned stimulative policies and initiated restraint, or at least the appearance of restraint (64-65).

Oberlander and Fallick's narrative is thus consonant with the direction of affordable housing debates in Parliament (cited above) that took place during the early 1970s.

Using our key themes as a lens for analyzing the arguments put forth by these participants, several points emerge. In 1975, then Liberal Party member Pierre Gauthier, as Parliamentary Secretary to Minister of State for Urban Affairs, frames the affordable housing issue as one that the government must seek to address through measures like Bill C-77 that will both fight inflation and compel lenders to invest in housing. Gauthier promotes the changes to the NHA proposed within Bill C-77 that are intended to attack inflation and rising living costs. The bill requires lenders to invest in housing with the effect of freeing up more Federal funds 'for investment in existing housing programs for those in greatest need' (1975, 9690). In this instance, Gauthier promotes Bill C-77 as capable of succeeding in curbing the inflation produced as a result of stagflation. The bill, Gauthier argues, is also constructed to uphold the dual

objectives of AHP. Indeed, the bill is presented as a measure that will stimulate housing growth, while also enabling the government to target funding to house those ‘in greatest need.’

Yet, Gauthier’s rhetoric does not convince his critics. Daniel McKenzie (1975) notes that Bill C-77 does not require private lenders contribute more money to housing by law; rather, it is only a suggestion. The Federal government, argues McKenzie, assumes they can solve housing problems by only quantitative means by extending or broadening existing programs. Gilbert (1975) similarly dismisses the rhetoric within Bill C-77:

Bill C-77 is unimpressive. I would say that the legislation is nothing but a sweetheart agreement between the Minister of State for Urban Affairs, the financial institutions, the developers, and rental entrepreneurs who are not developers, to persuade them to build more houses (9696).

The developers, Gilbert argues, control and release land to their best advantage. Parliament, in turn, did not offer a solution to resolving the high costs of land. McKenzie’s critique thus speaks to the lack of imagination and narrowness of AHP as was discussed above through reference to House (1976). These critical views from McKenzie and Gilbert are correlative with other criticisms leveled at AHP as being overly concerned with maintaining growth. By only encouraging private housing development, Gilbert contends, AHP neglects the problem of high-priced land that is monopolized by private developers. The absence of policy addressing this issue therefore sees developers becoming enabled by Bill C-77 to reap the gains associated with acquiring more high-priced land for housing construction. High land costs are subsequently passed on to homebuyers.

Upon reviewing these arguments, it is apparent that the state’s inability to mitigate stagflation in the mid-70s led the state to formulate pro-market AHP as was the case in 1967. Orlikow (1975), for one, perceives the reduction in the CMHC’s budget as evidence of the Federal government retreating from its social obligations, and instead enabling the private sector

to solve affordable housing problems itself. This, despite the widely held notion that the private market is unable by itself to procure affordable housing for lower income persons on a substantial scale due to the limited potential for profit making.

5.2 The Inefficiency of Pro-Market AHPs

It is important to remind the reader that the breadth of Parliamentary debates focusing on AHP in the 1970s was considerable, and thus the discussions covered here represent only a portion of discussions on various AHP measures. Indeed, policies such as Bill C-133 were reflective of a strong commitment held by the state in the early 1970s towards fulfilling its social policy mandate (CMHC 1972). Bill C-133 authorized the Federal Government to provide direct subsidy aid to low-income home-owners, in addition to extending 100% financing and direct grants to non-profit private bodies and to cooperatives providing low-income housing. This aside, my analysis of AHP discussions during the mid-1970s, including deliberations concerning Bill C-77, evidenced a gradual shift towards pro-market AHP reforms. This is clear in the enhancement of the Assisted-Home Ownership Program (AHOP) in 1975. AHOP was important in that it was intended to procure mass private sector housing for lower-income persons via state subsidies. The CMHC's 1975 report states:

During 1975, Parliament initiated two amendments to the NHA. The first bill, given Royal Assent on March 26, broadened the AHOP and the Assisted Rental Program (ARP) by making interest-reducing Federal grants available to qualified home buyers or rental-housing entrepreneurs who obtained their financing through private mortgage loans. Prior to the amendments, these grants were available only with direct CMHC mortgages. These changes worked to draw almost three quarters of a billion dollars of private mortgage loan commitments into new affordable housing (10).

The CMHC's promotion of the AHOP program is contrasted below with critiques from members of Parliament who view it as inefficient and inequitable legislation.

The government maintains that they were going to get into social housing. Yet, the government institutes the Assisted-Home Ownership Program (AHOP) which gives subsidies to people of moderate and high incomes, and reduce their investments in public housing (Gilbert 1975, 9698).

Under AHOP, Minister of State for Urban Affairs Barney Danson argues the government “committed \$216 million for low-cost loans to families to enable them to buy their own homes... The suggestion is that there are unrealistic regulations on income, on standards and on housing prices; unrealistic in the sense that the building industry said before it could not build houses at these prices... We are building for the average” (1975, 6066).

The minister does not see that his programs are not working... Yet here we are, postponing meetings, fooling around and wondering when the budget is going to come down, talking about AHOP, and this and that and the other program, when the entire premise on which the housing policy is based is wrong. That Canada, with all its land resources and all its building material resources, should face a situation in which the number of housing starts in the first three months of 1975 was smaller than at any time since 1946, is incomprehensible (Gillies 1975, 6070).

Gilbert’s critique of AHOP is therefore correlative with House’s assertion that affordable housing policies in Canada tend to distribute benefits to varying income classes in a hierarchical fashion. The quality of these benefits, House argues, becomes progressively less efficient as they are distributed further down the income scale. Supporting evidence for Gilbert’s and Gillies’ critiques comes from a 1980 *Globe and Mail* article that focuses on a report from then York University economics professor George Fallis:

Prof. Fallis examined the Federal Government’s Residual Lending Program (the direct lending program of Canada Mortgage and Housing Corp.), the HOME program and AHOP. “The problem of all of our housing programs,” he said in a telephone interview yesterday, “is that they’re unfair because not everyone who is eligible is allowed to enjoy the benefits. We have programs that help 5 per cent of the people who are eligible. We’ve got a little bit for everyone, but we don’t take care of any one group – in particular, the neediest – before moving on to other groups, like people on higher incomes. That’s what I mean by inequitable (1).”

Despite Minister Danson's pledge that AHOP is a policy intended to produce low-cost homes to low income families, another *Global and Mail* article from 1980 documents a rapid increase in mortgage defaults that occurred as a consequence of AHOP. The contents of the AHOP program, and its subsequent failure, is described in the article thusly:

The program offered interest-free loans and other assistance to help people with moderate incomes buy newly built housing. The effect of this assistance was to reduce the monthly payments to affordable levels. Once the original mortgage term of five years expired, buyers often had to renew to pay back the initial loans to CMHC. The result was an increasing number of mortgage defaults.

The surge in low-income housing defaults amongst AHOP participants is evidence of the difficulties faced by the state in procuring private market housing for those requiring state support. AHOP would be a success for the state only if it could be assured that participant homeowners could maintain a high enough income to pay the costs of mortgage renewal. In 1980, Peter Lepik, then a policy adviser to the Ontario Housing Ministry remarked to the *Globe and Mail* that AHOP was discontinued by the state upon receiving heavy criticism from Fallis.

When private-public partnerships like AHOP failed as policy solutions, what alternatives did the state seek to implement? Parliamentary debates and CMHC reports from the 1970s show an intensification of state efforts to supply affordable housing through the market rather than risk amassing debts through publicly funded programs. NDP member John Gilbert indicates the CMHC budget for 1977 "showed a massive swing away from funding for rental housing for low and moderate income people. This matter affects Canadians with incomes of less than \$10,000 who are forced to rent apartments... The Minister of Finance stated glibly that there had been record number of houses built and cited AHOP as being salvation for all low income people (1977, 4191)." The CMHC budget for 1976, Gilbert notes, indicated only 2% of new housing starts across the country were built for low income people. Additionally, the CMHC cut back on

rental housing provision within its budget. This, according to Gilbert, indicates the minister fell into “the clutches of developers, builders, speculators, and financial institutions” (4191). George Baker, as Parliamentary Secretary to the Minister of National Revenue, acknowledged the correctness of Gilbert’s criticisms regarding reductions in housing program allocations in the CMHC’s 1977 budget. Baker notes, however, that no increases in support for cooperative and non-profit housing programs were included in the 1977 budget, “there have been substantial increases since the inception of these programs in 1973” (1977, 4192). The reduction in the CMHC’s budget reflects the desire of the government to limit increases in public expenditures in 1977.

Here, Gilbert’s critique of AHP accuses the state of reducing its commitment to assisting low income people. At the same time, Gilbert rhetorically asserts the Minister in charge of housing policy is entirely beholden to capital. Such rhetoric is not a wholly precise assessment of AHP. Rather, the state is compelled to formulate policy in an environment of fluctuating structural constraints imposed upon it by capital, the process of which influences what interests may be favored through policy during any particular historical conjuncture. Baker, in his response to Gilbert’s claims, acknowledges a drawback in CMHC policies intended to favor the lower income classes. Yet, he also identifies this trend as being a consequence of the state’s desire to limit increases in public spending. Baker’s reasoning is thus correlative with the policy objectives outlined by the CMHC in 1978 and 1980 as indicated below:

In 1978 there were further important changes in Federal housing policy, culminating in the proposed amendments to the NHA which received first reading in Parliament on 12 December. The 1978 initiatives were directed to: increasing private investment in residential construction, allowing a corresponding decrease in Federal expenditures...In addition to these concerns, there were also difficulties inherent in the existing programs. In particular: the declining rate of conventional public housing production; the decreasing effectiveness of existing non-profit and cooperative housing subsidies to meet low-income housing needs...These challenges were met by: providing for social housing to be

financed by the private sector; developing a subsidy structure for social housing which would be an incentive for efficient management practices (CMHC 1978, 31).

In its role as a financial institution, the Corporations' primary function now is that of a mortgage insurer. It continues, however, to make direct mortgage loans and real estate investments with funds borrowed from government, but on a scale that has been dramatically reduced from that which prevailed until the mid-1970s (CMHC 1980, 9).

The CMHC's embrace of the private sector in the late 70s is reflective of the gradual erosion of the golden era historical bloc in Canada. As Campbell (1987) illustrates, political discourse at this time concluded that embedded Liberal-Keynesian economy "had been overheated and its efficiency diminished as a result of incompetent bureaucratic and political meddling... A market approach would allow the economy to cleanse itself of political and ideological impurities and get on with the job of efficiently allocating resources and rewards" (217). In the realm of AHP, then, this amounted to private market interests being permitted to profit in the creation of lower income housing via cooperative partnerships with the state. Yet, the provision of lower income housing via partnerships like AHOP in the 1970s involved the benefiting of lower income classes on a specifically hierarchical scale. The classes most in need of assistance were generally given less quality help than their higher income counterparts.

5.3 The Dissolving of the Golden Era and the Privatization of AHP

The erosion of the golden era historical bloc in Canada did not occur through a clean break with Keynesianism and embedded Liberalism. Rather, the era was marked by the state having to turbulently balance competing class interests with the intention of keeping society from bursting apart (Jessop 1990). As such, for Canadian politicians in the mid-70s there were political risks in a return to laissez-faire policies (Campbell 1987). Consequently, as events in the 1970s and 1980s demonstrated, the state rejected an exclusive reliance on either Keynesian or

laissez-faire policy options. Instead, Campbell asserts, “they turned to a mix of policies, none tremendously forceful or likely to be terribly successful” (218).

There is evidence that AHP during this period was not defined as purely laissez-faire or Keynesian. For example, in the interests of promoting stability within the housing market, the Liberal government in 1980 proposed an amendment to the Banking Act that sought to impose a restriction on chartered banks in regards to the proportion of their portfolios that can be mortgage loans. Representative for the NDP, Margaret Mitchell, meanwhile, rejected the amendment on behalf of her party on the grounds that it would increase competition among Canadians who want mortgage money with the effect of pushing up interest rates for everyone. Instead, Mitchell requested the state set up a portfolio where banks are compelled to contribute capital that can be lent out at reduced interest rates. Mitchell also stated the Federal and provincial governments should strengthen land banking programs in order to keep the cost of housing down. John Evans, Parliamentary Secretary to the Deputy Prime Minister and Minister of Finance, was in charge of presenting the Bank Act amendment to the Parliamentary members. He argues that Mitchell contradicts herself on behalf of what he perceives as a politically opportunistic NDP party. Mitchell, states Evans, should remember “that at the end of the first part of this session, her party voted to remove a 12 percent ceiling on rates that could be charged by credit unions (1980, 4716).” Evans goes on to say that for Mitchell to argue “that the removal of the 6 percent ceilings on banks – because they are banks, banks are big and banks are bad, that is the NDP slogan – is terrible, is utter nonsense” (4716). In connecting this antagonistic exchange between politicians to Campbell’s logic concerning the turbulent nature of state policy making during 70s and 80s, I would argue the proposed Banking Act amendment discussed here is representative of the state’s willingness to enact policies that favor the well-being of the greater economy rather

than banks themselves. This is because the amendment would prohibit banks from indulging in as many mortgage lending activities as they desired, and instead maintain a balanced portfolio.

In regards to Mitchell's championing of land banking programs as an initiative that governments must strengthen, and one that supports working class homeowners, the reality of policy formulation is such that the state cannot easily institute such populist initiatives. This is because there are other bureaucratic power networks such as task forces that are existent and that work to influence the direction of policy in a manner that is analogous with their recommendations. The influence that such power networks wield over the direction of policy formation is consistent with the ideas put forth by strategic relational state theorists. As Poulantzas (1978) argues, policies are created through relations between decentralized power networks, which can include ministries, political parties, and task forces, among others. Jessop (2008) proposes, furthermore, that the relations between political decision makers or **agents** that produce policies necessarily involves that these agents act to fulfill a given set of interests, and thus cannot act in the common interest of the public in general. The eventual implementation of policy thereby flows from the state weighting competing class interests as they are promoted by the various agents and institutions involved in policy deliberations, such is the case during debates within the House of Commons. The influence that power networks yield in processes of policy formation is made evident through empirical research. Indeed, the CMHC's 1978 annual report: "During the year, the Federal-Provincial Task Force enquiring into the supply and price of serviced residential land, published its report. One of its findings was that the effectiveness of land banking by governments in stabilizing and reducing serviced land prices had not been demonstrated" (CMHC 1978, 22). This led to land banking programs becoming subsequently phased out in the early 1980s (CMHC 1982). In this way, the task force, as a power network

possessed with a capacity to influence policy, effectively altered the direction of the SSB of AHP. In so doing, the state followed the recommendation of the task force and eliminated its land banking programs, of which were intended ultimately to lower housing costs for potential home buyers. The dissolution of land banking by the state thus enabled land prices to rise higher, and thereby shifted the SSB of AHP more greatly in favor of those capitalists involved in selling land for home development.

This chapter has established AHPs as being possessed of benefits that are hierarchically distributed amongst varying income classes. They are hierarchical in the sense that higher income individuals have historically been given benefits of a disproportionately greater quality than those afforded to individuals whom are lower on the income scale. This helps us develop an understanding of how the SSB of AHP tends to favor homeowners more efficiently than it does those individuals requiring substantial shelter assistance. AHP appears, moreover, to disproportionately favor homeowners who possess greater wealth than their home-owning peers. Upon making this point clear, I was able to analyze how it is that AHPs, such as the failed AHOP program, were designed to favor middle-income homeowners whilst excluding great numbers of lower income persons despite their need for assistance.

From this, the discussion changed course into an examination of how the golden era historical bloc began dissolving in Canada following the stagflation and OPEC crises of the 1970s. As articulated above, the dissolution of the Keynesian welfare state and embedded Liberalism in Canada was facilitated in part by political discourse that made the Keynesian state the culprit for both contributing to these recessionary conditions, and for not being able to mitigate them when they occurred. It is at this juncture where the historical bloc associated with the contemporary globalization era began to take shape. As will be explicated further in the

chapters to come, the emergence of this bloc implied the ushering in of a new paradigm of structural change. The SSB of state policy, in turn, began heavily favoring those interests associated with globalization, neoliberalism, and financialization. Though the emergence of the globalization era bloc was in its infancy during the 1970s, housing market policy began a steady march towards privatization. This was demonstrated above with the proliferation of social housing developments where, with the exception of co-operative housing, tenants pay rent while living in private market accommodations. The influence of neoliberalism infiltrated AHP also in that the state began cutting back spending on housing programs under the pretense of reducing deficits and managing inflation. The implications for lower class citizens was that they were to be given less shelter support from the state directly, and the state had less alternatives to consider as far as policies for the poor. The following chapter will examine how these evolutions in AHP proceeded into the 1980s as the globalization era became even more cemented in Canada.

CHAPTER 6: The CMHC's affordable housing policy (AHP), 1981-1990

The bill before the House for second reading [Bill C-89] is a response to the serious difficulty which many Canadians are now facing in finding and maintaining good housing at affordable cost. The bill responds to these problems in two ways. In the first instance it provides the necessary legislative authority to put into effect the Canada mortgage renewal plan. Second, it enables the government to act more effectively in stimulating production of rental housing, and makes possible new kinds of assistance for young families who are buying for the first time (Cosgrove 1982, 14758).

Bill C-89, the contents of which involve the implementation of the Canada Mortgage Renewal Plan as well as the Canada Rental Supply Program, is shown in this chapter as being representative of the state working to balance competing class interests in a tumultuous post-golden era environment. As well, an important question addressed in this chapter asks what effects structural changes occurring as a consequence of this volatility had on the changing nature of AHP. In the process of discerning this, this chapter provides discussion on how the CMHC fulfilled its dual mandates through its policy measures, and explain to what extent certain class interests were favored within the policies it implemented throughout the 1980s. Though one could arguably describe any decade as tumultuous or volatile in its own way, the term is being used here as a way of describing what was specifically paradigmatic change in Canada. Indeed, the mid 1980s ushered the beginning of the globalization era, an event that involved major structural changes in the form of globalization, neoliberalism, and financialization, among other phenomena. The volatility of the early 1980s, moreover, saw Canada enveloped by a major recession which produced many mortgage defaults and weakened housing growth. In response to housing development slowdowns, and the resulting higher rents, the CMHC increased its incentives to builders of rental accommodation (CMHC 1987).

This response from the CMHC to focus more on producing incentives for rental construction following the onset of the recession is analogous with the principles of Bill C-89 as it was presented to Parliament in 1982. The bill itself, as Cosgrove articulates above, is intended to assist in producing and maintaining affordable housing in two ways. First, homeowners who possess the requisite amount of equity in their home are permitted by Bill C-89 to offset risks associated with increases in mortgage interest as a result of the recession. What the legislation proposes is that qualified homeowners will be offered a guarantee that the state will underwrite the deferral of interest payments. Cosgrove makes clear that this legislated guarantee does not assist those heavily indebted homeowners whose debt service ratio is pushed over 30 per cent as a result of their having to renew their mortgages. Those who are in this position, according to Cosgrove, are made eligible for a government grant to “keep their monthly payments within manageable limits...After much serious deliberation, the government has chosen a plan which is precisely targeted to people’s needs and which does not put an excessive demand on public resources in a time of economic restraint” (Cosgrove 1981, 12758).

Bill C-89 was articulated in neutral terms by Cosgrove as an instrument that is ‘precisely targeted to people’s needs,’ which in this case, refers to the production and maintenance of affordable housing for Canadians. Yet, as House (1976) argues, the benefits provided within policies are typically distributed hierarchically between classes. The nature of this hierarchy sees higher income classes accruing higher quality benefits relative to those in the lower income strata. Debate participant David McGrath refers to a leaked document concerning a presentation given to the cabinet in 1982 that stated:

An estimated 30,000 to 40,000 households cannot even take the steps to help themselves and retain their homes. They would have to pay well over 30% of household income for principal, interest and taxes...Their choices are to pay a very large proportion of their

income to retain their home, try to sell their home, or just walk away and face foreclosure (1982, 14763).

