

HOUSING POLICY IN ISRAEL: REVIEW, EVALUATION AND LESSONS

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Published by **Israel Affairs**, Vol. 7, No 4, Summer 2001, pp. 181-208.

Published later in: David Nachmias and Gila Menahem, **Public Policy in Israel**. London:
Frank Cass & Co. Ltd, 2002.

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Was written in 2000

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A b s t r a c t

In the fifty years since its establishment, the State of Israel has turned from an undeveloped country of less than a million people to a developed country with six million citizens, whose income per capita is within the range of OECD countries. Deep involvement of the central government in the housing market has been a main factor in shaping the current housing conditions, in which about two thirds of the population enjoy high standards and less than 5% suffer from serious housing deficiencies. In the first twenty years, the governmental assistance focused on the supply side. Since then, public involvement has been gradually reduced and has moved towards the demand side. This article reviews the governmental housing policy and evaluates its results in terms of the impact on socioeconomic and physical-spatial changes in Israel. Finally, the Israeli experience is used to draw lessons, which may be useful to any country coping with issues of housing policy, regarding: the extent of desirable governmental intervention in the housing market, tenure issues, urban design, promotion of social integration and prevention of neighborhood deterioration through housing policies.

HOUSING POLICY IN ISRAEL: REVIEW, EVALUATION AND LESSONS

In the 20th century, the role of housing policy as part of domestic public policy differed from country to country, but some lines of similarity can be found among groups of countries, especially among the Western countries versus the ex-communist countries. In most Western countries, the housing policy story began with a series of sanitary regulations intended to prevent the spread of diseases. Later on, housing programs were used to improve the living conditions of the masses of workers, not of poor households, and to stimulate deteriorated economies. After World War II, the general living standards rose, especially among the expanding middle classes. Gradually, housing policies in Western countries focused on supporting disadvantaged populations¹.

In the Communist countries of Eastern Europe, housing policies took a more central role as carriers of spatial, economic and social development. For many years, communist governments closely controlled the housing markets in their countries and executed themselves much of the new residential construction. Housing programs were part of the development programs. The construction of industries in new and old regions was coordinated with governmental construction of housing and related services. Housing benefits were provided not by needs of users but rather by perceived (perceived by the rulers) contribution to the public interest of development².

The first leaders of the State of Israel were educated in Eastern Europe, together with those who later on headed the communist revolutions. Like their comrades, they believed that housing is a tool for building a nation and developing it. This belief, together with a strong conviction in the right and ability of the state to manage all the important aspects of life of its residents, guided what they did and did not do about housing policy in the first 20-30 years of Israel³. In the 1970s and on, when Israel came out of the status of a developing country and became a developed country, and when its socialistic government was replaced by a right-wing coalition, Israeli housing policy gradually changed. More responsibilities were delivered to the free market and more universal criteria for housing allocation were practiced, i.e., housing policies became more similar to those in Western countries.

This article reviews Israel's housing policy and evaluates its results in terms of the impact on socioeconomic and physical-spatial changes in the country. It ends with a discussion and several conclusions and lessons, which may be useful to any country that cope with issues of housing policy.

Government Intervention: Scale, Scope and Mechanisms

Fifty years after its establishment, Israel is a developed country not only by its GNP per capita and the levels of health and education of its residents, but also by their housing conditions. Almost every household in Israel enjoys its own apartment, equipped with all the essential facilities: living room and bedrooms, separate spaces for bathing and cooking, running water and electricity. The percentage of those suffering from serious housing problems has fallen to less than 5% of the population; approximately two-thirds of the country's citizens live in spacious accommodations (up to 1 person per room). This situation marks a strong contrast to the miserable housing conditions in Israel when the state was established. Moreover, the dramatic improvement came about despite the fact that the population of Israel increased six-fold during these fifty years. Market forces have played an important role in Israel's housing market, but the government has tried its best to guide the main developments. Deep governmental involvement is not unique to Israel, but the total scope of direct government involvement in the housing market distinguishes Israel from other Western countries.

Throughout Israel's history, the government has used its housing as a key instrument for achieving state's objectives. On March 8, 1949, David Ben Gurion presented the first permanent government of the State of Israel to the Knesset - the Israeli Parliament. On this occasion he itemized the three main tasks the government faced: maintaining security, absorbing immigrants, and achieving a decent standard of living. Housing was presented as an integral part of fulfilling each of the three national goals, thereby attesting to its importance in the process of nation building. Until today, Israel's housing policy has generally proceeded according to the objectives outlined in this founding speech by Ben Gurion.