McGrath maintains the proposal for interest deferral in the bill will assist only about 12,000 households in Canada out of approximately 900,000 who are in a position of having to renew their mortgage. McGrath states that the bill “barely addresses the problem, and those who are in “dire straits” – a term used by the Prime Minister in addressing what the government intended to do; he suggested it would help those in dire straits – can look forward to a one-time payment” (14763). Yet, McGrath argues that interest rates are set to increase to a high rate of 20% by the end of 1982. As such, the neutral rhetoric from Cosgrove that promotes the interest rate proposal within bill C-97 as seeing to the housing needs of Canadians works to obfuscate the bill’s incapacity to benefit anyone outside a small percentage of homes.

The second purpose of the bill, as stated above, is intended to stimulate the construction of affordable rental units. Minister Paul Cosgrove explains how the CMHC will administer it:

The Minister of Finance included approximately \$350 million for housing for the next two years, part of which is in his budget to finance the Canada rental supply plan, a rental construction stimulus program which would make available interest-free loans of up to \$7,500 per year to stimulate the construction of 15,000 units of affordable rental accommodation in parts of the country where it is scarce. These loans, of course, would be in addition to the assistance provided under the regular non-profit and co-operative housing programs” (1982, 14759).

Whereas the interest deferral portion of the bill is intended to benefit homeowners specifically, the focus on rental construction is aimed at the renter class which tends to have lower average incomes than owner occupiers (Cheung, 2014). This form of policy-making, where specific benefits are hierarchically distributed towards specific classes is thus congruent with my prior analysis of affordable housing policies. Given these considerations, the question now emerges as to whether the benefits of Bill C-89 are unevenly distributed between classes. PC member James McGrath critiques the rental assistance component of Bill C-97 on the grounds that it has been

inaccurately promoted by the state as a means to expand the supply of affordable rental accommodations for Canadians in need. McGrath states:

On top of that, Mr. Speaker, if you examine the budget in terms of social housing, there is a net reduction, down to 25,000 social housing units from the 30,000 starts we had last year. That is a net reduction of 5,000. That is to say, there is a net reduction of 15,000 starts in rental units as a result of this budget. All we are doing with the \$7,500 interest-free loans for the 15,000 units to be spread across the country is making up for that shortfall. The CMHC document itself makes the point, and it is a prediction that is well on the way to being realized, that there will be no new rental units started in Canada this year other than those that are publicly assisted. The reason for that is very simple. Given the interest rate situation in the country today, there has to be a greater correspondence between starts and rental income for housing units in order to make them economically viable...I was sorry to hear the minister dismiss out of hand the question of shelter allowance. I believe that is the way we should be approaching it; we should have a policy of shelter allowance (1982, 14764).

The bill's target of 15,000 rental starts, McGrath notes, merely replaces the shortfall in social housing construction announced in the 1982 budget. Additionally, he argues that given the persistence of high interest rates as a consequence of the recession, the presence of rent controls makes rental housing construction not economically viable for those who cannot charge appropriately high value rents in order to cover building and operating costs. In order to improve the health of Canada's rental housing market, McGrath proposes shelter allowances for low-income tenants. Shelter allowances were similarly proposed by PC member Doug Lewis on November 14, 1980 and by Margaret Mitchell on February 10, 1981. Yet, Paul Cosgrove maintained that shelter allowances were a difficult initiative to implement as the "Minister of Finance indicated that the resources for such a program, which would be costly, have to be considered" (1982, 14761).

From these arguments concerning the first and second purposes of Bill C-97, it can be surmised that the state attempted to acquiesce competing class interests and fulfill its dual housing policy mandate through the bill's two initiatives. In connecting this point with our key

themes, the Minister for Housing (Cosgrove) frames this bill as working to produce and maintain affordable housing through the private market with facilitative support from the state. In so doing, the Minister performed his role as rhetorician in communicating this policy as beneficial for average Canadians. Yet, counter arguments from members in the House of Commons (McGrath and Mitchell) reveal inconsistencies in the Minister's rhetoric in the sense that the bill's deferred interest proposal excludes a great portion of those who require assistance. Additionally, as noted above, the rental market scheme put forth in the bill is in reality a replacement measure intended to re-supply rental unit starts that were reduced from the year before. This, despite the CMHC's prediction, as McGrath notes, that the private market alone would not likely produce any additional rental units on its own due to their in-affordability. Thus, the bill does not adequately amend affordable housing problems.

While this discussion of Bill C-97 provides clues as to the direction of AHP in the 1980s, it must be noted that this is only one of many policies formulated during the decade. In the interests of garnering a wider picture of AHP, I will now briefly consider other affordable housing policies debated and enacted during this period. Upon doing so, I can better articulate how integral structural changes worked to influence what interests were favored within AHP during the 1980s.

6.1 Housing Slowdown in the Early 1980s

As noted above, the recession of the early 1980s produced rapid increases in interest rate levels in the housing market, and "hit their highest level in history, 21% in August 1981" (Hulchanski 2003, 24-25). This rapid increase in interest rates, says former Bank of Governor Gordon Thiessen, was promulgated not by the failure of state policy but by the persistence of an

inflationary psychology held by investors. In a speech given to the Canadian Club of Toronto, Thiessen (2001) stated:

Inflation had come down through the first part of the 1980s, but, with an inflationary psychology still very much at work, it picked up again towards the late 1980s. During that whole inflationary period, many Canadians sought to protect themselves from the effects of inflation through indexed wage contracts and by investing in the housing market. Others saw an opportunity to benefit from high inflation by speculating in real estate or other assets... High inflation encourages speculation rather than productive investments. It raises interest rates. And, in the end, it exacerbates both the booms and the busts.

This scenario corresponds with what emerged as an ongoing theme in my research, that being recurrent slowdowns in the housing market. Such slowdowns, along with the wider scale crises that have occurred in the greater Canadian political economy, are endemic to capitalism. This is due, in large part, to the contradiction existent between use-value and exchange value that has been elaborated on throughout this project.

As was the case when the housing market slowed in 1967, and then again during the recession of the 1970s, the state once again felt obligated during the economically sluggish early 1980s to re-stimulate housing starts and address the needs of those requiring state assistance. This, despite persistently high inflation being a product not of state failure, but of overheated asset speculation by investors whose likeminded pursuit of capital gains worked to accelerate inflation further. Accordingly, a number of new Federal housing initiatives were announced in the 1981 and 1982 budgets, including short term subsidy programs for homeowners (the Canada Home Ownership Stimulation Program and the Canada Mortgage Renewal Plan), as well as the Canada Rental Supply Program which, as discussed above, was intended to create affordable rental housing (Hulchanski 2003). Those who did not possess the requisite income to purchase a home, Hulchanski notes, were temporarily favored with a short-term increase in the allocation of

social housing units²⁰ (2,500 more units in 1982 and another 2,500 in 1983). These actions are reflective of the CMHC's high degree of funding support for social housing initiatives in 1983. During that year, the CMHC distributed \$1.7 billion in grants, contributions, and subsidies in 1983, 45% of which was directed towards public housing and 24.5% towards Canadian Home Ownership Stimulation (CMHC 1984).

6.2 Privatization of the Housing Market

While the CMHC did distribute a high level of funding towards social housing during the peak of the early 1980s recession, the formation and administration of AHP in Canada did not shed its dualistic form. In fact, the state steadily worked beginning in the mid-1980s towards privatizing the housing market in a more intense fashion than was ever considered during the 60s or 70s. Oberlander and Fallick (1992) evidence two events that they argue played a significant role in influencing the state's efforts to privatize the housing market. These events include a 1979 report produced by the Federal Task Force on CMHC, along with an All Sector National Housing Conference organized in 1981 by the Canadian Real Estate Association. The major concerns addressed by the report and the conference focused on solutions to affordable housing problems. The addressing of these concerns, Oberlander and Fallick note, spurred the production of a great deal of unifying rhetoric as "considerable debate occurred over the need to establish national

²⁰ Hulchanski (2003) categorizes social housing units as comprising public housing, non-profit housing and non-profit cooperatives. The funds devoted to social housing during the 1980s were provided, Hulchanski states, for the existing public housing stock where individuals live in homes subsidized entirely by the state. Additional funds were provided for non-profit and cooperative housing. Non-profit housing is "sponsored by community groups and developed through government programs that subsidize development costs, operating costs, or rental costs (the gap between what the tenant can afford to pay and local market rent)" (Ontario Non-Profit Housing Association [ONPHA] 2015). All non-profit housing tenants pay rent, the ONPHA notes. According to the Cooperative Housing Federation of Canada [CHFC] (2015), residents living in cooperative housing do not own equity in their homes. If they move, their shelter is given back to the co-op, which is a legal association that is incorporated as a co-op. The CHFC declares that "some co-op households pay a reduced monthly rent (housing charge) geared to their income. Government funds cover the difference between this payment and the co-op's full charge. Other households pay the full monthly charge based on cost."

housing goals which would provide equal access to decent, affordable housing” (151). The realization of such goals, however, remained unlikely given the hierarchical nature with which housing policy benefits have been distributed to differing classes in the 60s and 70s as noted above.

With respect to the Federal task force’s report, its purpose was to study the potential at the state’s behest, “for privatizing at least some of the Corporation’s activities and to indicate ways of encouraging the private sector to take a larger role in some areas” (Oberlander & Fallick 1995, 152). Additionally, the report called for a clarification of Federal and provincial jurisdictional responsibilities so as to avoid duplication in the provision of services. The motivation on the part of the task force to carry out its purpose and produce these recommendations was promulgated by the Federal government’s desire to abstain from additional expenditures within the housing market. The reasoning given by the state for doing so was that it had to reduce what had become a sizeable Federal deficit incurred by too much public spending, as is stated in the following passage from Progressive Conservative member Roch La Salle (1984):

I realize that the Government probably has very little room to manoeuvre regarding the amount of assistance it can offer homeowners, and the reason is quite simple: this Government, especially in the last ten years, has put this country deep into debt through its unbridled spending, so it is not surprising it cannot do more, as I believe the Minister remarked earlier (4137).

In the process, the state implemented facilitative policies to encourage homeownership via the private market. Blackwell (2015) recounts that in early 1982, the Canadian economy began improving overall and inflation started to slip concurrently. High levels of housing development that followed in 1983 was prompted, according to the CMHC (1983), not only by newly competitive low interest rates offered by mortgage lenders, but also by the attractiveness of the

Canadian Home Ownership Stimulation Plan (CHOSP). Introduced in the 1982 federal budget, CHOSP was designed to help “more Canadians to own their own homes” (10). Given that this policy was intended to stimulate home-ownership rather than assist those lower income and systemically disadvantaged classes who require greater state support in order to secure housing, it is clear this initiative overwhelmingly sought to favor higher income homeowners.

The bias held by the Federal government towards policies favoring fiscal restraint was carefully adhered to in the task force report’s recommendations,²¹ and led to a subsequent curtailment of state expenditure in the realm of state-supported housing. In response to an evaluation of the Non-Profit and Cooperative Housing Programs that was completed in 1984, a revised CMHC process for selecting projects directed by these programs was “introduced to ensure that only those cost-effective projects which serve the most people in need will be supported in 1985” (CMHC 1984, 22). Throughout 1985, it should be noted, the CMHC provided subsidies for cooperative and non-profit social housing units on the basis of the relative distribution of households that were unable during the year to afford adequate accommodation without having to pay more than 30% of their income on rent. Such actions thus correlate with the CMHC’s mandate to provide social welfare to those who are unable to acquire shelter by their own volition. Yet, the CMHC also noted in its 1985 report that it instituted a revised competitive process for selecting private non-profit and cooperative housing projects. This process was introduced by the CMHC so as to ensure only those projects considered the most cost effective and that are targeted towards the most needy households would be chosen for subsidy (CMHC 1985). AHPs were thus redefined by the mid-1980s to be both cost effective and to be directed towards those in core need. Those considered most in need, meanwhile, are

²¹ Within its 1979 report, the Task Force’s reassessment of CMHC’s activities includes the following recommendation: “that the federal policy of expenditure restraint makes this an opportune time to emphasize those activities of CMHC which could be operated without hidden or open subsidies” (Oberlander and Fallick 1992, 152).

individuals whose monthly housing costs comprise more than 30% of income. This redefining by the state of those persons eligible to receive assistance drew criticism from politicians who felt the state too greatly circumscribed the range of support offered to different classes.

The number of social and cooperative housing units has also gone down. The Minister and I can argue about the figures, but the number did go down because needs are greater. The Conservative Government has preferred to reduce its involvement by choosing to set up a rent supplement plan, leaving the way free to private enterprise. In cities like Toronto, even private enterprise cannot supply affordable housing, for several reasons. In fact, under the new definition of essential needs, the poorest Canadians do not receive government assistance – only the poorest of the poor do. The limit set for essential needs is unrealistic and should be revised by the Government. This is another sign that the Government would rather reduce its deficit than help the poorly housed (Killens 1988, 15592).

I am sure when the Minister has a chance to speak, he will stand up in his place and say the Government is targeting its funds to those who need it most. But in fact, in so targeting, he is eliminating the possibility of housing assistance for thousands of families who are living below the poverty line, according to the definition of the National Council on Welfare...I think it is inexcusable that the Conservative Government is saying by the redefinition of “core need” that in the City of Hamilton, for example, a family earning \$17,000 a year, certainly not living in the lap of luxury, is ineligible for any assistance under federal housing programs because it is above the definition of “core need”...I think that measure by that Government, without any debate or discussion; this redefining of the “core need” and depriving thousands of Canadians living below the poverty line of any hope of ever living in their own adequate housing, is a national disgrace (Copps 1986, 13812).

Killens and Copps thus evidence a hierarchical privileging within the re-ordering of AHP during the mid-1980s. What I mean by this is that AHP was re-configured by the Conservative government of the mid-80s in a way that the government spent less at all costs. Upholding this ideal meant the Federal government no longer provided assistance, and would no longer fund programs, that did not meet newly competitive guidelines. Support was given by the state only to those programs considered most cost-effective, and provided support only to those who fell under the state’s definition of core needs – which, as Killens and Copps point out, excludes a great number of Canadians who still required state assistance for their housing needs.

Additionally, the central delivery role for such funding was transferred to the provinces as of 1986 in exchange for increased funding equal to at least one-third of the Federal share of the associated costs (CMHC 1986). This initiative, similarly to the re-ordering of AHP outlined above, was thus in line with the recommendations given in the task force's report. Yet, it too drew the ire of political opposition within the House of Commons.

After a lot of talk about open Government, the federal Government has washed its hands of the responsibility for social housing... When the Minister announced his new directions for housing in the 80s he did in fact listen to the pleas of co-operatives from across the country which begged the Government to keep the co-operative movement under the federal umbrella. The Minister listened to them, although he did not listen to some of the other groups, including CAHRO [Canadian Housing and Renewal Association [sic]... The Social Credit Government of British Columbia continues to be tenth and last with regard to spending for social housing. That Government in British Columbia has shown that it has no intention of embracing a mandate of providing social housing due to its preoccupation with turning everything over to the private sector. Yet, without a full public discussion, the Minister has washed his hands of a national housing strategy which would guarantee every Canadian the right to a decent level of housing (Copps 1986, 13812-13813).

In making this point, Copps unpacks the inefficiencies of the Federal government's move to download the responsibility for funding social housing onto the provinces, where some provinces are less willing than others, at least in the case of British Columbia, to provide social housing assistance. Such reasoning works to question the efficacy of this initiative, especially in the way it is rhetorically promoted in the 1987 CMHC annual report. The report states the CMHC would continue in 1988 "to work cooperatively with the provinces to ensure that social housing programs are accurately directed to those most in need" (CMHC 1987, 43). In the interests of limiting its expenditures, then, the state in the mid-80s circumscribed its capacity to distribute affordable housing benefits to differing income groups through its policy measures.

The All Sector National Housing Conference that was organized in 1981 by the Canadian Real Estate Association yielded some important points regarding AHPs. This, despite their not

being as explicitly translated into subsequent policies unlike the recommendations provided by the Federal Task Force that reviewed CMHC policies in 1979. Tex Enemark, Western Manager of MacLean-Hunter Ltd., a communications firm, argued during the conference that the state was unconcerned with reducing the cost of housing. He asserted “there is no political push to reduce housing costs or housing price, and that is a real conundrum” (Oberlander & Fallick 1992, 154). In the absence of effort by the state to address such issues, the implication from Enemark’s perspective is that the state is unwilling to curtail the pricing power of those who accrue profits through the sale of land and housing. Ives Lord, President of the Co-operative Housing Foundation, declared that “housing is a right and not a privilege. Some have said that it should not be a commodity and I think that was taken quite wildly by some people who fear that some of us want to see housing belong to the state” (155). This reasoning by Lord speaks to the persistent conflict existent in the CMHC’s dualistic mandate where the state has to try and stimulate housing production, while also having to fulfill its social welfare responsibilities. Lord’s statement alludes to the impossibility that housing can be de-commoditized. This is a consequence of housing being a valuable commodity, one that is produced primarily for the purpose of generating exchange-values and thus capital, rather than for their use-value as shelter.

6.3 Withdrawal of the State from Affordable Housing Provision

These points have resonance in regards to how AHP changed in the mid-1980s. Federal housing policy in 1985, for instance, shifted towards promoting stability. This meant the Federal government would no longer introduce programs to stimulate homeownership or the private rental housing market. In its 1985 report, the CMHC stated that if future circumstances compelled the state to initiate stimulation-oriented policies, it would only do so only after first consulting the provinces and the housing industry (CMHC 1985). The Federal government’s

self-imposed limiting of its autonomy in the realm of affordable housing provision coincides with a dramatic increase in the cost of housing relative to disposable income levels beginning in the mid-1980s (Cheung 2014). On the face of things, the enabling by the state of a secular increase in housing costs is not correlative with its focus on promoting housing market stability, as increased costs exert pressure on homeowners' capacity to pay. As Enemark's statement at the conference suggests, however, the state showed no desire to combat high housing prices and costs. This lack of desire is reflected, as noted above, in the state's gradual phasing out of land assembly programs in the early 80s based on recommendations from a task force that found them inefficient (CMHC 1978; 1982). In so doing, the state sought no viable alternatives to land assembly, nor did they attempt to improve existing programs before discarding them. The lack of state action as far as reducing housing prices and costs thus enabled a rapid proliferation in housing price growth with a substantial jump in nominal and real²² house prices occurring in the mid-1980s before tapering off during the 1990s. In her analysis, Cheung highlights how prices shift when adjusted for inflation and when they are not. 'Real' housing prices were marked by a decisive increase beginning in the mid-80s that is more explicit than its nominal counterpart. In her analysis of these charts, Cheung asserts that real housing prices have generally trended upwards since the early 1970s, and this growth has been punctuated by three periods of major appreciation: "the early 1970s, when real house prices grew 45%, the late 1980s, when they soared by 68%, and the current episode which began in 2000" (7). In attributing causality to these rapid housing price increases, Cheung acknowledges the role played by income and

²² The Library of Economics and Liberty delineates the differences between 'nominal' and 'real' price measurements: "In economics, the nominal values of something are its money values in different years. Real values adjust for differences in the price level in those years. Examples include a bundle of commodities, such as Gross Domestic Product, and income. For a series of nominal values in successive years, different values could be because of differences in the price level. But nominal values do not specify how much of the difference is from changes in the price level. Real values remove this ambiguity. Real values convert the nominal values as if prices were constant in each year of the series. Any differences in real values are then attributed to differences in quantities of the bundle or differences in the amount of goods that the money incomes could buy in each year..." (1999-2000).

population growth since the 1970s. More importantly, she identifies the loosening of credit conditions on the part of mortgage lenders, including banks. In the act of loosening credit requirements for borrowers, lenders greatly infused the housing market with capital, thereby increasing competition to attract willing homebuyers. This had the effect of pushing down mortgage interest rates to attractive and affordable levels. Accordingly, Cheung writes that “mortgage interest rates have trended down over much of this period, and the three major upturns since 1970 have all been characterized by double-digit annual growth in mortgage lending” (7).

Cheung (2014) argues that secular rises in housing prices tend to generate concern within the state as to how to promote additional growth, while also addressing threats to affordability.²³ Such concern manifests into fears over housing bubbles which occur when housing prices and costs rise beyond a point where homeowners can afford to pay their monthly costs. When the ensuing mass sell-off of homes occurs, housing prices respond to seller’s market conditions by steadily dropping off in value, leading eventually to crisis. Despite the initiation of lower interest rates by mortgage lenders in the mid-80s, an effort that worked to enhance affordability, the benefits wrought from it were accrued disproportionately by homeowners at the expense of renters, and those existing outside the realm of core needs. Cheung (2014) states that “rising house prices relative to incomes has inevitably led to worsening affordability, especially for those in lower income brackets” (30). Using CMHC’s conception of affordability, where applicable homeowners spend no more than 30% of pre-tax income on shelter costs, the 2011

²³ The measurements presented in Figure B, Cheung (2014) cautions, are subject to influence from outside sources. This has the effect, she argues, in potentially misleading those attempting to draw empirical conclusions from them. For instance, Cheung asserts that the ratios between house price and income and house price to rent are among the highest in the OECD. Housing price-to-income ratios, for one thing, are commonly based on average measures. Yet, homeowners typically have higher than average incomes. This suggests that they are more capable of paying the higher costs of housing despite the difference in ratio between average income and housing price. This metric also ignores the determining factor of low interest rates as generally contributing to higher levels of housing affordability. Nonetheless, Cheung maintains, “the cost of owning a home relative to renting has risen substantially above its long-term average” (9).

National Household Survey revealed one quarter of all households live in unaffordable housing. This figure was up slightly from approximately 22% in the 1981 census. The proportion of individuals facing affordability problems, Cheung notes, has grown significantly faster for renters over this same period, from 30% in 1981 to 40% in 2011. A good deal of this increase took place in the 1990s when real house prices were flat, which may reflect expenditure restraints in social housing programmes. The incidence of affordability problems among homeowners, meanwhile, grew much less than did for renters, from 15% in 1981 to 18.5% in 2011. Renters, Cheung argues, make up roughly one-quarter of all households living in private dwellings. Yet they account for almost half of all affordability problems.

6.4 Discrimination against Renters

From this, a question emerges as to why it is that differing classes of homeowners tend to be disproportionately favored by AHP at the expense of renters. One reason is the heightened potential for profit-making available through the conduit of the homeowner. The homeowner generally garners a higher income than the average renter, and pays relatively greater fees to lenders through their borrowing of mortgage credit than the renter pays to a landlord. The state itself, moreover, has in the homeowner a consistent source of revenue by way of property tax collection. Hulchanski (2003) perceives this disproportionate privileging of homeowners by the state as being a product of a deep-seeded institutional bias against renters, of whom are denied the status of being valuable community stakeholders relative to their property-owning counterparts. Hulchanski cites Krueckeberg to this effect:

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 (2003, 8).

This trend of policy being designed counter to the interests of renters has been evidenced as prevailing in Canada's AHP as early as the mid-1970s. It was this point in time when the state was comparably more involved in affordable housing provision than it was in the mid-1980s.

Consider NDP member Margaret Mitchell's statement to the House of Commons in 1982:

Between 1976 and 1981 the federal government reduced substantially every type of housing assistance, except in one area, that being rehabilitation housing. Money for rental housing was reduced from \$100 million to zero. Imagine no money allocated to rental housing. The amount of money for non-profit housing was reduced from \$286.5 million to a mere \$1 million. Money for co-op housing was reduced from \$51-million to only \$800,000. The amount for public housing was reduced from \$268 million to \$33 million (14766).

What these empirical figures indicate is a concerted effort by the state to reduce the level of spending distributed to the discriminated renter class.

This analysis so far has evidenced a shift in AHP where the state, in response to the recession of early 1980s, tried and failed to re-stimulate housing growth by way of mass provision of subsidies to poor people. When this failed, the subsequent task of the state was not to formerly identify the crisis as originating through overheated speculative activities by investors, whereby state actions could be taken to mitigate such activity. Instead, the state reorganized AHP in a way that prioritized deficit reduction, and at the same time, withdrew public funds from housing market activities, leading to the gradual privatization of the housing market by the mid-1980s. In so doing, the state withdrew funding support for renters and others requiring assistance. Concurrently, the state enacted reforms attendant with promoting housing development and homeownership. But why is it that the state made these changes? I am raising this question at this point in the thesis having now established the contours of AHPs as they evolved during the golden era through the emergence and gradual cementation of the globalization era historical bloc.

6.5 How Aggregate Structural Changes Influenced AHPs

In answering this question, I will incorporate my analysis from chapter three that focused on how these changes were initiated through the transition between the golden and globalization eras. In a modern society such as Canada, this transition was not initiated through force or coercion in the way that structural change often occurs in totalitarian societies. Rather, it unfolded through the strategic coordination of power blocs comprised of agents representing a given class. This assertion follows from Jessop (1982; 1990; 2008) who argues that such change unfolds in a strategic manner rather than through a more deterministic pattern as is commonly argued by instrumentalists and structuralists. In regards to the formation of the globalization era, the mid-1980s were a time where the state's capacity to intervene in the economy was structurally constrained. This was a consequence of the de-legitimization of Keynesianism and embedded liberalism following the onset of stagflation in the 1970s. The emergence of these structural constraints was not simply a determinate response from the state that withdrew from interventionist policy in response to the economic slowdown in the base. As Jessop argues, such actions by the state are always performed on a strategically selective terrain. In the case of the mid-1980s, certain political alliances comprised of elites were strong enough relative to other opposing forces that they were able to cement their will through the imposition of a 'superior' ideology. In Canada, this scenario manifested in a drive within state policy towards the eventual formation of policies favoring deficit reduction, deregulation, de-unionization, privatization, and the signing of NAFTA (Lewis 2003). However, it must be re-iterated that because the formation of these structurally coherent policies took place on a strategically selective terrain, the state did not work to unconditionally benefit capital. I make this claim despite the apparent free-market bias attributed to the policies of the mid-80s and 90s described above. Jessop maintains that

because policies are formed on a strategic terrain, there always exists the potential for policies to be initiated that circumvent prevailing structural constraints, such as restrictions on public spending, etc. This is evident on some level in the increase in transfers provided by the federal state to the provinces through the CHST program as of 1999 (Evans 2002). From this analysis of structural change in Canada, the trend in AHP beginning in the mid-80s favoring reduced public expenditure was evident at the national scale also. What does this tell us?

Firstly, the structured coherence of policy formation in accordance with the principles of globalization and neoliberalism led to stagnating wages for Canadians (Brennan 2012). The condemnation of the laboring classes through such actions by the state was itself rendered invisible by the benign and unifying rhetoric of agents within the state. This project of globalization was undertaken through alliances between willing political agents like those in the Finance Ministry and with former Prime Minister Brian Mulroney whose political philosophy is summarized in the following passage from Albo and Jenson (1997):

A recent account of Canadian strategy refers to a policy of eliminating “borders between the Canadian economy and the rest of the world and [making] the country’s competitive position in global markets the favored barometer of well-being” (215).

The state’s commitment to reducing the impact of the state in economic activities in accordance with neoliberal principles is surmised further in the following excerpt taken from a 1994 budget speech from then Finance Minister Paul Martin:

We have announced a major rollback in unemployment insurance premium rates, one that will increase incentives to hire, creating jobs. This will require that we take immediate steps to begin unemployment insurance reform. These changes will reduce expenditures on unemployment insurance by \$725 million in 1994-95 and \$2.4 billion per year thereafter... The focus of our changes to unemployment insurance is clear. Our goal is greater fairness, a system that reaches out to the most vulnerable in our society, one that is progressive and helps get Canadians back to work (1994, 11).

Jessop would argue that the imposition of cutbacks to unemployment insurance in the mid-1990s is evidence of the state having to weight competing class interests, namely those of labor with the interests of capitalists and ‘job creators’ located on the opposite end of the spectrum. By performing this change, the state favored capital disproportionately in that businesses were permitted to pay lower insurance premiums, while the fate of the unemployed rested more heavily on the willingness of capital to hire them, a scenario that capital was not legally obligated to undertake.²⁴ Despite capital being disproportionately favored by this measure, Paul Martin ideologically frames this policy as benefiting the ‘common interest’ in a way that helps to secure the dominance of the neoliberal ideology overall. One can thereby deduce that the common philosophical argument made about neoliberalism as implying a small and weaker state presence in an economy is a misnomer. In reality, the neoliberal state is by no means weak (Polyani 1957). Further to this, the state actively instituted policies that abstained from utilizing the public purse as a source of funding. The state ‘worked to reshape – or creorder’ – the spectrum of AHP into a form that was analogous with neoliberal principles.²⁵ The creordering of AHP by the state should not, however, be interpreted as a form of political determinism where the state directs the development of society by its own volition. Rather, the state at all times

²⁴ The increased pressure put upon vulnerable Canadians by way of policy changes in the mid-90s is illustrated thusly by Evans (2002):

Rising inequality in the labor market has not meant that the Canadian welfare state has assumed more responsibilities. Rather, Canada has followed the lead of the OECD (1994) and is responding to the competitive global market by efforts to increase labor market “flexibility” and a concerted program of deficit reduction. This has led to severe cuts in unemployment insurance at the federal level, deteriorating levels of social assistance payments across most of the 10 Canadian provinces, and cutbacks in funding for social services. The economic, political, and social bases of the welfare state are changing. Spending on social welfare, no longer viewed as producing positive counter-cyclical effects such as maintaining purchasing power in a relatively sheltered economy, is now seen as a drag on the ability of a nation-state to compete in an increasingly internationalized economy (79).

²⁵ Nitzan and Bichler (2009) propose that “capital is not a narrow economic entity, but a symbolic quantification of power. It has little to do with utility or abstract labor, and it extends far beyond machines and production lines. Capital, the authors claim, represents the organized power of dominant capital groups to reshape – or *creorder* – their society” (i).

institutes policies on a strategically selective terrain, where it must weigh competing class interests and ultimately select a given set of class interests to favor with its actions.

6.6 Financialization and Initiation of the NHA-MBS Program

AHPs initiated in the mid-1980s and 1990s evidence the state endeavouring to produce the conditions whereby financialization could emerge and prosper. In order for the state to produce an attractive climate for finance, it must manage inflation and public debt so as to reduce risk of volatile movements in asset prices and interest rates. The production of this climate by the state led to it creating the National Housing Act – Mortgage Backed Securities (NHA-MBS) program in 1986 (CMHC 1986). The promotion of the NHA-MBS program in the CMHC’s annual reports shows how the CMHC’s neutral language obfuscates the intentions of this program as a means to augment financial capital’s power. The CMHC states, for instance, that the NHA-MBS program promotes “the development of a secondary mortgage market by offering investors guarantees of timely payments on pools of residential mortgages insured by CMHC” (CMHC 1996, 9). Such rhetoric evidences the state’s commitment to securing the conditions whereby NHA-MBS activity could flourish where it provides a guarantee that investors holding NHA-MBS assets will be protected in the event a mortgagor defaults on their housing payments.

At the same time, the NHA-MBS program is said by the CMHC to “benefit home buyers by increasing the amount of private capital available for mortgages, thereby helping keep interest rates competitive and encouraging lenders to offer mortgages renewable at longer terms” (CMHC 1996, 9). Such rhetoric promotes the program as being ‘in the best interests of all Canadians.’ At the same time, it renders invisible the important role played by structural change in promulgating the inception and use of the NHA-MBS program, specifically that of

globalization, neoliberalism, and financialization. Indeed, Canada's paradigmatic shift imposed hardships upon labor in the form of stagnating wages and increasingly precarious employment. As such, the federal government moved to initiate significant cuts to welfare spending that was concomitant with the principles of neoliberalism and financialization. The move by the state to cut welfare spending was felt in the housing market through the state reducing direct funding support for social housing.

While the state reduced funds for social housing, at the same time, it permitted investors to assist in subsidizing housing for lower income persons. The year 1988 marked "the introduction of exclusive MBS pools of government subsidized non-pre-payable social housing mortgage loans. Starting with one issue in August, social housing pools grew by year's end to 31 issues, for a total of \$216.4 million" (CMHC 1988, 19). The fact that these pools of social housing mortgage loans were designated as being non-pre-payable evidences an effort by the state to entice investors to contribute to the issuing of greater numbers of these loans. The reason investors do not like prepayment is that they are counting on regular payments of a certain amount for a specific number of months or years. If the mortgages that back a security are paid prepaid, then the investor will receive a lump sum and then nothing for the remaining months or years that he was counting on getting a steady revenue. The possibility of prepayment makes it difficult for investors to plan their investments into the future, that's why non-pre-payable is more attractive to them. MacKenzie (2011) writes:

The monetary worth of an investment in an ABS or CDO is thus the aggregate present value of those future payments. If the payments were entirely certain, the valuation of an ABS or CDO would be a matter simply of arithmetic, but they are not. There are two main risks: default (in other words that the payments are not made or not made in full) and prepayment (i.e., principal is repaid earlier than anticipated, in a situation in which it can be reinvested only at a lower rate of interest) (1781).

From this, the effort by the state to entice investors to engage in NHA-MBS activity becomes evident in the state's providing a guarantee for investors in the event of mortgagor default. As well, the state's defining those social housing mortgage pools as being non-pre-payable provides an additional protection for investors against the risk of loss. Non-prepayable pools, as noted by CIBC (1999) "are the most basic form of NHA MBS. In a non-prepayable pool, unscheduled principal payments are not permitted."

The pursuance of these strategies by the state thus represent a collective shift in policies towards producing a financialized environment, even though this process produced hardships for labor in the form of stagnating wages and less welfare support. Despite this, the rhetoric from the state continues to justify these measures on the grounds that they are assisting in the creation of a plentiful supply of affordable housing. In its 1989 report, the CMHC maintains NHA-MBS activity facilitates the return of longer-term mortgages, working to stabilize mortgage interest rates, saves the government subsidy costs, and is creating a secondary mortgage market (CMHC 1989). Though CMHC policy may have succeeded in this capacity, such optimistic rhetoric alone does not make clear the collective impacts that these policy strategies have on the Canadian public.

In summary, this chapter addressed how the state worked to balance competing class interests in what was a volatile post-golden era environment in the 1980s in Canada. This analysis evidenced a decisive shift in the functioning of the Canadian political economy by which the golden era historical bloc was gradually delegitimized and disbanded, and the bloc characteristic of the contemporary globalization era took its place. This led the state to institute policies favoring the free movement of capital and commodities, reduced public expenditures, and a commitment to managing public deficits and inflation. This policy agenda follows in

principle with the tenants of globalization, neoliberalism, and financialization, which are all primary phenomena associated with the globalization era bloc.

The implications of these changes for AHP were such that the state no longer focused heavily on fulfilling the social welfare component of its housing mandate by way of widespread interventionist measures. In other words, the state, beginning in the mid-1980s, withdrew from providing intensive shelter assistance through usage of subsidies. Shelter assistance programs deemed too expensive by the state were accordingly discontinued in favor of programs tailored only to those classified as being in ‘core need.’ These actions followed analogously with the state’s commitment to managing public deficits and inflation. Thereon, both moderate income homeowners and the renter class were thus forced to rely on the market to meet their shelter needs. Indeed, the state in the 1980s ignored any serious commitments towards reducing land and housing costs, thereby placing increased affordability pressures upon homeowners. Renters, moreover, remained disproportionately excluded from the benefits within AHPs relative to homeowners, and their situation only worsened in the globalization era. This newfound reality of reduced state support for homeowners and renters did not conflict with the imperatives of the state and of capital to generate greater housing growth, however. The state and capital cooperatively undertook a series of actions to stimulate growth in such a way as to permit private market forces fulfill people’s shelter needs rather than the state. Following this, lenders began loosening credit restrictions for borrowers so as to extend mortgage credit to individuals in a wider range of income classes. The state concurrently instituted the NHA-MBS program which had the effect of drastically increasing the volume of mortgage capital in circulation. While these measures led to attractively lower interest rates for potential homebuyers, the state neglected to provide equal support for renters who were effectively left in the dark with respect to AHPs.

In connecting these findings with Jessop's theory, it can be surmised that the SSB of AHP shifted overwhelmingly towards favoring the interests of capital beginning in the mid-1980s. This shift is evident when one examines the character of AHP in the golden era years where the state was at least committed to instituting drastic actions using its own fiscal resources in the interests of fulfilling the shelter needs of low income persons. Indeed, the 1970s and early 1980s saw the state invest heavily in the production of social housing and gave full support to the proliferation of its many forms, including co-op housing wherein capital is given little avenue to profit. As of the mid-1980s, the state was unable to consider any serious alternatives, such as land banking or even de-commodification, to involving the private market more in the realm of AHP. This is not to suggest that the interventionist style AHPs of the golden era were necessarily successful. Widespread public housing developments during the 1960s proved to be a terribly managed disaster that were largely discontinued by 1970. Further to this, the benefits within AHPs in the golden era remained steadfastly disproportionate in terms of how their benefits were distributed to varying income classes. As House (1975) made clear, the more affluent receivers of AHP benefits have historically been favored more by the state than their lower income counterparts. In the globalization era, the state continued its trend of supporting moderate income homeowners more so than lower income persons and renters. The character of AHP had shifted significantly, however, with its focus being centered on extending access for borrowers to mortgage credit. At the same time, the state neglected to institute welfare oriented policies to help homeowners with increasing housing costs. This follows in line with the neoliberal philosophy of reduced government intervention in economic affairs, and thus speaks to the determining influence of the globalization era bloc on AHP as Canada progressed through to the 1990s. It is at this point in history that our analysis now turns.

CHAPTER 7: The CMHC's affordable housing policy (AHP), 1991-2000

This chapter makes apparent what was in the 1990s a dissolving of the dualism formerly inherent within CMHC's policies. Indeed, the discussion in this chapter explores how the federal government shifted the SSB of housing policy in a way that predominately favored the capitalist class and the home owning classes. The impetus for the state in doing so was to generate greater housing starts, and in the interests of accomplishing that feat, it helped extend access to mortgage financing to greater numbers of moderate income persons. These facilitative actions by the state alone could not generate greater housing starts on their own, however, and especially not in the environment of stagnating wages that emerged in the globalization era. State policies intended to jump-start housing development were concurrently assisted by financial institutions acting to relax lending standards so as to lend mortgage credit to a wider range of income classes. It is this process of financialization within the Canadian housing market that will form an integral component of the remaining analysis in this thesis.

At the same time, this chapter demonstrates that as Canada's housing market became financialized, the federal government eschewed its control over social housing, and subsequently downloaded these responsibilities onto the provinces. In so doing, new social housing production dried up and poor people were consequently denied an avenue in which to acquire shelter. This analysis is intended to make clear that such initiatives by the state were consistent with the principles of what had become the dominant historical bloc in the 1990s. The Canadian state, as it exists within this historical bloc, is compelled to favor the neoliberal philosophy of deficit reduction and the creation of conditions whereby financialization could prosper.