In the first years of the state, following the large wave of refugees and immigrants from post-holocaust Europe and from Islamic countries, housing policy was directed mainly to achieving the two collective goals: immigrant absorption and the dispersion of the population to peripheral areas of the country (the last one was considered as contributing to the security of the country). When these collective national goals were at the forefront, there was a very high level of government intervention in the housing market, both direct and indirect. In the 1970s, the focus of the housing policy gradually moved to individual standard of living, even though the two collective goals have not been neglected. Together with the change of focus, the direct involvement of the government in housing provision has decreased. Throughout this entire period, considerations related to efficient allocation of resources played only a small role in shaping the housing policy⁴.

Table 1: Population growth and residential construction in Israel, 1948-1995

Year	Population		Residential construction				Expenditure on housing as % of government budget*
			Housing units		Square meters		
	End of period (000s)	% annual increase (avg.)	Building completions (000s)	% public (average)	Building completions (000s)	% public (average)	
1948	872						
1950-54	1,717	13.8	196	78%	7,812	61%	
1955-59	2,089	4.3	130	82%	9,247	54%	
1960-64	2,526	4.1	135	73%	12,842	44%	
1965-69	2,930	3.2	152	46%	13,044	34%	
1970-74	3,422	3.6	219	41%	21,335	33%	6.2%
1975-79	3,836	2.3	220	45%	21,835	34%	4.5%
1980-84	4,200	1.9	155	36%	18,160	25%	2.9%
1985-89	4,560	1.6	108	20%	15,115	13%	1.7%
1990-94	5,472	3.7	210	50%	22,250	35%	11.1%
Total			1,525	52%	144,640	34%	

* Government budget excluding debt repayment; data received from the Israel Institute for Social Policy Research, Jerusalem.

Source: *Volumes of Statistical Abstract for Israel*, a publication of the Central Bureau of Statistics.

Table 1 reflects the high volume and rate of construction in Israel, particularly during the early years of the state. The table also shows the very significant role played by the government in construction - a role that fluctuated according to the waves of immigration. The level of public construction is presented in two forms: as a percentage of the total number of new housing units constructed in Israel over the past 50 years, the figure is 52%, while as a percentage of the total area of residential construction (in square meters) the figure is much lower, at 34%. These figures show that all over the period, private construction dominated the market for large apartments. Another significant difference between public and private construction relates to geographical dispersion. Over the years, some 65% of all housing units constructed by private companies were in Tel Aviv and the Central district; some 20-25% were in the Jerusalem and Haifa districts; only 10-15% were in the periphery - the Galilee and the Negev. By contrast, 40% of public

housing units were constructed in the peripheral districts in the north and south of Israel - areas that were reached by only a small minority of the private projects.

A variety of mechanisms were used to implement housing policy, the most important of which are listed below.

- * Government construction and government-initiated construction — These are both included in the same category, since the statistics available relate to both as “public construction”. As we saw in Table 1, this mechanism was intensively used throughout the years, but particularly in the first “heroic period” (1948-64) and in the years of the mass migration from former USSR (1990-1992). What is unique about “public construction” in Israel is that in most cases where it took place, particularly in the rural areas and the development towns, it included not only residential buildings but also physical infrastructures and community services (schools, clinics, commercial centers, etc.).
- * Land policy — Ninety-three percent (93%) of the territory of the State of Israel (most of which is outside the largest cities) is under public ownership. This percentage is higher than its parallel in any Western country⁵. According to a basic law enacted in 1960, a government body - the Israel Lands Administration (ILA), is responsible for the allocation, transfer, management, pricing, and taxation of this land, and for the interaction between land policy and planning policy. The ILA “releases” land for residential construction by two methods: the first is via the free market, through tenders to the highest bidder; the second is to public bodies, usually the Ministry of Housing, according to an evaluation by an assessor. Thus, through controlled release of lands and price setting, the government directs the location of a large share of new housing construction and influences its cost.
- * Supervision of financing — Through close supervision of housing finance, the government controls much of the activity in the field of housing. This supervision relates not only to public-sector mortgages granted to eligibility groups. Private-sector mortgages, which constituted a very small portion of the total number of mortgages in the mid-1980s, were still restricted in the mid-1990’s, despite the law passed in April 1990 transferring responsibility from the Ministry of Housing to the banks. The secondary mortgage market is still at an early stage of development. Another important form of supervision of financing takes place through regulations of the Bank of Israel, controlling the involvement of commercial banks in financial loans for construction projects.