These claims regarding the state's efforts to help extend mortgage financing to lower income persons, and the concurrent elimination by the state of new social housing production

will be complemented with supporting textual and empirical evidence. Establishing the validity of these claims is important as my research suggests the commitment of the state to privatize and stimulate the housing market, and facilitate the speeding up with which securities comprised of mortgage debt were developed and sold in Canada. The evidence in this chapter suggests the proliferation of these securities provided the financial conditions whereby the housing surge took place.

7.1 The Changing Structure of Social Housing

The purpose of this bill (Bill C-82) is to refine the legislation governing federal housing policies and programs...In both market and social housing programs, Canada Mortgage and Housing seeks out and takes advantage of opportunities to improve the cost-effectiveness of the programs...As the federal government's housing agency, Canada Mortgage and Housing works with other levels of government and a host of stakeholders to ensure that Canadians have equal access to decent, affordable, and adequate housing" (12086)...Canada Mortgage and Housing to assume more direct responsibility and accountability for its financial affairs. It will do this by enabling CMHC to obtain funding from and invest in the capital market. The bill contains a provision to allow CMHC to directly finance social housing projects at lower interest rates. CMHC will look to the lending community to allow for the direct financing of social housing (MacKay 1992, 12087).

The intention of the NDP caucus is to support the bill at all stages...Clause 48 will essentially prevent land flipping of social projects of the sort that we saw for example in Cloverdale in Montreal...Clause 18 allows for direct financing of social housing projects by CMHC. It is assumed that this will give CMHC far greater flexibility in its operations and therefore could conceivably allow savings of up to some \$150 million over the next five years...This would be a much more significant number and a much more significant hope if the government had shown any intention of financing any more social housing...It merely remains to note that new social housing projects will be cut from their current levels by about 51 per cent over the next two years as a consequence of this year's budget, for example...What this tells me is that the government, in fact, suffers an ideological bias in this regard. It is simply put this way. The government feels better about turning money over to private sector developers to create housing in which tenants will always live under the control of that private sector developer (Harvey 1992, 12094).

The above exchange between MacKay and Harvey highlights a common theme in discussions centered on AHP held within the House of Commons during the 1990s. That theme

being the federal state's abstention from pursuing policies that frame affordable housing as an issue to be solved by the federal government. By reducing federal funding for social housing by 51%, the state effectively ignored the plight of the approximately 5% of Canadian households that are unable to afford private market housing on their own (Pierre 2007). The limiting of federal support for housing in the 1990s is baffling in light of evidence showing increasing numbers of Canadians were living in unsatisfactory conditions. Liberal party member Joe Fontana stated in the House of Commons in 1993 that "currently there are 1.2 million Canadians living in inadequate shelter...I want to ask the minister of Finance why this government is abandoning its federal-provincial obligation to provide equal access to affordable housing across Canada" (19052). Political agents like Elmer MacKay, cited above, put forth a proposal that created the opportunity for the CMHC to invest directly in the realm of social housing, but did not compel it to do so by force of law, and he is subsequently rebuffed by Harvey. MacKay, as a representative agent of the ministry in charge of housing, is compelled to present the state's proposals as instruments that can satisfy the 'common interest,' despite this goal being an impossibility. Policy actions, as Jessop proposes, may favor only a certain interest or set of interests of a given class.

7.2 The State's Neoliberal Approach to Deficit Management

Similar rhetorical tactics are employed by then Finance Minister Dan Mazankowski who attempts to justify a lack of new social housing initiatives on the basis that the support provided to the existing supply is costly, and to do more would only put pressure on the public deficit.

Mr. Speaker, this government is not abandoning the poor. We are supporting 650,000 units of social housing at an annual cost of some \$2 billion. Under the 35-year subsidy program that has been in existence it creates a tremendous cost exposure on the future taxpayers of Canada (Mazankowski 1993, 19052).

Last year [the minister] killed co-op housing. This year he killed new funding for any social housing altogether...How can the government justify cancelling these programs without first instituting cost efficient housing alternatives? There are many, and we have proposed many such as private public partnerships (Fontana 1993, 19053).

We all have to recognize that while we are very supportive and indeed want to enhance all our social programs, we have a very serious debt and deficit problem which we have to handle and manage” (Mazankowski 1993, 19053).

Social housing is the only way to provide affordable housing for all Canadians in need. It offers much better housing than the private market, housing which can be adapted to specific needs and requirements (Guay 1994, 1437).

Though it would appear from Fontana and Guay’s counter-arguments that Mazankowski has forgotten the plight of the poor, it is important to consider Mazankowski’s role as an agent tasked with furthering the aims of a prevailing neoliberal ideology. This ideology eschews the welfare state and favors deficit reduction as this is the mantra of globalization, neoliberalism, and financialization. Evans (2002) writes:

The rapidly escalating concerns about the increasing competitiveness of the “global economy” in the 1990s, have, some suggest, transformed the “welfare” state into the “farewell” state. Rather than viewed as the solution to the problems of production and distribution in a capitalist economy, the welfare state is now targeted as the problem (75).

The dismantling of welfare policies by agents of the state in the 1990s became coupled with discourse pressuring the state to reduce deficits which anti-welfare state agents claimed were a product of unwieldy public spending. Despite her critical stance, Evans notes that public deficits are a real concern for Canadians. In 1993, for instance, Canada’s deficit was second only to Italy’s among the G-7 countries. Nevertheless, Evans cites evidence (Cohen 1997; Maslove & Moore 1997) suggesting the “deficit was not caused by dramatic increases in social spending but resulted from decreases in government revenue, effects of high interest rates, and tight monetary policy that dampened economic growth and led to higher levels of unemployment” (80).

Despite the insistence by the state that deficit control must be prioritized, this rationale was not initially shared by the majority of the populace. They perceived deficit management as a secondary consideration – as is explained in the passage cited below. Despite this, agents of the state succeeded in shifting the tenor of public discourse in a way that suggested less federal involvement in the affairs of the provinces had become key to ensuring Canada's prosperity. Such discourse was fortuitously shifted in a manner that secured the consent of voters to elect political parties whose mandate rested on the idea that the federal government needs to spend less on both provinces and social services. Evans (2002) writes:

The victories of neoliberal provincial governments in Alberta (1992) and Ontario (1995) and the ascendance of the populist, right-wing (at least in the Canadian context) Reform Party as the federal official opposition have helped to solidify a discourse that appears to have succeeded in altering Canadians' expectations of their government's role in social welfare. Polling data suggest that no more than 13 percent of Canadians thought that deficit reduction should be an important governmental priority during the Conservative years; shortly before the 1995 Liberal budget, this had risen to 48 percent (Maslove and Moore, 1997). Even traditionally social-democratic-leaning Quebec has cut back significantly on social spending (80).

Such rhetoric made its way into political discussions on affordable housing. Bill Gilmour, as a member of the right-wing Reform Party that Evans refers to above, transposes the logic of deficit management into a rhetorical statement espousing the need for the federal government to allow provinces and municipalities to take control of their own housing issues.

Canadians do not want a bloated government. They do not want the federal government meddling in every level of provincial, municipal and private enterprise affairs. Canadians want a leaner, more efficient federal government... The federal government is long overdue in easing out of a number of responsibilities duplicated at the provincial level... Canadians want to end federal interference in the private sector. They do not want or need big brother meddling in their affairs, and Bill C-108 allows the CMHC to significantly increase its presence in the mortgage market (Gilmour 1995, 17608).

Accordingly, an abrupt change occurred in 1996 when the Minister responsible for the CMHC, Diane Marleau, announced that administrative responsibility for all social housing was

being transferred to the provinces, and cited the elimination of costly overlap as the primary reason (Wolfe 1998, 125). In its 1998 report, the CMHC describes the change rhetorically as promoting cooperation between the federal government and the provinces through its slogan "One CMHC: Moving Forward Together" (CMHC 1998, 20). In the same report, the CMHC declares that "better service delivery and more efficient use of taxpayers' dollars is driving our new role in social housing. Having only one level of government involved in the management and administration of social housing resources will streamline and improve services" (20). Following the federal government's downloading of social housing responsibilities onto the lower scales of government, Pierre (2007) states that the responses from provinces and municipalities has been mixed "and vary from province to province and from municipality to municipality. This downloading of fiscal and managerial responsibilities has forced many non-profit and cooperative groups across the nation to find ways of providing affordable housing to low income residents" (3). Despite the best efforts of the provinces and municipalities, Pierre argues, experts were quick to decry the retrenchment of the upper levels of government, and their superior spending power from social housing. Pierre writes:

...poverty indicators in Canada illustrate that a lack of social housing construction is having a definite impact. Low-income households are having to spend a greater proportion of their gross income to have their housing needs met in the private market. In many large Canadian urban centers that have low vacancy rates, like Toronto, Ottawa, Calgary, Vancouver and Regina, low-income tenants are feeling the consequences as rent increases outpace inflation increases. Food banks usage is on the rise across Canada. Even with a booming economy there are more and more Canadians losing their housing and having to make use of emergency shelters (4).

Pierre's argument speaks to the reality of difficulties faced by low income households unable to afford housing, and the failures of local governments to mitigate shortages in affordable housing opportunities for low-income classes. Such logic clearly runs counter to the unifying rhetoric

produced by the CMHC and its cooperative-themed slogan ‘One CMHC: Moving Forward Together.’

7.3 The Circumspection of AHP Policy by the State

Given this, it can be adduced that the character of AHP changed significantly during the 1990s from its golden era form. That is to say, in the years leading up to the mid-1980s, the state worked more diligently to uphold its dual mandates. The 1970s, Pierre (2007) writes, “were the heyday of Canadian social housing policy; a time when other countries looked to Canada as an exemplary model for government intervention in housing” (3). By the mid-1980s, the federal government stopped providing widespread assistance for those in the lowest income classes, and eventually abandoned its social housing responsibilities. Pierre writes:

In the mid-1980s, neoconservative fiscal approaches placed greater emphasis on the private market to supply public goods and services and social housing lost its footing on the policy agenda. By the time the Liberals came to power in the mid-1990s, all federal support to housing had been withdrawn. At present, the federal government is not providing funding for any new housing stock and the provinces are responsible for new social housing (2007, 3).

Pierre’s narrative thus evidences the federal government’s withdrawal from social housing provision. I should make clear that the CMHC, at least in the mid-1990s, continued to institute programs intended to assist lower income persons in the acquisition of shelter. These programs, while important, were selectively targeted towards providing assistance only for systematically disadvantaged classes. Dupuis (1999) writes:

The 1996 federal Budget announced the government’s intention to operate CMHC’s mortgage loan insurance and mortgage loan guaranty activities on a more commercial basis. At the same time, the federal government announced that it would be phasing out its remaining role in social housing except for housing on Indian reserves and the funding of other specific initiatives for targeted client groups (battered women, the disabled elderly, the homeless) (sec. 1).

Similarly welfare-oriented affordable housing policies saw the CMHC provide assistance without use of government subsidies. Consider the CMHC's articulation of its partnership activities through the Canadian Centre for Public-Private Partnerships in Housing:

CMHC is engaged in numerous partnership activities through Canadian Centre for Public-Private Partnerships in Housing (CCPPPH). Acting as catalyst and advisor, the Centre brings together public and private sectors, non-profit organizations and citizens to develop affordable housing projects without need for government subsidies (CMHC 1999, 12).

Though laudable in its intentions, this policy reflects the state's commitment to give capital the responsibility for assisting those in need. In so doing, the state ensures such welfare-oriented policies allow profits to be accumulated.

When describing the 1990s era of AHP as being less dualistic, I mean to suggest the policies initiated during this time did not substantially **favor** individuals reliant on state-assisted housing. Remember that the majority of housing is provided for Canadians through the private market. Social housing accounted for only roughly 5-6% of Canada's dwelling stock as of 2003 (Hulchanski 2003). As House argued in 1975, low-income people are subject to the will of the state in terms of how they may acquire and maintain shelter. In the 1990s, social housing construction ceased and thus the poor were deprived a means to secure shelter (Pierre 2007). Those persons possessed of more moderate incomes, meanwhile, whom had formerly relied on state assistance through the failed AHOP program and rental assistance etc., saw the state enhance their capacity to access mortgage financing.

What would be wrong with the government's recommitting itself to support social housing, co-op and non-profit housing? We heard the Minister of Finance say last week in his statement to the finance committee that there are some things the government can and must do. Surely addressing the need for housing when it is particularly job intensive is one thing the government must and can do. We are seeing some of the benefits of low interest rates being delivered now. Five year mortgage rates are at their lowest level in decades. Housing starts are up 24% over 1996 because of those interest rates. People are buying new houses. That means new jobs in construction and manufacturing. Once again,

poor people are casualties. Co-op and non-profit housing are gone under the Liberal government (McDonough 1997, 1020).

[Bill C-108] will amend the NHA by increasing the authorized ceiling of outstanding loans from \$100 billion to \$150 billion, thus allowing the CMHC to continue offering mortgage insurance services throughout Canada... The government introduced the first home loan insurance initiative in 1992 and reduced the minimum required down payment to 5 per cent for first time homebuyers. This 5 per cent initiative has been a tremendous success in helping to increase home ownership in Canada... First home loan insurance is an excellent example of CMHC's ability to adapt its mortgage loan insurance activity to ensure that Canadians can enjoy the benefits of home ownership (Belair 1995, 17605).

The above passages elicit the manner in which AHP became focused in the 1990s on the enablement of moderate income persons to acquire shelter solely through the private market. This was accomplished by the state by creating a bridge of access between lower income individuals with mortgage lenders. McDonough's statement, as is often the case with political discussions concerning AHP, evidences the state's obsession with the production and exchange-value side of housing. The initiation of the First Home Loan Insurance (FHLI) Program that reduces the minimum down payment requirement from ten percent to five percent for first-time home buyers (CMHC 1991) is part of the state's effort to drive up levels of homeownership. In line with the CMHC's mandate to facilitate housing development, the state must produce policies such as FHLI that allow more people to own homes.

In the 1990s, efforts by the state to encourage homeownership were imbued with a sense that policy strategies involving use of government subsidies had to be avoided. Instead, the state favored policies intended to help the public attain the pride that comes with homeownership.

Hulchanski writes (2003):

For about two decades most homeowners even obtained at least part of their mortgage loan directly from the federal government (joint public/private sector loans). Depending on when they first bought a home, Canadian households would have taken advantage of any number of federal homeownership assistance 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 the poor, it created the First Home Loan Insurance Program which allows CMHC to insure mortgages up to 95% 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% minimum down payment instead of the previous minimum of 10%. In addition, another temporary program, the 1992 Home Buyers' Plan, is now permanent. It lets first-time buyers and anyone who has not been a homeowner for a specified number of years to borrow up to \$20,000 (\$40,000 for a couple) from their RRSP, tax- and interest free, to buy or build a home. It is no coincidence that these measures were introduced just prior to a federal election (3).

The enactment of these policies prior to a federal election suggests the state perceived these measures not only as a means to generate housing market activity, but they also provided a conduit by which the state could earn voter support from those desiring the pride that comes with homeownership. This reasoning follows from Konings' (2008) proposal that markets can “potentially function as vehicles of state power” (3). In this sense, the state can manipulate the way markets operate so as to augment its own power.

7.4 Extending Access to Mortgage Financing for Moderate Income Canadians

The obligation embodied by the state to produce policies amenable to homeownership in the private market is clear in the state's implementation of not only the FHLI, but also Bill C-66. This initiative was introduced in 1999 by Alfonso Gagliano, then minister in charge of housing and is described in a published report by Dupuis (1999):

These amendments aim at enabling CMHC to adjust its insurance and guarantee operations under the NHA to help ensure the continuing availability of low-cost financing to home buyers in all regions of Canada, promote market competitiveness and efficiency and contribute to the well-being of the housing sector. Clause 2 would introduce a new section of the *National Housing Act*, redefining its purpose with respect to housing finance: to promote housing affordability and choice, to facilitate access to finance sources and to encourage competition and efficiency. Clause 3 would enact a new Part I combining or consolidating the parts dealing with housing loan insurance (Part I), housing for rental purposes and financial provisions (Part II) and interest rate protection (Part VIII). Sections 7 and 8 of the Act in the new Part I would enable CMHC to insure any kind of housing loan. Section 14 in the new Part I would provide CMHC with additional tools to guarantee the timely payment of securities issued on the basis of housing loans (NHA MBS). Section 16 would authorize CMHC to offer a more effective interest-rate protection product. In other words, the detailed

terms and conditions in the NHA governing the provision of housing loan insurance, guarantees and interest rate protection would be replaced by a general power enabling the Corporation to set terms and conditions (sec. 2).

Upon their being adopted in February 1999, the motions to amend the NHA as stated within Bill C-66 saw the state enhance competition amongst lenders to attract prospective low income homebuyers. As such, lenders became compelled to reduce the cost of the monthly payments incurred by homeowners, a process that took the form of lowered interest rates. The pushing down of interest rates had the effect of driving up housing starts in 1996 by 24% (McDonough 1997).

Policies enabling the reduction in down payments and mortgage interest rates worked to make home ownership possible for greater numbers of persons. Yet, the living situation for the working class in the globalization era remained precarious.

According to an *Ottawa Citizen* article on June 10, family incomes are still dropping. As a result Canadians need to stretch the family budget more to keep a roof over their heads. The reason is that while housing costs eased during the first half of this decade family incomes declined even more. That nudged the proportion of Canadians who spend at least 30% of their income on shelter and thus potentially face problems covering their housing costs to one in four households or almost 2.8 million households (Ramsay 1998, 1035).

The phenomenon of stagnating wages afflicting Canadians during the late 90s finds were produced through globalization era policies of de-unionization, North American Free Trade Agreement (NAFTA), and the overall lifting by the state of restrictions on the free movement of capital (Brennan 2012). From these premises, the state's promotion of their policies as producing a more robust and more affordable housing market appears overstated.

This discussion raises an important question: how did housing development begin surging in the mid-1990s at the same time the state was breaking up unions and wages were stagnating? Was the increase in housing development merely a product of policies like the FHLI program and Bill C-66? The answer lies not just with these state policies but also with the

explosion in consumer debt initiated during the globalization era. Indeed, this logic flows from David Harvey's explanation for how market demand is kept adequate in times when wages are suppressed. Harvey (2013) states:

One of the big issues is keeping an adequate market demand, so that you can absorb whatever it is that capital is producing. The other is creating the conditions under which capital can produce profitably. Those conditions of profitable production usually mean suppressing labor. To the degree that you engage in wage repression – paying lower and lower wages – the profit rate goes up. So, from the production side, you want to squeeze labor down as much as you possibly can. That gives you high profits. But then the question arises, who is going to buy the product? If labor is being squeezed, where is your market? If you squeeze labor too much you end up with a crisis because there's not enough demand in the market to absorb the product. Strong unions and high wages mean the profit rate starts to come down. Capital is in crisis because it's not repressing labor enough, and so you get the switch. In the 1970s they turned to Milton Friedman and the Chicago School. That became dominant in economic theory and people began paying attention to the supply-side – particularly wages. You get wage repression, which begins in the 1970s... You get an attack on labor – which raises the profit rate. By the time you get to the 1980s the profit rate has jumped up because wages are being repressed and capital is doing well. But then there comes the problem of where are you going to sell the stuff. In the 1990s that is really covered by the debt economy. You started to encourage people to borrow a lot – you started to create a credit card economy and a high mortgage-financed economy in housing. That covered the fact that there wasn't real demand out there. But eventually that blows up in 2007-8 (para. 6-9).

Following Harvey's argument, the changes in Canada's political economy initiated during the globalization era saw capital and the cooperative capitalist state replace rising labor costs by usage of tactics like wage suppression and de-unionization. The impetus for these actions being to secure higher profit margins for capital that had been squeezed by the high wages and collective bargaining that was commonplace during the golden era. In order to maintain adequate demand for housing in an environment of stagnating wages, then, the state initiated policies like the FHLI program to make purchasing a home easier. Concurrently, financial institutions relaxed lending standards which led to more credit being extended to potential home-buyers (Walks 2014). These events combined to produce a sizeable leap in housing development beginning in

the mid-1990s. It is at this point when the Canadian housing market became increasingly financialized.

7.5 The Financialization of the Housing Market

By extending access to homeownership to a greater range of income classes, these policies had the effect of maximizing opportunities for financial capital to profit. This is evident in the state produced rhetoric concerning policies from the year 2000:

Following consultation with Mortgage-Backed Securities Issuers Association (MBSIA), CMHC introduced two enhancements to NHA MBS program meant to increase amount of insured mortgages that can be securitized. One is new MBS pool type that accommodates the securitization of insured mortgages with conventional prepayment clauses. The second enhancement is a revision to the eligibility criteria for securitized mortgages to allow inclusion of homeowner mortgages insured by a CMHC-approved private insurance issuer (CMHC 2000, 18).

Product design is also progressing on the Canada Mortgage Bonds (CMB) guarantee program, the latest enhancement to the Canadian secondary mortgage market. CMBs are non-pre-payable, non-amortizing funding vehicles that feature semi-annual interest payments, repayment of principal at maturity and a CMHC guarantee of timely payment of interest and principal. Launch of CMB program to be announced early 2001 (CMHC 2000, 15).

These passages articulate the CMHC's strategy for encouraging NHA MBS activity by extending the realm of insured mortgages that can be securitized. Accommodating the securitization of insured mortgages that have conventional prepayment clauses, firstly, saw the state give protection to investors against prepayment risk. Following Jessop's theory, this policy was explained to the public not as a measure intended to favor NHA MBS investors. Rather, it was communicated rhetorically by the CMHC as serving the common interest. Indeed, the passage describing the policy that is cited above is listed under the heading "Objective One: Improve Housing Choice and Affordability for Canadians" (CMHC 2000, 18). Articulating policy in this way is advantageous for the state that it obfuscates the reality that policies can only benefit

certain class interests at the expense of others. In regards to the second passage included above, The Mortgage-Backed Securities Issuer Association (MBSIA) describes the CMB program on its website using similarly inclusive language: “Canada Mortgage Bonds (CMB), a new and innovative mortgage funding vehicle, are designed to offer attractive opportunities for investment into Canadian residential mortgages and help to ensure Canadians have access to affordable mortgage financing.”

It must be made clear, however, that a central purpose of the CMB program is to accelerate investor activity in the realm of NHA MBS securities. Looking again at the MBSIA website, it states:

Canada Mortgage Bonds will be issued through a newly created special purpose trust known as the Canada Housing Trust (CHT). The Trust sells non-amortizing Canada Mortgage Bonds to investors and uses the proceeds to purchase mortgages packaged in newly issued National Housing Act Mortgage Backed Securities (NHA MBS) from Approved Sellers. Canada Mortgage Bond investors are then paid interest and principal from the proceeds of the underlying mortgages collected by MBS Sellers on behalf of the Trust. To provide investors with a bond like investment, the Trust transforms the monthly cash flows from NHA MBS pools into non-amortizing bond cash flows with fixed interest payments and principal at maturity.

The CMB program thus works to stimulate investor activity within Canada’s mortgage market with the state-produced CHT entity offering mortgage bonds to investors that provide government backed guaranteed monthly returns. In attracting investor funds for CMBs, in turn, the CHT then encourages lenders to produce more mortgages to be securitized into NHA MBS that are then bought up by the CHT with transaction proceeds going to lenders. The revenue stream provided by the CHT for both lenders and investors thus stimulates an acceleration of these activities.

This argumentation does not make clear what ways, if any, that the interests of homebuyers and renters were left unsatisfied or hindered by such policies. In considering these

arguments, one may be inclined to ask why it matters that such policy measures are produced to entice investor interest, and in so doing, generate more mortgage capital for potential homebuyers. After all, the late 90s marked the beginning of a period of substantial growth within Canada's political economy, a surge made possible largely through activity in the housing market (Seccareccia 2013). The duration of this surge, moreover, led to home ownership rates that reached higher levels than ever before according to the Bank of Canada (Crawford & Faruqi 2011-2012). In answering these questions, it is important to remember that the rapid increase in homeownership occurred within an increasingly precarious labor environment. As such, more people were not purchasing homes because they were accruing higher wages and attaining better standards of living. The spike in homeownership was largely a product of more credit, and thus more debt, being lent to consumers overall. This consideration will form a central component of analysis in the following chapter.

To summarize, this analysis of AHP changes in the 1990s evidences a strengthening of the globalization era historical bloc as imposing a determining influence on AHP development. The 1990s accordingly represent a period when the state shifted the SSB of AHP further towards satisfying capital's interests under the pretense of helping more Canadians achieve the pride of homeownership. Following the principles of globalization, neoliberalism, and financialization, the federal state focused on reducing its deficits and managing inflation, which led to it withdrawing its formerly significant support for social housing. Instead, the federal government in the mid-1990s downloaded social housing responsibilities onto the provinces. This, despite provincial governments having comparatively less fiscal resources to manage them, a scenario made especially troubling in light of evidence from the same period that suggested more Canadians were living in sub-adequate conditions. In downloading these responsibilities onto the

provinces, the federal state neglected those whom are dependent on the state to provide them with adequate housing. At the same time, the federal government enabled the CMHC to facilitate access to mortgage financing to those who could afford housing with little support from the state.

Within this chapter, a question was asked to how it was that housing development surged in Canada beginning in the mid-to-late 1990s at the same time that wages for labor were stagnating. Through my research, I deduced that the reason lies in both the state's implementation of AHPs, such as the FHLI program and Bill C-66 that facilitated access for individuals to achieve homeownership, as well as the loosening of credit restrictions by mortgage lenders. As explained above, these events worked to stimulate housing development in an environment where demand for NHA-MBS had begun accelerating. In this financialized environment, wherein the state undertook actions to extend the realm of mortgages that could be securitized, the driving force behind Canada's housing surge became the insatiable demand for returns via the conduit of NHA-MBS. The shift of the SSB towards favoring investors' interests thus appears to have been greatly influenced by the power of the globalization era historical bloc. Exploring this phenomenon as it progressed through the 2000s up to 2006 is where the remainder of this analysis is focused.

CHAPTER 8: The CMHC's affordable housing policy (AHP), 2001-2006

The direction of AHP during the years of the housing surge represents, to borrow from Gramsci and Jessop, a conjunctural opportunity where changing socio-economic circumstances set the conditions in which the surge itself became possible. As Gramsci argued in reference to Marx, what is crucial in bringing about such change “are the ‘relations of force’ obtaining at the political level, the degree of political organization and combativity of the opposing forces, the strength of the political alliances which they manage to bind together and their level of political consciousness, of preparation of the struggle on the ideological terrain” (as cited by Forgacs 2000, 190). The reality of the surge occurring is empirically evident (Bank of Canada, 2010). What is difficult to establish is how the direction of AHP may have promulgated the surge.

The findings presented in this chapter yield clues suggesting AHP changes did play a role in procuring an acceleration in housing market activity. In Canadian society, the state implements AHPs that are given the authority of laws that the CMHC is tasked with administering, and civil society is to lawfully abide by them. Yet, the formation and implementation of these laws are not imposed upon society in any totalitarian fashion. Rather, there exist checks and balances on state power in the form of, among other things, parliamentary debates between legislative representatives of the public who are tasked with debating the relative merits and weaknesses of policies. The content of these policies is produced in such a fashion as to favor certain class interests over others. However, policies must, in order to earn the consent of the legislature and the public, be promoted and agreed upon by political decision makers as responsive to the public’s general will. One of the tasks of policy makers, then, is to use rhetoric to convince the public and the public’s representatives that policies fulfill the

common interest. This, despite the inherent SSB within policies that see them satisfying only a given set of class specific interests. It is these considerations, among others, that I address in this final analytical chapter.

8.1 Housing Growth in the Globalization Era

The manner in which this scenario unfolded in the realm of AHP between 2001 and 2006 offers clues as to how the surge was produced by way of financial capital's power becoming enhanced by state policy. The timeline of changes in AHP through these years represents a continuation of policies enacted throughout the 1990s. The state accordingly worked to stimulate housing starts by extending access for low income persons to mortgage financing. The following evidence suggests these actions by the state assisted in generating housing growth that was produced less through traditional lending activities such as it was during the golden era. Rather, housing growth in the globalization era was created more so through financial market activities. The state's housing policies in the globalization era were thus less centered on providing housing assistance for lower income persons as they were during the 1960s and 1970s. Instead, the state worked to generate profits for financial capital by producing conditions where more homes could be built for lower income people, and these same people were enabled to buy homes. Consider the following policy changes administered by the CMHC during the years 2001 to 2002 as articulated within the CMHC's annual reports:

CMHC announced enhancements to its Rental Insurance product, including more flexible and market-oriented underwriting criteria. This will create greater access to lower-cost financing for rental development which is meant to improve business climate for rental investment (CMHC 2001).

With six more Affordable Housing Program Agreements signed in 2002, CMHC has completed a total of 10 bilateral agreements with the provinces and territories, committing more than 95% of the initial \$680 million in federal funding for this program. Additional \$320 million over five years has been allocated in the 2003 federal budget,

bringing the total federal investment in this affordable housing initiative to \$1 billion by the end of 2007–2008 (CMHC 2002).

For the purposes of continuity, let us first consider these policy developments in relation to our key themes. These policy changes, though only representative of a small number of CMHC's policies, suggest an effort by the state to initiate policies that attempted to fulfill the CMHC's dual mandates. The state accordingly initiated policies that attempted to stimulate the construction of low-cost rental developments for low-income classes as well as promote the creation of Affordable Housing Program Agreements (AHPA) between the federal government and the provinces. The intention of such agreements is for the federal government to allocate funding to those provinces that agreed to use the funds to create affordable housing projects. In considering AHPA within the state's larger scheme of AHP, it represented a departure from the state's preference in the globalization era for policies that merely extend access for lower income persons to mortgage financing. These agreements, rather, involve the state providing public funds for what it perceives as a solution to the affordable housing issue.

8.2 Analyzing the Efficiency (or lack thereof) of AHPA

Yet, when one examines Parliamentary debates concerning the Affordability and Choice Program, significant discrepancies are apparent between the CMHC's rhetorical promotion of it as a successful endeavour with its actual impacts as described by House of Commons members.

Mr. Speaker, Canadian families are still waiting to benefit from the housing agreement that was signed with the provinces and the territories last year. In B.C. the provincial Liberals are diverting desperately needed housing dollars into seniors care. In Ontario they are trying to get away with group homes and care facilities while ruling out affordable housing by definition. It is a far cry from what was supposedly agreed to. The Deputy Prime Minister has this important file. Why is he not insisting on affordable clear outcomes for affordable not for profit housing instead of letting the provinces off the hook while lining the pockets of developers (Davies 2002, 1505).

Mr. Speaker, first of all, the federal government is very proud to have committed an additional \$680 million to public housing to provide an opportunity for low income

Canadians in every part of Canada to have access to affordable quality housing. We continue to negotiate an agreement with the province of Ontario. The member should be assured of the fact that it is our intention to ensure as best we can that we have a significant increase in the number of units that are available in the province of Ontario (Manley 2002, 1505).

Currently, 25,000 low income households in Quebec are battling the shortage of rental units, and over 300,000 other households are grappling with unaffordable housing. This situation would not exist if Ottawa had not unilaterally stopped all participation in the construction of social housing since 1994, and if it had invested in this area as women and Quebec organizations advocating for renters had asked. Unfortunately, the federal government insists on investing in affordable housing for, apparently, young persons and self-sufficient seniors. Under the affordability and choice today program, the Canada Mortgage and Housing Corporation is granting home builders subsidies of up to \$20,000 each to build this type of housing that will encourage urban areas to become more dense. Since the owners set the rent, this type of housing has proven inaccessible to the poorest and most vulnerable members of our society. As a result, homelessness is increasing, a problem now affecting women and their families on a long-term basis. At the same time, discrimination against those seeking housing is increasing. If this government truly wants to support a socio-economic program, it must consider social housing as an investment that ensures a community's long-term interest, which this budget does not do (Bourgeois 2003, 1025).

Mr. Speaker, the housing agreement promised thousands of affordable housing units, yet 18 months later in Ontario zero units have been built and B.C. has cut provincial housing funds. Canadians will not get housed on cuts and fake promises. They need dollars, political will and enforcement of the agreement. At the housing ministers meeting next week, will the minister use the accountability mechanism or is he saying that housing is just another empty Liberal promise and sit and watch Ontario demolish the agreement (Davies 2003, 1500)?

If one is to read the description of the AHPA as they are articulated in the CMHC's report, one is encouraged to infer that these agreements provide a practical means for the federal and provincial governments to cooperate in the creation of low cost housing. The critiques offered above from Davies and Bourgeois, though, evidence discrepancies existent between the CMHC's optimistic rhetoric and the inefficient and unequal manner in which federal funds are distributed amongst the provinces. Bourgeois argues that rather than satisfying the housing needs of those requiring assistance, the AHPAs ensure that whatever developments result from these agreements permit only private market owners to set the rents for tenants. Consequently, the

poorest and most vulnerable are subject to exclusion from these developments as rents may be set at a level beyond what they can pay. In this sense, the agreements serve to asymmetrically favor private market owners and only those potential tenants who can afford the requisite rent costs. Davies identifies additional discrepancies in the AHPAs where the federal government was unable to fulfill its promise of constructing thousands of low cost units due to the fact that some provinces were provided less support than others, and in some cases were devoting funding to matters outside affordable housing concerns. Bourgeois, furthermore, links the inadequacies of the AHPAs to the federal government's ill-advised abandonment of a national housing strategy in the mid-1990s where it left affordable housing provision as an issue to be handled by the provinces. The downloading of these responsibilities onto the provinces, moreover, was part and parcel of the federal government's overall reordering of AHP into a form concomitant with neoliberal philosophy (e.g. limited federal spending, low inflation). As has historically been the case, the poorer classes are those that are hierarchically disadvantaged by policies such as AHPAs.

This line of argumentation thus evidences the systematic tendency for the poorest citizens to be targeted with policies of a lesser quality than those afforded to moderate income persons. Yet, the disproportionate benefits within the AHPs between 2001 and 2006 that were afforded to moderate income persons are arguably not beneficial if one considers their being predicated on imparting greater levels of debt upon homeowners. When the housing surge began in the late 1990s, though, working class incomes had stagnated significantly. Given this, a question emerges as to how the housing surge could occur within this environment of stagnating wages when presumably less persons were in a position to purchase a home, at least not without significant intervention by the state. The evidence to be presented here suggests this was

accomplished by the extension of greater volumes of mortgage credit from lenders to low income homebuyers. Such actions follow analogously with the financialization of the Canadian political economy, and collectively worked to ignite the housing surge.

8.3 Financialization and Accelerating Usage of NHA-MBS

As financialization theorists suggest, financial actors, firms, and institutions have a vested interest in accumulating capital, and must do so through continuously seeking out and securing profits from income generating assets, a process that often involves securitizing²⁶ such assets.²⁷ Globalization era policies such as NAFTA, meanwhile, produced heightened competition for profits between Canadian and U.S. banks (Seccareccia 2013). Accordingly, the banking sectors in both countries began engaging in mass securitization via the creation of off-balance sheet items within the financial system. By engaging in these activities, firms could buy and sell securities between one another without the problematizing factor of having to list the potentially risk-laden value of these securities on their books. The high-risk potential for loss that such securities pose is related to their value being derived from other sources or things, whose values can fluctuate greatly within short time periods. Such securities are commonly referred to as derivatives. The value of derivatives contracts “grew more than threefold between 1996 and

²⁶ Investopia defines securitization as “the process of taking an illiquid asset, or group of assets, and through financial engineering, transforming them into a security.” A security, meanwhile, is “a financial instrument that represents: an ownership position in a publicly-traded corporation (stock), a creditor relationship with governmental body or a corporation (bond), or rights to ownership as represented by an option. A security is a fungible, negotiable financial instrument that represents some type of financial value” (Investopia 2015).

²⁷ The intensifying pursuit of profit through speculative activity by Canada’s financial institutions during the globalization era, where finance became a central hub of profit-making activity at the expense of material production and industry, would likely draw sharp criticism from Schumpeter and Keynes. These notable theorists shared a belief that finance should work to meet desirable social ends, principally the support of industry and commerce. Schumpeter, for one, “emphasized the crucial link between business enterprise and commercial banks as purveyors of credit in promoting entrepreneurial activity and sustaining the overall growth process. Perhaps even more forcefully, in chapter 12 of the *General Theory*, Keynes recognized the need for finance to be at the service of industry (or productive *enterprise*) and noted that an important feature of the 1930s crisis was the breakdown of this relationship as the system had come to be dominated by unfettered rentier speculative activity” (Seccareccia 2013, 279).

2008 within the Canadian banking system, according to estimates from the Office of the Superintendent of Financial Institutions (OSFI)” (287).

Further to this, as Canada became more finance driven in the globalization era, housing emerged as an asset class from which finance could reap abnormal profits. Such logic flows from the theories put forth by Martin (2002) who stressed the importance of the family home as a source of income for investors around the world. Indeed, the flourishing of securitization under the institutional structure of NAFTA produced growth that “relied heavily on the mortgage market which surged forward in Canada partly as a result of a general North American economic expansion in the housing market, with strong pockets of growth particularly in the major urban centers and in the energy-producing regions of Western Canada during the late 1990s and then again since 2002” (Seccareccia 2013, 287-288). The level of mortgage assets held by issuers of asset-backed securities, principally Canadian financial institutions, “rose a great deal from practically zero in 1990 to reach a peak of almost 30 percent of total mortgages by 2008” (288). The depths to which Canadian financial market actors embraced asset-backed securities (ABS) as a source of profit-making during the 1990s and early to mid-2000s is more starkly illustrated with the assistance of the following graph (figure 8.1).

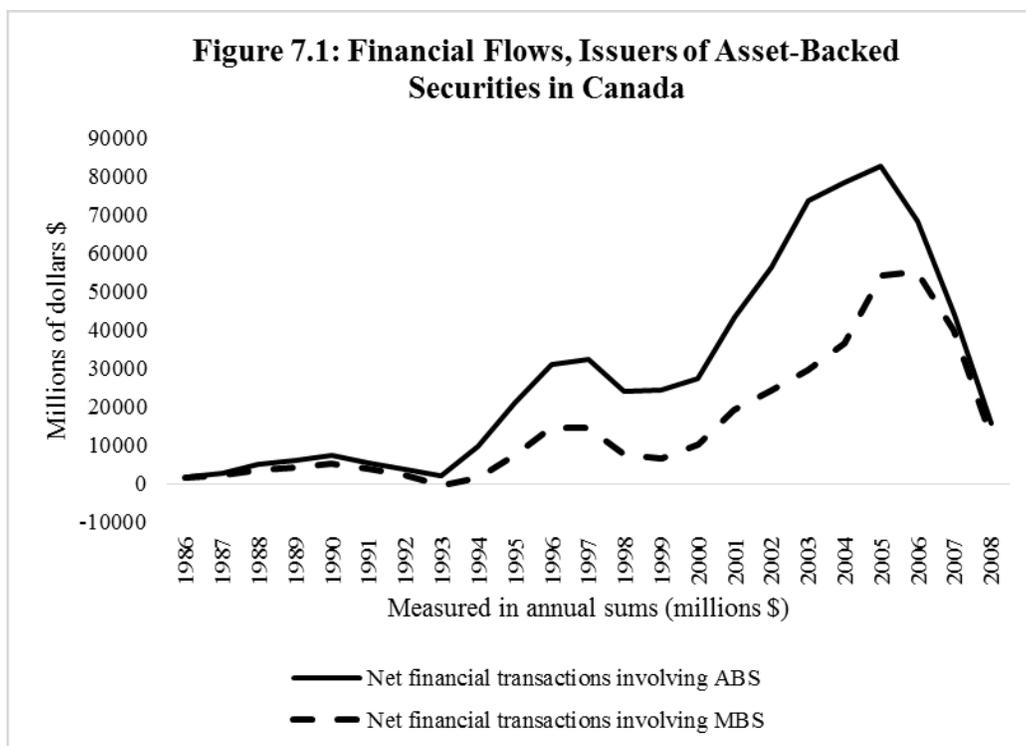


Figure 8.1: Financial Flows, Issuers of Asset-Backed Securities in Canada. Chart calculated by author. Note: Both series smoothed over a 3 year moving average so as to better illustrate temporal shifts in data values. All figures adjusted for inflation using the CPI Index. Source: CANSIM table 378-0037 titled ‘Financial flows, issuers of asset-backed securities, annual (dollars x 1,000,000).’