- * Legislation and Regulation — According to a law from the British Mandate period in force in Israel until 1965, the government was enabled to construct as it saw fit without the approval of any type of statutory committee. In 1965, the Planning and Building Law was passed. While this law restricts the government's freedom of action, it also grants government representatives considerable influence in national, district and local planning committees, which have the authority to approve or disapprove national and local plans. Other important mechanisms are comprised of regulations, by-laws and statutory plans that are related to the location, type and density of construction on the national, regional and local levels.
- * Assistance programs for selected groups —. The majority of Israel's assistance programs has been designed to spark demand for the purchasing of apartments, especially among immigrants, young couples, families living in disadvantaged neighborhoods, single-parent families, etc.⁶. Only a small number of programs assist rented accommodation, targeting families of very low socioeconomic status and immigrant families during their first three years in Israel. An additional group of assistance programs have been earmarked for the renovation and extension of apartments by their owners, particularly in disadvantaged neighborhoods.
- * Management of public housing — From the beginnings of public construction in Israel, about half of the apartments was earmarked for sale to residents, while the rest were designated for public management and rental (for details see the section on public housing below). The largest public housing company – Amidar – is a quasi- governmental company that runs the majority of the Israeli public housing stock⁷.
- * Housing renovation activities — Since the early 1960s, the Ministry of Housing and the public housing companies have been involved in housing renewal. In many cases, and especially in the framework of Project Renewal, they were involved not only with the renewal of residential buildings and infrastructure, but also with social services provided to the residents and their community (see below the section on renovation of the old housing stock).

The use of such mechanisms is not unique to Israel, but the combination of all of them and the depth of involvement in each of them is outstanding. Moreover, unlike capitalistic regimes, where market forces create a distortion in favor of those who have money, the Israeli government - as was common in communist countries - has distorted the scales in favor of specific groups, considered by the government as contributing to the progress of the state. Hence, Jews were given preference over Arabs, residents of the rural collective

settlements over urban dwellers, members of the Histadrut (General Federation of Labor) over non-members etc. ⁸Personal or corporate protectionism was sometimes applied in selecting the planners and contractors who implemented extensive public construction.

In the early 1970s, Israel's housing policy was sharply criticized by local economists. It was blamed for imposing a too heavy burden on the public treasury, for causing rapid rise in housing prices, and for producing too many units in places with no sufficient demand ⁹. Some important changes of policy were introduced into the system, including eligibility for subsidized loans not only for new units but also for second-hand apartments. The main changes awaited the change of governments: In 1977 the first right-wing government was elected, following 30 years of socialistic regime.

The new government further developed trends that started before it took power. Indeed, it maintained its deep involvement in the periphery of Israel (especially in the Galilee) and in the occupied West Bank, but reduced its overall direct involvement in the housing market. Only 20% of the new units of the 1980s were publicly initiated, compared to 45% in 1965-79 and 78% in the preceding "heroic" period. It built on the beginning of Project Renewal under the Labor government, but turned the treatment of the older housing stock and of the deteriorated neighborhoods into a large national project (see below).

Particularly significant were the many changes that gradually converted the main public support from the supply side to the demand side of housing and gave the private market wider roles. The market of mortgages was developed and transferred from governmental to private management by several banks. Elaborated programs were prepared to support the housing needs of "young couples", "families with housing deficiencies", "single parent families", elderly people, disabled persons and others. Universal rules for establishing eligibility for housing subsidies have been elaborated, gradually canceling much (not all) of the protectionism that characterized former times.

At the end of 1989, an unexpected large wave of immigrants from former USSR started to arrive. In the next decade one million immigrants were added to the Israeli population, 40% of them in the first two years. Within a few months, the Israeli government was deeply back into direct involvement in the housing market. While in 1989, the number of new units was 20,000, 16% of which publicly initiated, the parallel numbers in 1991 were 42,000 and 51%, and in 1992 – 70,000 units and 70% publicly initiated¹⁰. The number of new units dropped by half in 1993 and the percentage of publicly initiated units reached its low percentage of the 1980s (20% and below) in 1995. Hence, at the second half of the 1990s, Israeli housing policy was "back to normal", back to a continuous processes of privatization and of building a universal system of support to needy populations. The trend

that has not gotten back its momentum is the concentrated effort to improve the living conditions in distressed neighborhoods. Like many other Western governments, the Israeli government of the year 2000 tries to distance itself from large social programs, expecting the general economic growth to eventually filter down and solve the problems of the poor.