This chart reveals several points worth noting. First, the level of net financial transactions involving asset-backed, including mortgage backed securities (MBS), was virtually non-existent prior to 1993. As one would expect, the issuance of MBS securities rose concurrently with the level of transactions. What this chart does not show is the higher degree to which MBS securities were issued relative to other ABS classes. A central reason for this, according to David Allan and Philippe Bergevin of the C.D. Howe Institute (2010), is that MBS securities proved especially lucrative for their primary issuers, Canadian banks, at the tail end of the housing surge. The high level of outstanding MBS securities (52%) relative to other ABS classes in 2007, the C.D. Howe Institute notes, is evidence of their importance in generating transaction fees for the banks that issued them. This in itself is demonstrative of the significance of financialization within Canada

during the globalization era. These findings, moreover, collectively suggest the sudden increase in ABS-MBS transactions beginning in the early-to-mid 1990s was promulgated by policy changes that permitted these activities to accelerate.

Such facilitative policy changes, and the subsequent increase in ABS-MBS activity that flowed from it, was initiated in concert between private and public institutional systems. These institutional systems, including Canada's banking system (private) and the federal state (public), though operationally autonomous in nature, exist in an interdependent relation with one another. The relation of interdependence that exists between these two systems which extends to all other systems in a capitalist society is governed by capital's ecological dominance. Capital must ultimately have its needs met in order for this interdependent relation between systems to subsist. As such, the policy changes discussed below will be shown to be correlative with the aims of financial capital, as it is capital that was afforded enhanced mobility in the globalization era.

Homeowner mortgage loan insurance premiums reduced by 15% and homeowner price ceilings eliminated. CMHC introduced "Homeowner Secured Lines of Credit: Increasingly, homeowners are using lines of credit secured by the equity in their homes as an alternative to traditional mortgages. Completely new to the industry, CMHC's insured Line of Credit facilitates access to this type of financing for loans up to 90% of the value of the home" (CMHC 2003, 3).

CMHC eliminated house price ceilings for all homeowner mortgage loans, enhancing accessibility to mortgage financing. Consumers now have ability to purchase home with only 5% down. CMHC announced Variable Rate Mortgage-Backed Securities (VRMBS) as enhancement of NHA MBS Program as a new pool type to facilitate securitization of standard variable rate mortgages within the CMB Program. Increased securitization activity in 2004 facilitated by introduction of Variable Rate Mortgage- Backed Securities (VRMBS) that expanded eligible types of mortgages that can be sold into the CMB program (CMHC 2004).

CMHC lowered mortgage insurance premiums by 15% for first time homebuyers with a 5% down-payment. This is the second such reduction in as many years. Increased underwriting flexibilities and waived extended amortization surcharges for affordable housing (CMHC 2005).

Since 2003, CMHC lowered its insurance premiums by 30 per cent, and in 2006, they eliminated the application fees on homeowner insurance (CMHC 2006).

These policies are suggestive of the state's tendency during the midst of the housing surge to initiate policies that would not provide long term assistance to lower and moderate income classes in regards to fulfilling their housing needs. Rather, these policies were publicly promoted by the CMHC as instruments that reduced costly obstacles for anyone interested in purchasing (as opposed to renting) a home. The purpose being, the evidence suggests, to stimulate housing starts. These measures, when considered alongside the available evidence, appeared to succeed in this regard as the CMHC's annual reports document record level housing starts in 1996, 2001, 2002, and 2003.

The evidence I have accrued suggests that these CMHC policy changes worked in tandem with policy adjustments made in concurrent fashion within the Canadian financial system. The timeline with which these collective policy changes took place appear congruent with the increase in ABS-MBS activity as shown above in figure 8.1. The oligopolistic banking system in Canada has become comprised of financial conglomerates that, in an effort to generate greater volumes of profits through securities transactions involving mortgage-backed securities, progressively loosened credit requirements for potential mortgage borrowers.²⁸ In initiating this policy change, Canadian banks permitted "the housing sector to take on an increasing debt load (without a concomitant rise in real personal disposable income) on a scale that has not been seen hitherto" (Seccareccia 2013, 283). Walks (2014) claims that following the 2008 crisis, a misleading view of the Canadian housing market proliferated, positing that mortgage lenders maintained strict lending standards throughout the run-up to the recession. In reality, Canadian

²⁸ By 2009, the Canadian mortgage market had come to resemble the US mortgage market before its crash, with over 30% of all outstanding mortgage credit now securitized and packaged in mortgage-backed securities (Walks 2014, 273).

banks enacted a gradual loosening of credit requirements throughout the 1990s and 2000s around roughly the same time the CMHC implemented policies meant to entice more people to buy homes. These actions manifested congruently into an explosion of subprime lending to borrowers who would otherwise be unable to afford a home (Esteban 2008). This explosion in sub-prime lending, Esteban argues, became a troubling phenomenon in the sense that median income had stalled over the last 25 years, “and that poorer Canadians have seen their incomes shrink by 20% over the same period” (12). As such, mortgage debt increasingly comprised a significant portion of Canadians’ average household income as the housing surge accelerated beginning in the early 2000s, reaching a peak of just over 231% in the middle of 2007 (Walks 2014).

8.4 The ‘Boxing-In’ and Financialization of the Working Class

Such arguments are reflective of the structural effects produced during the globalization era in Canada where de-unionization and post-industrialism led to an augmentation of financial capital’s power. Through these processes the daily lives of Canadians became financialized with homeowners accruing high levels of debt. These changes were not only initiated by banks opting to loosen credit restrictions as argued above. Their emergence was greatly facilitated by policy change within the neoliberal state that worked to strengthen financial capital at the expense of labor. The phenomenon of de-unionization, post-industrialism, and the dissolution of supportive welfare programs such as the CAP in Canada, as argued above, was initiated through state policy that effectively ‘boxed in’ the working class. As Martin (2002) theorized, the process of boxing in workers involves the state’s abandonment of full employment policy, as well as a commitment to reduced welfare spending and the elimination of barriers to the free movement of industrial capital. The abstention of the neoliberal state from welfare policies left workers having to subsist

on stagnating wages without significant support from the state. As such, workers in the globalization era were compelled to become subsumed into the global circuitry of financial capital, the foundation of which rests upon borrowing credit and investing capital in the pursuit of gains. Consequently, these structural changes in Canada prompted a substantial increase in the level of household debt relative to income:

Household debt in Canada has been rising relative to income for many decades, but the rate of increase has accelerated since the late 1990s, so that by the third quarter of 2011, it stood at more than 150 per cent of personal disposable income. A number of factors may have contributed to this sizable growth in household debt, including financial innovation, relatively low interest rates and rising house prices accompanied by high levels of borrowing against home equity (Bailliu, Kartashova, and Meh 2011-2012, 16).

Bailliu et al. indicate, the substantial “increase in total household debt since 1999 consisted primarily of home-equity extraction, which increased from around 2.2 per cent of disposable income in 1999 to a peak of 9 per cent in 2007” (18). The increase in home equity extraction by households in the globalization era reflects their coming to view the home as an asset from which to draw income rather than purely as a domicile. From between 1999 to 2010, for instance, the average share of home-equity extraction that was used by homeowners to finance consumption and home renovation was significant at roughly 40%, while about 34% was used for financial and non-financial investments. The remaining 26% was used to repay debts (Bailliu et al. 2011-2012).

8.5 NHA-MBS Activity and its Connection to the Housing Surge

These arguments suggest CMHC policies that facilitated greater access to homeownership worked in tandem with the loosening of credit restrictions by lenders in a way that collectively produced the conditions where the housing surge could occur. In so doing, these arguments also help to illustrate how Canada’s transition between historical blocs affected the way in which surplus has become accumulated and distributed amongst classes at both the

national scale and at the scale of individual households during the globalization era. Surplus has become concentrated amongst Canada's elite firms, and is accumulated more so through financial activities than was the case during the golden era. The enhanced power of financial capital enabled it to impose its disciplinary will over the state where policy actions favoring high asset prices, low inflation, as well as reduced deficits and spending, became prioritized by policy makers. Accordingly, the federal government became compelled to reduce its spending, including reductions in financial support towards social housing. The working class became similarly encumbered in that their share of surplus (in the form of wages) was redistributed towards capital upon Canada's transition into the globalization era. It is from these systematic changes that a housing surge was permitted to take place in Canada. The surge in mortgage lending allowed Canadian banks to reap substantial profits, and with the family home consumers had a valuable asset from which to draw equity as a form of compensation for stagnating incomes.

Having made these arguments, it is important to link them with Jessop's theory so as to make clear how these changes in AHPs can be viewed as products of what had become **structured coherence** within AHP. This **structured coherence**, which refers to a period of time when policy making follows a stable pattern, is indicative of the substantial influence of the globalization era bloc on the makeup of AHP between the mid-1980s and 2006. In this period, the **structured coherence** of AHP was such that the interests of capital, and that of the financial investor class more specifically, were explicitly favored at the expense of homeowners and renters. AHPs at this time were systematically tailored towards creating an environment where NHA-MBS activities could flourish to the benefit of investors. The state had created the NHA-MBS program in 1986 for its publicly stated purpose of generating greater amounts of mortgage

capital at affordably low interest rates. Facilitating the production of greater amounts of mortgage capital was performed by the state not only to stimulate housing developments, but also to leverage greater demand for NHA-MBS, thereby enhancing the potential for investors to profit from their sale and exchange. In this sense, the SSB of AHP had become centered on benefiting investors and capital more generally.

But if the SSB of AHP was shifted in this way to fulfill capital's interests, what were the implications for such change for homeowners and renters? The evidence given here suggests AHPs were focused from the mid-1980s onwards on enticing and facilitating access for moderate income persons to achieve homeownership. Renters' interests were generally excluded from AHPs, which itself is a product of the state holding a deep institutional bias against them in comparison to homeowners. Yet, this bias was made even more extreme during the globalization era. Indeed, the federal state effectively stopped further social housing production, which denied the poor access to affordable forms of rental housing. Additionally, the state discontinued in the globalization era any widespread initiatives that would lead directly to the construction of rental housing developments. The state's reasoning for these actions appears predicated on its wanting to adhere to the neoliberal philosophy of reduced deficits and low inflation, where the purpose is to create an investment friendly environment that NHA-MBS activity can flourish. The process of producing this environment necessitated, however, that moderate income persons be enabled to purchase more homes despite their wages having stagnated. The stagnation of wages was of course a consequence of the state's actions to reduce labor's wages and bargaining power in the globalization era. In this low-wage environment, then, mortgage lenders loosened credit restrictions in concert with the state's AHPs so as to allow labor to assume the debt necessary to purchase all the new homes financed by proliferating NHA-MBS activities. It is in these ways

that the influence of the globalization era historical bloc as a form of **structured coherence** was felt within the realm of AHP in Canada.

Following the financialization of Canada's political economy, banks were no longer focused solely on performing traditional banking activities, such as deposit taking and the lending of fractional reserves to credit-worthy entities with the purpose of generating assets (loans). Instead, the Canadian banking sector became "a giant "transaction-generating machine," a machine that increases turnover of assets while increasing commissions, fees, and bonuses via the trading of complex derivatives" (Seccareccia 2013, 285). Indeed, as much as 90% of banking revenues during the early 1990s were derived from traditional lending activities to creditworthy borrowers. By the 2000s, such revenues had gone down to less than 50% with more bank revenues being earned from commissions and fees involving the buying and selling of derivatives, which in Canada were predominately mortgage-backed securities (Seccareccia 2013). This trend exhibited by Canadian banks is shown in figure 8.2 to have run parallel with the timeline of the housing surge.

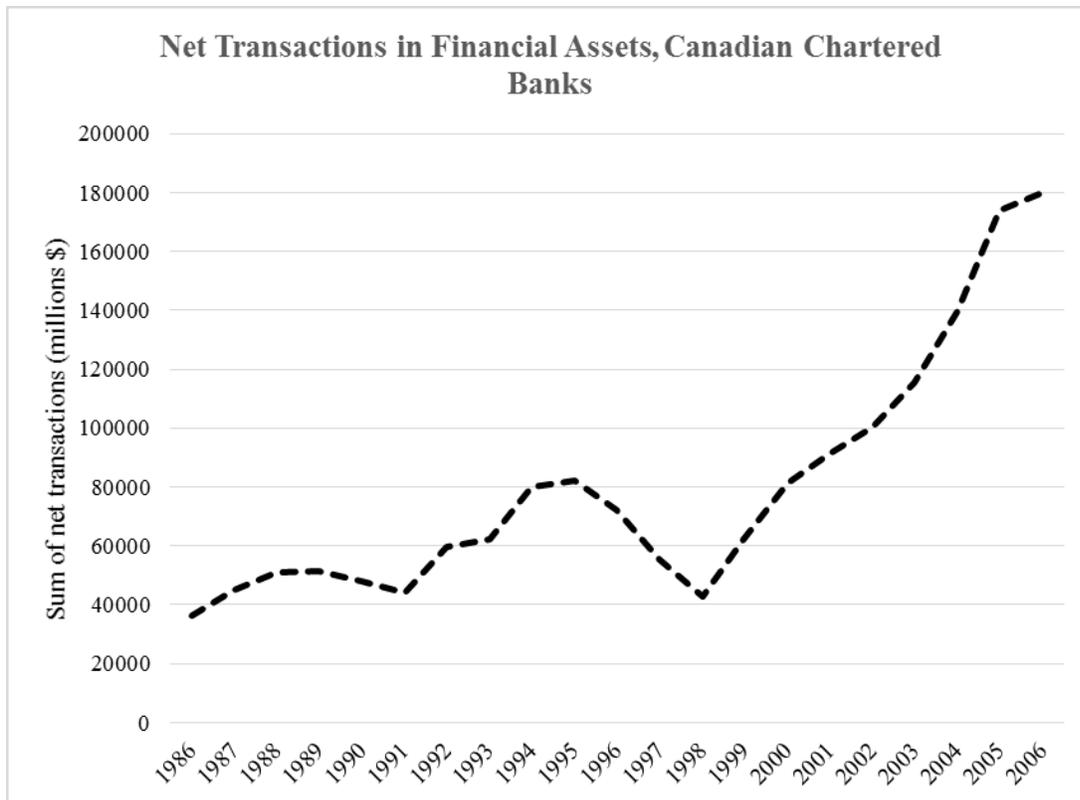


Figure 8.2: Net Transactions in Financial Assets, Canadian Chartered Banks. Chart calculated by author. Note: Both series smoothed over a 3 year moving average. All figures adjusted for inflation using the CPI Index. Source: CANSIM table 378-0027 titled ‘Financial flows, chartered banks, annual (dollars x 1,000,000).’

Accordingly, the NHA MBS program can be viewed not merely as a conduit whereby prospective homeowners could gain access to a greater supply of mortgage capital as stated by the CMHC. The program also allowed banks to accumulate greater assets in the form of sub-prime mortgages that they could bundle into saleable securities in order to garner transaction fees. During the surge, the CMHC did acknowledge the danger involved in the persistent increase of mortgage debt held by Canadians.²⁹ Yet, the CMHC reports do not identify substantive reasons as to why mortgage debt levels were increasing during this period. To do so

²⁹ In their annual report from 2000, the CMHC writes that “household debt in total was higher in 2000, rising to \$623.4 billion from \$449.3 billion in 1994. Secondary mortgage markets played a greater role in funding mortgages in 2000, accounting for almost 12.7 per cent of the residential mortgages outstanding as of November 2000” (CMHC 2000, 13).

would require their identification of wage stagnation, in addition to the proliferation in sub-prime lending activities by banks, which themselves were enabled in large part by facilitative CMHC policies. Figure 8.3 evidences a possible correlation between rates of housing production with NHA-MBS activity:

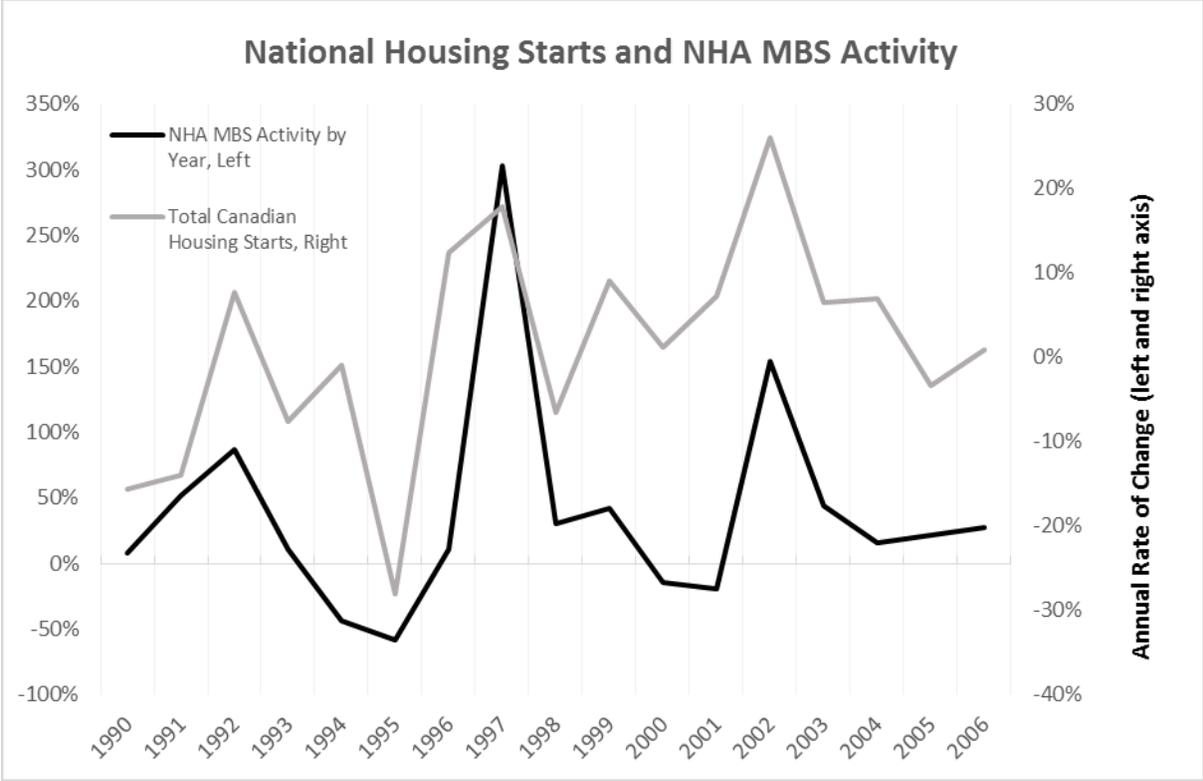


Figure 8.3: National Housing Starts and NHA MBS Activity. Chart calculated by author using rate of change formula within Excel spreadsheet $[(B2/A2)-1]$. Data source: CMHC.

This measurement by no means suggests a definitive correlation between these two variables. I chose to use a formula for calculating the rate of change between these variables as a means of evaluating whether volume changes in one variable find corresponsive change on a yearly basis in the other variable. NHA MBS activity, however, is subject to influence by a number of variables, including changes in interest rates and larger price trends within financial markets in aggregate. As such, this chart shows only a possible correlation that may warrant further

investigation. In the event there is a correlation, further investigation may further elucidate the degree to which housing development is influenced by NHA MBS activity.

In light of these findings, it is important to consider that the mass securitization of mortgage debt does by itself involve the production of a great deal of financial risk. How was it that public systems, like the CMHC, were able to mitigate the potential risk involved in the mass securitization of mortgage debt by Canada's private financial system? Exploring this question is important as it can help explain how the housing surge did not provoke a systemic crisis within Canada from which the stability of interdependent relations between systems would be threatened.

I would argue that the answer to this question lies with CMHC's insurance policies. By selling housing insurance to potential homebuyers, the CMHC gives assurance by the state to mortgage lenders that their assets (mortgage loans) will be protected against default (CMHC 2015). Given the risk involved in the lending of credit to persons of varying incomes, the CMHC (2015) states that mortgage loan insurance is "typically required by lenders when homebuyers make a down payment of less than 20% of the purchase price" (para. 1). The provision of insurance by the CMHC, moreover, enables consumers to purchase homes with a minimum down payment of as low as 5% - thus stimulating housing production in accordance with the CMHC's mandate. With respect to the housing surge, CMHC's insurance policies were vital factors in its initiation. This is because the CMHC extended its insurance policy to cover not only mortgages, but all NHA-MBS securities as well. The CMHC (1996) states that the NHA-MBS program promotes "the development of a secondary mortgage market by offering investors guarantees of timely payments on pools of residential mortgages insured by CMHC"³⁰ (9). In providing a guarantee to investors for the payments they receive on MBS assets comprised of

³⁰ Bolded emphasis on text added.

pools of insured mortgage debt, the state communicated a message to banks and investors. The message being that the MBS market, because it is protected against wide-scale default by the state, is allowed to grow indefinitely.

The suggestion being made through this argumentation is that AHP was effectively re-ordered by the state to favor financial capital under the pretense of affording more Canadians access to homeownership. When combined with the state's insuring NHA MBS asset holders against loss by way of default and prepayment, the state's policies worked in concert with the interests of financial capital to produce conditions whereby housing starts could accelerate in the 1990s and 2000s. In so doing, the federal government continued to initiate welfare-oriented policies, such as Affordable Housing Agreements with the provinces to assist low income classes. Such policies continued a trend of producing effects that were inefficiently executed compared to other policies intended to favor those possessed of higher incomes. In regards to policy benefits initiated during the surge for higher income persons, they were favored in the sense that they were granted access to homeownership. Upon securing access to homeownership, these lower and moderate income persons found their mortgage debt comprising a greater share of their annual income relative to their stagnating wages.

Before proceeding with the concluding chapter, the final task before us is to connect this last chapter of analysis with Jessop's theory. Firstly, this chapter provided supporting empirical and textual evidence to support my claim that the granting of access to homeownership for lower and moderate income classes was predicated on generating a greater number of housing starts. This increase in starts appeared to ignite, by extension, an increase in NHA-MBS activity from which the primary beneficiaries were and continue to be investors and financial institutions. The supporting evidence I provided thus adds credibility to my theoretical argument that, following

Jessop's theory, the SSB of AHP explicitly shifted in the globalization era to favor the interests of financial investors and those positioned to profit greatly from the development and sale of housing (e.g. developers, real estate companies, insurance companies, banks, etc.). Those outside this spectrum, namely moderate income homeowners, renters, and the systematically disadvantaged, were not as explicitly favored by AHP as was the case in the previous historical bloc. New social housing production had ceased by the mid-1990s, as did policies centered on the state directly facilitating the creation of new rental housing developments. It is apparent that homeowners remained disproportionately benefited by AHP relative to renters and other lower income classes. As my analysis indicated, this has historically been the case (House 1975). It is important to remember, though, that in this environment of precarious labor and stagnating wages, the increased easiness by which moderate income persons were able to access homeownership remained predicated on their accruing greater levels of debt. In so doing, homeowners would be able to afford the costs of living that higher wages would otherwise help cover. Capital was thus put in a position to profit from the returns generated by higher MBS activity, a phenomenon that was made possible by way of homeowners assuming greater debts.

What is also worth noting in the spirit of connecting this analysis to Jessop's theory is that the rhetoric produced by the CMHC remained centered on promoting AHP changes as fulfilling the **common interest** of all Canadians. This, despite the realities presented here associated with how AHP benefits are unequally and inefficiently distributed to varying classes. The employment of such discourse by the CMHC, as an arms-length institution of the federal government, works ultimately to generate consent for these measures by the public and by political decision makers in the House of Commons, and thereby keeps capitalist social relations intact. As Jessop argues, the state works to maintain the stability of the interdependent relation

existent between all societal sub-systems, including but not limited to, the economy, the state, and the labor force. The reality of these conditions as I have described them thus speaks to the dysfunction that exists within a housing market that operates within a larger capitalist framework.

CHAPTER 9: Conclusion

Within this chapter, I will summarize the main findings derived from my analysis and will also consider avenues by which other researchers may explore this subject matter. To reiterate, this thesis involved utilizing Jessop's theory of the capitalist state to explore changes in AHPs between periods of significant political economic change known as historical blocs. From this premise, a central goal of my research and analysis was to examine whether AHP changes favored certain class interests more than others at different points in time via alterations in the SSB. An additional goal was to establish whether the SSB and the CMHC's rhetoric concerning AHP were influenced at different points in time by changing historical blocs.

9.1 Summary of Findings in Regards to Tracking the SSB of AHP

In regards to my first goal, I was able to track evolutions in the mutable SSB within AHP from the golden era through to the globalization era. In so doing, I was concerned with discerning clues as to whether changes in the SSB of AHP worked to manifest the housing surge that occurred during the late 1990s and early-to-mid 2000s.

An important point I discovered was that the CMHC, as the formal body that administers AHPs, possesses dualistic mandates. This dualism is such that the CMHC is expected to stimulate housing production, while also providing assistance to lower income classes that are reliant on the state to meet shelter needs. I determined these mandates are on some level exclusive to one another. This is because different classes possess differing interests related to AHPs, and these interests can at times conflict with one another. The SSB of AHP implies, therefore, that some interests will be favored at the expense of others within different AHPs at

various times. The wealth of existing research that has focused on AHP changes in the neoliberal era does make clear the federal government's significant abstention from socially oriented housing policies (Pierre 2007; Walks 2014). My research contributes to this existing literature in several ways. One, it analyzes the process of AHP formulation by the state in a way that incorporates Jessop's ideas concerning the role and nature of a state within a capitalist society. In so doing, I presented findings that did not explain AHP changes made prior to and during the surge as being simply a product of the state's commitment to neoliberal philosophy. Rather, this analysis identifies the state, and by this I mean to include the institutions and agents that operate within it, as being compelled to persistently manage what are competing class interests vying for fulfillment through the conduit of AHPs. Not only does this analysis explore how certain class interests are favored or excluded by AHPs, it also shows how politicians and the CMHC promote these biased policies to the public in such a way as to make them appear neutrally benevolent and as instruments that fulfill the common interest. Lastly, this thesis demonstrates how these biases inherent within AHP can be subject to constant flux by not only the state's adherence to a particular philosophy such as neoliberalism or otherwise, but also by the determining influence of a historical bloc. The concept of historical bloc also explains how a neoliberal philosophy can become entrenched as paradigmatic within policy circles. In Jessop's view, however, the emergence of historical blocs is not the only determining influence applied to AHPs. Changes in the SSB can also take place spontaneously during appropriate **conjunctural moments**. These refer to instances of particular structural changes where political decision makers are afforded the sudden capacity to change the SSB of AHP to fulfil a given class interest. The process of AHP development is thus mutable, according to Jessop, which speaks to his insistence that policy changes do not simply follow in accordance with the principles of a hegemonic doctrine

like neoliberalism. In this thesis, AHP formulation is revealed as a strategic process that ultimately occurs at the scale of individual antagonistic relations between politicians and agents operating within ministries and institutions of the state, and also through interactions between the state and appointed task forces, of which produce influential recommendations for policy change. It is the evolving character of these interactions that, following Jessop's logic, are influenced by historical blocs in such a way that AHPs themselves are re-shaped and changed. It is the way in which the state balances the totality of competing class interests while formulating AHPs in what is an unequal capitalist society that shapes the overall direction of this work.

In the interests of establishing the dualistic tendency within AHP in Canada, it is important to first summarize how the SSB of AHP has changed over time. In the neoliberal era, for instance, the state became committed to managing deficits and inflation. This led to the state having to withhold from expanding social housing programs, while also restricting its own capacity to implement alternative publicly funded programs to adequately house the roughly 5% of Canadians reliant on the state for shelter assistance. As such, the state additionally restricted itself from providing widespread assistance to the 95% of private homeowners who face hardships in paying household costs, especially so with wages stagnating in the globalization era. It is in this era when the SSB of AHP shifted towards privileging the capitalist class as investors benefited from the state's adherence to reducing public spending and managing inflation which protected asset prices. These same investors, along with mortgage lenders and financial institutions benefited also in the sense that the state enacted facilitative policies to generate housing starts at a time when investment in mortgage backed securities was skyrocketing.

During the golden era, meanwhile, the state's policies were at least more specifically targeted towards privileging poorer households, albeit in a not overly efficient manner. These

actions by the state generally took the form of public housing projects or subsidized social housing. It was apparent from my research that the pro-market character of AHP in the globalization era was a product of gradual changes that began taking shape during the tail end of the golden era. Indeed, social welfare initiatives embedded within AHP in the 1960s attracted criticism not only from the private sector but also from opposing agents within the state. This was evident in the report from by the Hellyner Task Force in 1970 which recommended greater involvement by the private market in securing housing for the poor. This instance, my findings indicate, correlates with Jessop's contention that agents can act at the behest of a given class interest, much like the Hellyner Task Force (Warne 1989) acting on behalf of the capitalist class, so as to impose its will on the direction of policy. As such, the capacity for the state to fulfill its social mandate in a way that the poor is not left having to rely on markets to secure shelter can become circumscribed by the imperatives of the capitalist class. This is suggestive of the argument made by House (1975) that Canadian AHP is imaginatively narrow as far as the limited ways in which it can provide support to various income classes.

The state's involvement in stimulating housing development is an imperative that imparts significant influence upon the direction of the SSB within AHP. This reality, my findings indicate, manifests itself glaringly during periods of slowdown within the housing market. First, when crises in the housing market occur, as they did in the 1960s, 1970s, and early 1980s, the state follows several courses of action. The nature in which these actions unfolded follows in synch with Jessop's state theory. One, the state took upon itself the task of mitigating society's problem as Jessop puts it, which in each of these cases was a slowdown in the private housing market. Because the state is dealing with an economic matter (housing growth) that operates outside its overt control, it is often doomed to fail in its efforts to institute policies that can

reverse slow housing growth. The state's subsequent course of action in these scenarios, as Jessop (2008) argues, is to redraw the lines of difference between itself and its environment by redefining its priorities, expanding or reducing its activities, and recalibrating or rescaling its actions in response to challenges. All such actions, it must be remembered, are formulated by the state on a strategic terrain wherein competing class interests become either favored or disadvantaged. The degree to which one set of class interests is favored over others manifests itself within the SSB.

In 1967, the state found itself having to respond to a housing development slowdown in a way that would reverse the negative growth trend. As Jessop would argue, in the face of this slowdown, the state had to balance competing class interests when considering what actions to take. When housing starts went down, the state did not listen to politicians like John Gilbert (1967) who stressed the need for the state to invest more in public and subsidized housing so as to favor the interests of working class and poor Canadians. Nor did the state adhere to the principles of Keynesian theory which enjoyed hegemonic status in the golden era. Keynesian theorists would argue that lowering interest rates when investment in housing is low has the effect of increasing development as credit is made cheaper for developers to borrow. Hamouda writes:

Keynes' recommendations entailed an interest rate policy contrary to contemporary approach. Despite the increase in liquidity preference in an upswing, remedy would not lie in clapping on a high rate of interest; interest rates ought to be kept low rather than be allowed to rise (2011, 169).

If the state were to lower interest rates, then, Keynesian economists would presume that developers would want to build more housing at affordable interest rates. By doing so, prospective homeowners would benefit from both a burgeoning housing market, as well as being given access to mortgage credit at lower interest fees.

My analysis showed that the state instead chose a policy strategy that favored a specific segment of the capitalist class, that being conventional mortgage lenders and insurance and trust companies. It was lenders whom the state recognized as being primarily responsible for the housing downturn. This is because lenders withheld from investing in housing, and instead invested in office buildings and shopping centres as the higher interest rates permitted them to accrue more money from developers. The ensuing policy strategy enacted by the state was to raise interest rates. These actions led to criticism from Gilbert (1967) who accused the state, and specifically then Housing Minister Robert Andras, of capitulating to the interests of lenders, rather than addressing the concerns of ordinary Canadians. Jessop would perceive this narrative of AHP change as representative of the state weighting the competing class interests of lenders, developers, and the public where the eventual policy enacted served to favor lenders at the expense of other interests, even that of capitalist developers. The priority of AHP became, at that point, generating high returns for capital from their borrowers by way of higher interest rates. The reality of the housing slowdown thus provided a **conjunctural moment** for capitalist lenders and their associated agents within the state to shift the SSB of AHP in their favor. This change in the SSB to outwardly favor lenders speaks to the powerful influence of financialization on AHP in Canada even before **structured coherence** took effect in the mid-1980s. As stated in chapter three, financialization is not a new phenomenon, but rather it is cyclical and represents the significant power wielded by finance within the global economy (Braudel 1982; Arrighi 2010). When lenders chose to invest outside the housing sector as they did in the mid-1960s, for instance, the ensuing slowdown produced a reciprocal response inside the state. This example thus speaks to the mutability of the SSB of AHP even during the golden era period of relatively greater support from the state for labor relative to the capitalist class.

This is one example, moreover, where the state's incapacity to favor the '**common interest**' of all Canadians, and to not be directed by the whims of the capitalist class as represented by developers, is evidence of the state's actions being more so a product of strategic relational action as opposed to deterministic patterns of activity.

AHP changes by the state, my analysis showed, took different forms in response to gradual fluctuations in the prevailing historical bloc. Following the downturn in the 1970s, the state responded with a vigorous provisioning of subsidies in an effort to re-stimulate housing starts. When these efforts failed, the state began a gradual redefining of its priorities in regards to how it administered AHPs. Thereon, the federal government began prioritizing deficit reduction under the pretense that Keynesianism and embedded Liberalism had contributed to deficits that were untenable. This led to a restructuring of the SSB where state assistance for housing needs was re-defined and recalibrated. As such, only the most cost-effective programs were to be considered for initiation. Additionally, only certain members of society deemed as being in 'core need' would be eligible for the assistance provided by programs that put less pressure on public deficits.

The manner in which the SSB of AHP transformed in response to crisis conditions within the housing market, where the state was compelled to re-stimulate housing starts above all else, can be explained further using Jessop's autopoietic theory. By appropriating autopoietic theory into his strategic relational conception of the state, Jessop replaced relative autonomy with the twin notions of operational autonomy and material interdependence. This served two functions. Operational autonomy, for one, permits Jessop to contextualize the state as possessing agency. Using this idea, Jessop believes he evades the trap of viewing the state as merely a pliant instrument of capital that possesses no agency of its own. Material interdependence, meanwhile,

implies the continued functioning of one system is contingent upon every other system functioning healthily.

This notion of material interdependence can be applied to my analysis in the sense that whenever slowdowns occurred in the housing market, the SSB of AHP became intensely focused on stimulating growth that was to ultimately generate profit for capital. This phenomenon became cyclical within the Canadian housing market upon the inception in the post-WWII period of the CMHC and, by the mid-1960s, its apparently dualistic mandates. It is only after the baby-boom ensued following WWII that housing development in Canada assumed the great importance as a source of economic growth thereon (CMHC 2015). From these developments, a tension in AHP was produced beginning in the mid-1960s between the imperative of the state to stimulate housing growth with that of its social welfare responsibilities pertaining to housing assistance. According to Jessop's theory, in times when slowdowns in accumulation occur, the health of all interdependent systems in a capitalist society comes under threat. This is because the reproduction of capitalist societies is contingent upon the ongoing functioning of the self-valorizing and self-reproducing circuit of capital from which surplus is accumulated and distributed amongst classes. In other words, all classes require some amount of surplus to reproduce themselves and survive. In instances of housing crises where processes of accumulation and distribution become threatened, therefore, the state's autonomy becomes impacted in its capacity to shift the SSB of AHP in ways that favor interests outside capital's purview. In the time of the golden era bloc, the state's response to housing slowdowns typically saw it work to greatly stimulate the production of subsidized housing. Apart from co-operative housing and the public housing programs of the pre-1970s, the subsidized housing produced in response to crises by the state generally led to tenants paying private market rental fees in order

to live in such accommodations. Thus, capital was afforded significant avenues to profit in times of crisis during the golden era bloc. In the globalization era bloc, meanwhile, my research demonstrated that the benefits distributed to capital via AHPs in post-crises moments increased in breadth significantly. It is the influence of this change in historical blocs on the SSB of AHP that I will now focus on in relation to my findings.

9.2 How Changing Historical Blocs Influenced the SSB of AHP

Though Jessop maintains the SSB is a persistently mutable phenomenon, an important part of his theory stipulates that the SSB can follow patterns of relative stability, otherwise known as periods of structured coherence. One form that structured coherence can take, as explored above, is that of historical blocs. In recognizing this component of Jessop's theory, I set out to establish whether the SSB and the CMHC's rhetoric concerning AHP were influenced at different points in time by changing historical blocs. I subsequently identified a timeline of policy change in Canada between the years 1965 and 2006 that comprised within it a paradigm shift between the golden and globalization historical blocs. It was this stretch of time that I therefore focused my analysis of AHP.

My research showed that in the realm of AHP in Canada between the years 1965 and 2006, capital did indeed exert an ecological dominance over the direction of state policy. This is evidenced in the gradual progression of the SSB within AHP away from what began as a distinctly dualistic approach by the state in its weighting of competing class interests. Upon the inception of the CMHC's social policy mandate in the mid-1960s, for instance, there was a concerted effort by the state to provide housing assistance to those in need. This pattern of AHP development, which remained fairly stable until the mid-1980s, is **concomitant** with the state's approach to policy-making during the golden-era. It was in this golden era historical bloc that the

state was arguably afforded a greater capacity than has been the case in the globalization era to intervene in private market activities. These claims have supporting evidence within my findings where the rhetoric of the CMHC, and of legislative decision makers in the House of Commons during the years of the golden era were such that AHP issues were defined as requiring leadership from the state. That said, as my findings indicate, assistance was procured to classes in a markedly hierarchical fashion. The results of my investigation also indicate multiple instances whereby the state found its policy-making autonomy constricted due to the presence of structural constraints (i.e. the investment strike, debt and inflation management by the state in the mid-1980s and beyond).