Evaluation of Housing Policy in Selected Areas

An evaluation of public policy may focus on numerous and diverse aspects, the selection of which often depend on the professional background of the person undertaking the evaluation. Since my own personal background is in the fields of sociology and urban planning, I shall analyze Israel's housing policy in terms of its influence on Israeli society and the different groups therein, and from the viewpoint of the spatial patterns created in the country.

Housing conditions

The housing conditions of the Israeli population at large have improved considerably and rapidly. In the 1950s and 1960s, the most critical problem was the availability of an adequate number of housing units relative to the number of households. By the 1970s this gap had already been closed, yet the building rush continued and reached new annual peaks in terms of the number of apartments and total area constructed (see Table 1 above). Since the 1970s, much of the residential construction was aimed at meeting the demand for larger apartments with more comfortable and luxurious facilities.

Statistical data shows that there has been a dramatic increase in the average size of new apartments in Israel, which doubled during the first decade after independence and continued to rise up to 140 sq. mts in 1990 (see Table 2; there was a temporary halt in the early 1990s as a result of the construction of a large number of relatively small apartments for the large wave of immigrants). Since apartments have become much larger and the average household has fallen in size from 4.0 persons in the 1950s to 3.5 in the 1997, it is evident that the average spaciousness of the accommodation in which the Israeli population lives has increased considerably. In 1996, 62% of the citizens (Jews and Arabs) lived at a density of one person per room or less (in most cases less), while only 5% lived at a density of more than 2 persons per room¹¹.

Housing conditions improved in other respects as well. While in the 1950s approximately 10% of households did not have running water in their apartments, and 20% did not have electricity, such deficiencies had almost completely

disappeared from Israeli statistics by the 1980s. During the 1950s, many households lacked items of basic equipment; 70% had no refrigerator, and a similar percentage did not have modern cooking facilities (gas or electric rings). In the 1990s, such equipment was present in 98% of households; 90% had a color television, and 90% had a telephone¹².

Table 2: Gross domestic product (GDP) per capita and selected indicators of housing conditions in the State of Israel: 1950 – 1995

Year	Per capita GDP		Average size of new apartment			% home owners
	\$ (fixed: Oct. 1996)	Estimated average annual growth (%) over previous five years	Total (m ²)	Public (m ²)	Private (m ²)	%
1950	3,410		32	28	50	
1955	4,490	6.2	56	45	75	50
1960	5,678	5.3	63	57	81	60
1965	7,494	6.3	76	61	92	
1970	9,346	4.9	93	74	104	65
1975	11,770	5.2	92	73	110	68
1980	12,018	0.04	108	80	120	70
1985	12,748	1.2	115	86	126	71
1990	14,301	2.4	140	98	148	73
1995	16,080	2.5	136	96	152	

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, various years.

Considerable improvements in housing conditions have occurred in all sectors of the population, but have not removed the discrepancies in living conditions between the groups. Looking at Jews and Arabs (see Table 3), living conditions for both groups have improved greatly over the years¹³, and for several indices, the improvement among Arabs has been greater than that among Jews. However, while Jews benefited from governmental subsidized programs, Arabs were excluded from most of the programs the

majority of the time¹⁴. Probably as a result of this, the housing conditions of Jews are better than those of Arabs, on average. Arabs have less freedom of choice in housing options because of discrimination¹⁵, and the internal discrepancies between the haves and the have-nots in the Arab sector are larger than among the Jews.

Table 3: Housing conditions and home appliances among Jews and Arabs

	Jews		Arabs	
	1961	1991	1961	1991
Average persons per household	3.8	3.4	5.6	5.6
Average size of new apartment (m ²)	81	112	104	140
High density (2 or more persons per room)	39%	8%	80%	39%
Ownership of residential apartment		73%		83%
Rents public housing		13%		4%
	1980	1993	1980	1993
Washing machine in the home	80%	90%	45%	83%
Telephone in the home	66%	95%	8%	74%
At least one car in the household	38%	52%	11%	40%

Source: Law Yon and Kallus, 1994¹⁶.