Upon Canada's transition into the globalization historical bloc, the rhetoric of the CMHC's reports saw the corporation work to obfuscate the fact that policies asymmetrically favor one set of class interests at the expense of others. This asymmetrical privileging of certain class interests, which in the neoliberal age of the 1990s meant primarily the interests of investors, saw the CMHC having to rhetorically promote policy changes. For instance, as demonstrated in my research, the CMHC was tasked with promoting the downloading of social housing onto the provinces in a way that masked the inefficiencies inherent within such policy. As Jessop (2008) argues, "it is not the state that acts; it is always specific sets of politicians and state officials located in specific parts and levels of the state system. It is they who activate specific powers and state capacities inscribed in particular institutions and agencies" (37). The incorporation of Jessop's ideas into my analysis of the language used during affordable housing debates within the House of Commons, in addition to the rhetoric employed in the CMHC's reports, was ultimately a useful means for generating a critical understanding of AHP changes.

9.3 Interrogating the Mutability of the SSB of AHP in Canada

What my findings do not provide substantial evidence for, however, is what Jessop terms the capacity for the state to circumvent or overflow structural constraints during periods of structured coherence, otherwise called historical blocs (Jessop 2008). Jessop asserts the state has this capacity due to the fact that structures are produced via strategic actions by the state. This, as opposed to structures being selectively produced according to the structural logic of the state, otherwise known as structural selectivity. This component of Jessop's theory is important as it speaks to his belief that the SSB of state action is a persistently mutable phenomenon and that the state is not deterministically beholden to the capitalist class. Before interrogating the efficacy of this claim in regards to its usefulness, or lack thereof, with respect to this investigation, it is important to first delineate the difference between strategic and structural selectivity. In an interview with Sociologist Dr. Joo-Hyoung Ji and a student of Bob Jessop, Dr. Sandra Kytir, Jessop asserts that the idea of structural selectivity rests on the idea that the state possesses no agency of its own in relation to capital (Hyoung Ji & Kytir, personal communication, December 1st, 2009, sec. 4). Jessop relates that Claus Offe introduced structural selectivity as an intermediate between "an instrumentalist account of state power in which whoever was in charge of the state could do with it what they wanted and a structuralist account in which state managers had no freedom of manoeuvre because of the external structural constraints on state power" (sec. 4). The implications for this notion are described by Jessop as follows:

Thus structural selectivity referred, for Offe, to the inherent logic of *state power* such that social forces seeking to control the state had to act in particular ways that served both to reproduce the state apparatus and to serve the symbiotic interests of capital. Specifically, this was mediated through the state's dependence for its resources (especially taxes and loans) and political legitimacy (delivering growth, managing crises) on continued economic expansion. In this sense it was neither voluntaristic actors nor external constraints that shaped state power but structural constraints inscribed in the political logic of the state itself (sec. 4).

Those subscribing to structural selectivity, therefore, do not perceive the state as that which may be infiltrated by agents of capital who thereby control its actions as instrumentalists assert. Nor is state power shaped by the external structural constraints imposed upon it by the forces of capital as a structuralist would argue. Rather, the state's actions are beholden to an internal logic within itself where its legitimacy and survival depend upon its capacity to produce an environment where economic growth is perpetual.

If I were to apply the principles of structural selectivity to my own case study, I would thus be compelled to forfeit any notion that the state possesses relative autonomy. This is because the state would be unable to consider any form of AHP that does not contribute to economic growth, and capital's class interests by extension. The structurally selective view of the state thus perceives AHP formulation as having to follow a deterministic logic of furthering economic growth. My findings arguably suggest this scenario is true to some extent, especially given the steadfast commitment of the Canadian state to assist in generating ever-increasing housing growth using AHPs. That said, the structural selective conception of the state falls into the pitfall inherent within and Orthodox Marxist state theories, that being the denial that the state possesses any agency at all in relation to capital. If such a scenario were true, wouldn't these theorists have to subsequently illustrate what they must assume to be the absolutist dominance of capital that is exerted on the state and ultimately all of us.

The idea of strategic selectivity, meanwhile, is meant to avoid the deterministic tendencies that come with asserting that structures exercise the same constraints upon all actors (Hyoung Ji & Kytir, personal communication, December 1st, 2009, sec. 4). Indeed, Jessop (1982) argues that it is better to distinguish between the structural and conjunctural moments of any given structure, institutional ensemble, or organizational entities, which can collectively be

labeled as **forms**. **Structural moments**, for instance, are the aspects of these forms that cannot be altered by a given actor (or set of actors) working with a particular repertoire of policies or actions in a given point of space and time, where the intention for the actor(s) is to realize a particular objective (e.g. satisfy a given class interest). **Conjunctural moments**, in turn, comprise those aspects of forms that can be altered by a given actor or set of actors. The mix of structural and conjunctural moments of any given structure will vary with the position of different actors within the state and outside it. In line with his efforts to avoid economic determinism, Jessop asserts that the key point to take from this theory is “that structures are not equally constraining or enabling for all actors” (Hyoung Ji & Kytir, personal communication, December 1st, 2009, sec. 4). Changes occurring within Canadian AHPs, then, can be explained partially as products of structural changes that enable certain actors to impose their will on the directions that these policies take. In 1967, for instance, the state’s acting to lift interest rate restrictions benefited lenders greatly. At the same time, such actions constrained the capacity for developer’s to borrow capital for housing developments at affordable rates of interest. This reality alludes to the efficiency of Jessop’s explanation of state action as being non-linear and non-deterministic.

Following this line of thought, it is Jessop’s contention that structures, because they are not equally constraining or enabling for all actors, are such that there always exists scope for certain actors within the state to circumvent structural constraints, even during periods of relative stability within policy-making. In other words, there always exists possibilities for conjunctural moments to appear within periods of structured coherence where certain actors can alter structures as a way to realize a given objective or set of interests. The portion of Canada’s affordable housing policy changes that I was able to analyze, however, did not reveal any

significant instances whereby state actors representing non-capitalist classes were able to circumvent structural constraints during structurally coherent periods. Indeed, the inception of the CMHC’s social policy mandate during the mid-1960s ushered in what was to become the first era of affordable housing policy in Canada (1965-1970). The timeline of associated policy changes thereafter, however, is indicative of state action becoming increasingly constrained by its having to fulfill the imperatives of the capitalist class. As such, the overwhelming majority of policy changes were instituted so as to benefit capital above all else. Consider the following summary of policy changes that were explicated in the previous empirical chapters (Table 9.1):

Table 9.1: Summary of Policy Changes Examined in this Thesis

\Timeline	Policy summary (exchange value/housing production)	Policy summary (use-value/social-welfare)	Historical bloc
1964		Ontario Association of Housing Authorities (OAHA) criticizes state for being too focused on housing starts.	Golden era
1966-67	Capital withholding from investing in housing market due to low interest rates.		Golden era

1967	State lifts interest rates and thus increases potential for higher returns on housing investments. Housing starts soar in 1968.		Golden era
1969	State adopts recommendations of Hellyer Task Force to dissolve public housing program and provide affordable housing as much as possible through the private market.		Golden era
1972		Parliamentary member Robert McCleave indicts federal government for not supporting low income persons with more land assembly initiatives, and for allowing market mechanism to leave gaping holes' in the supply of housing.	Golden era

1975	Bill C-77 dismissed by critics as sweetheart deal between Minister of State for Urban Affairs and developers so as to encourage more private housing production.		Golden era
1975	David Orlikow argues Feds are running away from affordable housing problems and leaving them to the private sector.		Golden era
1975-1980			Growing Federal deficit prompts policy makers to abandon stimulus policies and initiate at least an appearance of fiscal restraint.
1980		Assisted Home Ownership Program criticized for excluding those outside the lower income strata, and is eventually discontinued after producing mass mortgage defaults.	Golden era

1980			<p>Liberal government proposes amendment to Banking Act to impose restriction on chartered banks in regards to limiting the proportion of their portfolio that can be mortgage loans.</p>
1981-1982		<p>In response to housing slowdown, state implements short term subsidy programs for homeowners and renters intended to stimulate private housing construction.</p>	<p>Golden era</p>
1984			<p>In House of Commons, Roch La Salle says over last ten years the Federal government spent their way into oversize deficit, thereby limiting their maneuvering room with respect to policy.</p>

1985			State works steadily towards privatizing Canada's housing market. In accepting recommendations from Federal Task Force, the state abstains from policies involving wide-scale public spending on affordable housing provision.
1986		Affordable housing policies re-defined to be more cost-effective and to become directed specifically at those deemed in 'core need.'	Globalization era
1986	National Housing Act – Mortgage Backed Securities (NHA-MBS) program is introduced.		Globalization era
1988	Exclusive MBS pools of government subsidized non-pre-payable social housing mortgage loans are created.		Globalization era

Late 1980s-1990s			State policy characterized by deficit reduction, deregulation, de-unionization, privatization, and the signing of NAFTA.
1990s		Federal government downloads social housing responsibilities onto the provinces. New social housing developments are gradually phased out.	Globalization era
1991	First Home Loan Insurance (FHLI) Program reduces minimum down payment requirement from ten percent to five percent for first-time home buyers.		Globalization era

Late 1990s		<p>CMHC engages in partnership activities through Canadian Centre for Public-Private Partnerships in Housing (CCPPPH). Centre brings together public and private sectors, non-profit organizations and citizens to develop affordable housing projects without need for government subsidies.</p>	Globalization era
1999	<p>CMHC given additional tools to guarantee the timely payment of securities issued on the basis of housing loans (NHA MBS).</p>		Globalization era
2000	<p>Canada Mortgage-Bond (CMB) program created to accelerate investor activity in the realm of NHA MBS securities.</p>		Globalization era

Mid-2000s	Home insurance premiums reduced as a means of extending home ownership opportunities to greater numbers of persons.		Globalization era
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Upon examining this timeline of changes within Canada’s affordable housing policy, it is apparent that in times of structured coherence, state agents acting in the interests of non-capitalist classes were by and large unable to overcome or circumvent structural constraints. When slowdowns occurred in the housing market, the state was constrained by its imperative to stimulate housing production. It was this constraint that capital exacerbated at this time by withholding from investing in the housing market. The state thereby capitulated to the demands of financial institutions, including lenders, as well as insurance and trust companies in order to make housing a more lucrative investment, and at the same time, made housing costs more expensive for working people.

From the mid-1980s onwards, my analysis showed, the capacity for state actors to overcome or circumvent structural constraints was similarly encumbered by the structured coherence of affordable housing policy in the globalization era. It was globalization era policies like NAFTA and de-unionization that served to augment capital’s mobility, and at the same time, erode the strength of the working class. With capital possessed with greater mobility, state policy by and large placed considerable emphasis on the neoliberal principle of managing public debts and inflation. The purpose being, for the state to better attract investor interest within what was becoming a financialized political economy. In this environment, housing as a commodity was afforded paramount significance. This is evidenced in the high percentage of growth attributed to

housing market activity during Canada's economic boom of the late 1990s into the 2000s, in addition to the greater emphasis on home equity extraction by mortgagors as a means of covering costs in an era of wage stagnation. During this period of time, the state consistently adhered to the neoliberal constraint of refraining from spending on new housing programs, even in the face of criticism by House of Commons members during Parliamentary debates. Within the realm of AHP, then, agents acting in the interests of non-capitalist classes within the state appeared largely unable to circumvent these structural constraints. This appears to be a consistent pattern since the inception of the CMHC's social policy mandate in the 1960s, from which the dualistic structure of CMHC housing policy emerged. So what does this tell us in regards to Jessop's theorization that the SSB is a persistently mutable phenomenon, that state actors are afforded the capacity to overcome structural constraints in times of structured coherence? Given the limited scope of this project, a firm conclusive answer cannot be elicited here. It is apparent that I was unable to present instances where social forces outside the power of the capitalist class were able to circumvent structural constraints existent in periods of structured coherence.

That being said, in regards to my usage of Jessop's state theory, I did not undertake a thorough analysis of social forces and class movements' existent outside the realm of the state and of the CMHC. By not doing so, I was unable to evaluate the representative agents and institutions associated with the real estate and development sector, along with social movements comprised of members of civil society that pursue housing related interests held by non-capitalist class forces. In the context of discerning the mutability of the SSB within historical blocs, the absence of research detailing social movements complicated my ability to evaluate the influence of competing class interests on the state's formulation of AHP. An important component of Jessop's strategic relational theory is that the state produces policy by way of strategically

weighting competing class interests within changing conjunctural circumstances. Writing in regards to the general conclusions formed by strategic relational theorists, Jessop (2008) argues:

Overall, they imply that, whether one looks at concepts such as ‘structural constraint,’ ‘power,’ or ‘interests,’ it is always necessary to situate them in terms of the relations among social relations. Their meaning in specific conjunctures derives from the overall articulation of elements. Structural constraints comprise those elements in a situation that cannot be altered by agents(s) in a given time period and will vary according to the strategic location of agents in the overall matrix of the formation. This matrix involves a complex hierarchy of potential powers determined by the range and determinacy of opportunities for influencing elements that constitute constraints for other agents. This potential for power depends not only on the relations among different positions in the social formation but also on the organization, modes of calculation, and resources of social forces... The interests advanced or harmed through the exercise of power must also be assessed relationally. For interests depend on the conjunctural opportunities in a given period and hence on the balance of power. All this has major implications for calculating political strategies over different time periods and also highlights the importance of a conjunctural, relational approach to such issues as the nature of state power (45).

What Jessop is articulating here is that structural constraints, power, and interests, are all elements of social relations between class agents both within the state and outside it. The meaning of these elements are subject to change within different conjunctural periods, and their significance derives from how they are articulated or expressed by agents within the overall social formation.³¹ Structural constraints, in this sense, are that which cannot be altered by agents in a given instance, and do vary according to how agents are located within the matrix or environment in which structures develop. Agents are thereby locked in a complex hierarchy of potential powers. The realization of such power, in turn, is determined by the range and determinacy of conjunctural opportunities for some agents to influence elements that produce

³¹ The term ‘social formation’ is a “Marxist concept, largely synonymous with ‘society’, which refers to the institutional context which provides the conditions of existence of the mode of production. The term was devised by the structuralist Marxist Louis Althusser as a substitute for society, because he thought that the latter was too strongly marked by what he regarded as pre-Marxist humanist conceptions of social life as being (ultimately) the product of individual human beings. For this reason, its presence in a text normally indicates that the author works with a structuralist conception of social life, according to which social relations as such—rather than their bearers—are what determine what happens within societies. (It is worth noting that Marx himself rarely used the term.) For Althusser, a social formation is a complex of concrete economic, political, and ideological relations, bound together and given their particular character as capitalist, feudal, or whatever by the fact that the economic relations are, in his words, ‘determinant in the last instance’” (Oxford Reference, n.d., online).”

constraints for other agents. The potential for power to be exercised as a determining influence on the state depends not only on how agents are positioned hierarchically, but also on the strategic actions and resources of social forces. It is thus the consideration of the potential power of agents and social forces existent outside the state and the capitalist class, and their capacity to influence the direction of state power in different conjunctural settings that is lacking in this analysis of AHP evolutions in Canada.

As it stands, I was only able to explore changes in AHP through an analysis of what were mostly state produced documents in the form of CMHC reports, and public debates between members of the House of Commons. Because of this, my analysis was limited in the capacity that I could incorporate Jessop's idea concerning structural constraints, power, and interests as all being composite elements of the social relations involved in AHP development. This is because Jessop maintains that such relations occur between class agents within the state and outside it. Within my own analysis, I was only able to comprehensively explore the social relations between class agents operating within the state, namely politicians, and the ways in which they articulated these elements when debating the relative merits and inefficiencies of AHPs. Accordingly, I was relegated to exploring the changes in the meaning of these elements of social relations only from the perspective of politicians, and to a lesser extent, task forces, and the CMHC.

9.4 Possible Avenues for Future Research

What is discernible from these considerations is that more research must be performed in order to better understand my thesis research goals. To reiterate, the primary goals of this thesis project involved tracking historical evolutions in the SSB of AHP in Canada between 1965 and 2006. I also sought to examine the influence of changing historical blocs on the character of

these changes over the historical time period that I have examined. When examining my findings overall, it is apparent that I was able to make thorough conclusions regarding some aspects of these goals more so than others. In regards to what I answered more conclusively, this analysis made clear how AHPs have historically been debated and promoted by agents operating within the state (the House of Commons), as well as how AHPs are rhetorically communicated to the public by the CMHC. My research revealed that only certain classes were poised to benefit from AHPs despite their being promoted by the state as benefiting the ‘**common interest.**’ This helped to establish my theoretical argument following from Jessop (1982; 1990) that state policies are asymmetrically biased in favor of certain class interests. I also provided a thorough analysis of the dynamics of structural change in Canada through its transition between the golden and globalization era historical blocs. In making clear how it was that this change in historical blocs necessitated that the state commit to the globalization era philosophy of globalization, neoliberalism, and financialization, I deduced that this had a profound impact on the direction of AHP development in Canada. Upon its adoption of this philosophy, the direction of the SSB of AHP was drastically shifted in favor of mortgage lenders, developers, and financial investors with state policy and reduced lending standards equally facilitating these changes.

In terms of the weaker points of this analysis, I was unable to fully consider the role played by social movements and actors within the private sector (real estate companies, developers, etc.) in their efforts to influence the direction of the SSB within AHP. Following this, one important avenue for future research is in-depth analysis of social movements pertaining to housing policies between the mid-1960s through till 2006³² (Albo 2009; Smith

³² Albo (2009) writes that “neoliberal globalization has played itself out in the politics of Canadian cities over and over again through the last two decades...Policy initiatives for water, electricity and healthcare privatization, and cuts to social housing and welfare rates, have also been political battles over the quality of life of cities” (3).

2014). It is from such analysis that one can better determine the relational power between agents representing social movements and their associated agents operating within the state itself, and how these powers can influence the direction of state policy.

Another potential avenue for researchers to explore is the evolution of trends in AHPs after the housing crisis in the post 2008 era. My investigation on its own does contribute only to a retrospective understanding of changes in the SSB of AHP in past decades. In performing a more current investigation of changes in AHPs, other researchers can compare their results to my findings and those produced by others when determining the contours of such changes over longer periods of time. By doing so, researchers can evaluate whether the state imposed considerable changes in the SSB within the realm of housing policy following the recent recession.

This project has been an illuminating experience in regards to discerning the character of AHP as it has evolved in Canada over the years that I have focused on with my analysis. I am also confident that I have established a theoretical connection between developments in Canada's AHP with Jessop's critical state theory. What Jessop's theory allowed me to do was understand how it is that capital exerts its **ecological dominance** within the realm of AHP in such a way that is legitimate and credible. This is due in some part to the fact that his theory does not rest on economically deterministic premises. Jessop maintains that the state formulates policies on a strategic terrain wherein it balances and favors competing class interests in a relatively non-linear fashion, and that it professes to do this always for the '**common interest**.' This component permitted me to more adequately explain how it was that AHPs favored certain classes at the expense of others. Additionally, I was able to elaborate on how it is that the state rhetorically

communicates its policies as benefiting the common interest, despite the state being largely unable to do so.

In its totality, this analysis evidences what I believe is a dysfunctional phenomenon in state policy, that being the CMHC's housing policies. The dysfunction itself is a product of the inequities of capitalism, which is the dominant organizing framework that the Canadian state and society remain subject to. The state is compelled to weigh, balance, and ultimately favor some class interests instead of others with its actions. It does this, as Jessop argues through his autopoietic conception of society, to maintain the relation of interdependence that exists between all societal sub-systems including that of ecologically dominant capital. All members of society, in turn, are left having to legally acquire shelter within the standards put forth by the state, and by the CMHC as the institution that administers AHPs. My illumination of the dysfunction and inequality of AHPs is, I believe, a worthwhile contribution to an understanding of the problems inherent within AHP in Canadian society.

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