Significant disparities can also be detected between different ethnic groups within the Jewish population, particularly between Ashkenazim (those of European and American origin) and Mizrachim (those of Asian and African origin). Moreover, the differences in terms of housing density among the second generation of immigrants, those raised in Israel, are no less than those among those who were born abroad¹⁷. By contrast, the differences in ownership of domestic durables and appliances between Ashkenazim and Mizrachim, which were very large in the early years of the state, disappeared by the 1990s, even with regard to telephones and cars¹⁸.

There is an absence of data relating separately to the ultra-Orthodox Jewish population, which constitutes approximately 8% of the Jewish population of Israel. Due to the large size of families and low average income levels in this sector, it is reasonable to assume that their housing conditions are relatively poor.

Another group that merits particular attention in terms of housing conditions is the growing group of the elderly, who in 1995 accounted for approximately 9% of the citizens of Israel (11% of the Jewish population and only 3% of the Arab population). The supply of specially adapted housing for the aged is significantly less than the demand¹⁹. This also applies to housing adapted to the needs of disabled, retarded, and mentally ill people. A number of public programs have been implemented in recent years with regard to these groups, including a special program to renovate apartments for the elderly under the auspices of Project Renewal; however, many needs remain unmet.

Finally, an important indicator of the impact of housing on the living conditions of households is the price they pay. It was found that in 1975/6, after a very sharp increase in housing prices in the early 1970s, expenditure on housing accounted for 21% of family expenditure; in 1986/7 this figure fell to 14%; and in 1992/3 it rose again to 20% of family expenditure²⁰. Comparing the burden of housing expenditures on rich and poor people shows that the relevant figure was 17% of the expenditure of households in the bottom decile and 22% for the top decile²¹. However, when calculation is made not by household but rather by capita, and when instead of percentage from all expenditures we take just consumption expenditure, then we find that in 1992/3 the lower decile paid for housing 27%, while the upper one paid 21% only²².

Housing tenure

The government of Israel has always encouraged its citizens - especially the new immigrants among them - to purchase the housing units they occupy. Relatively cheap prices of publicly constructed units and subsidized loans were among the incentives it provided. The rates of housing ownership gradually increased from 50% in the 1950's to 73% in the early 1990's. At that time, 12% lived in public rented apartments from which they do not have to move unless they wish to, and an additional 2% had rental contracts protected by the Tenant Protection Law. The percentage of those renting on the free market was only 13%²³.

However, the high rates of private ownership are not equally distributed among the various groups of citizens, and the different value of the homes owned by different groups contributes to inequality in the society. The policy makers did not seem to acknowledge the fact that by means of their policies, especially by directing groups of immigrants to certain housing projects in certain locations as part of the population dispersal policy, they decisively influenced the division of wealth among Jewish ethnic groups (they did not read Saunders who analyzed "housing classes"²⁴). In the middle 1990s, Elmelech and Levin-Epstein found that Israelis who immigrated from North African countries had lower

chances of being homeowners, and that this finding is associated with their high percentage in peripheral development towns and their late arrival to Israel (late 1950s), compared to those who immigrated from Europe and also from Asia (early 1950s)²⁵.

For those who do not own an apartment, purchasing became more difficult with time, because apartment prices in Israel are constantly rising. Gat found that during the period 1962-1995 the prices of apartments "of equal quality" increased by a factor of 3²⁶. This steep increase may probably be attributed in no small measure to government policy. An analysis of the components of apartment prices²⁷ shows that the prices of construction inputs (relative to the *Consumer Prices Index*) have been stable over the past 30 years. Accordingly, the factors responsible for the rising prices besides the profits gained by contractors, are governmental taxes and other factors that are partially controlled by the government, with land prices and the price of capital heading the line.

The increasing prices of housing might seem to be in the interests of the three-quarters of Israeli citizens who own the apartments in which they live. However, since the price increase is particularly great in urban areas of high demand, all those who live outside these areas lose out in relative terms. This situation is exacerbated by the fact that the capital potential of the apartment is often the main capital transferred by inheritance from parents to children. Accordingly, the inequality in housing capital exerts a far-reaching inter-generational influence²⁸.

Spatial distribution of the population

From the early days of Israel, the leaders of the new state favored population dispersal, i.e., the foundation of Jewish settlements on as much land as possible, particularly in the peripheral regions of the country, the Galilee and the Negev. Arabs were forbidden to establish new settlements and the spatial distribution of their long-standing settlements was placed under restrictions²⁹. Jewish dispersion, on the other hand, was promoted through public construction of approximately 400 new agricultural settlements and 35 new development towns (until 1964), inhabited mainly by refugees-immigrants. Large-scale settlement campaigns also took place in later years, most notably the establishment of small community settlements in the Galilee and settlements in the West Bank.

Were these settlement campaigns successful from the point of view of their initiators? Was the goal of Jewish population dispersion achieved? The answer to these questions is at least partly positive. Almost all the settlements founded during these campaigns have survived. The Jewish population in the peripheral regions has increased, both in numerical terms and as a percentage of all Jews in Israel: in the Southern District, from 1% in 1948 to 15% in 1995; and in the Northern District from 7.5% to 10% over the same

period. The cities and settlements on the fringes of the state would not have existed had they not been established, settled and supported on a long-term basis by state bodies, particularly the Ministry of Housing. However, only a few of these settlements have “blossomed” to the point where they can now offer residents a range of economic and social opportunities meeting the aspirations of the Israeli middle and upper-middle classes. Many of the immigrants’ development towns and agricultural settlements in the peripheral regions still suffer from relatively low standards of living and their residents have lower socioeconomic characteristics than the Israeli average³⁰.

Thus, a heavy personal price was paid for the dispersion of population by those residents who were “dispersed”. Geographical remoteness, which restricted the employment opportunities open to the immigrants, was only one of the reasons for the low rate of success among the peripheral settlements. A main reason was the creation of concentrations of citizens with limited resources (education, language, vocational training, and income). Actually, many of the development towns constituted areas of distress from the moment they were born. This grave error was compounded by the mistake of establishing a large number of small towns, which could not possibly offer the advantages and opportunities provided in large urban settings. An additional factor was the hasty, cheap and poor-quality construction of residential buildings with small, low-standard apartments. The discrepancy between these apartments and those built by private construction in other places was well known. Stronger population groups, especially of European origin, were deterred from settling in these areas, and local residents whose situation improved tended to leave. The planners had good intentions and they wanted to achieve both population dispersal - a public goal, and accelerated integration - a personal goal of the immigrants. But the mistakes they made prevented positive development in these places of settlement for many years, in spite of repeated public investments. Despite the difficulties, a number of new settlements did manage to flourish. Two notable examples are Beersheva, the “capital” of Israel’s south, and Ashdod, a port city. Other examples are Arad and Carmiel, development towns built at a later stage (middle 1960s) and with social and physical planning characteristics which took into account earlier failures. Another proof of success in dispersing the population is that during the 1980s and 1990s, the spontaneous demand for housing “stretched” out of the center of the country. Indeed, free market economic and urban processes, as well as the growth created by the large-scale immigration from the former Soviet Union, have contributed their share to this stretch, but the governmental policies and activities had a decisive role in preparing the ground. In the north, spontaneous demand now extends as far as Carmiel, Migdal Ha’emek and Yokne’am, and in the south, as far as Ashdod, Ashkelon and Kiryat Gat. In

central Israel, new demand among the Israeli middle class has reached some of the most deprived development towns, including Yavne, Or Yehuda, Rosh Ha'ayin and Kfar Yona. These towns are going through a socioeconomic transformation in recent years, as private market enterprises have moved into areas that in the past were developed exclusively by public initiatives.

In summary, the governmental housing policy has undoubtedly exerted a powerful influence on the geographical structure of Jewish settlement in the State of Israel. It has significantly expanded the settled area in the center of the country and increased the proportion of Jewish population in the periphery. Achieving this effect has incurred considerable costs, both to the public coffers and in terms of the personal costs carried by many individuals, particularly poor people, who were not enabled to choose their place of residence according to their own preferences. There is no real way to weigh the collective achievements against their personal costs.

Impact on the integration of the different immigrant communities

Housing policy was not concerned solely with providing shelter for the immigrants who had been uprooted from their countries of birth, but also with creating a place where they would set down new roots. This new place was supposed to achieve not only the goal of "ingathering the exile communities," but also that of "integrating the exile communities," the Israeli equivalent of the American "melting pot". Housing policy was intended to further the national goal of integration both between immigrants and "veterans" and among immigrants of differing origins.

In practice, residential mix of immigrants and "veterans" were implemented in a minority of the public housing projects. Most projects were designed solely for immigrants and were built on the peripheries of the well-established settlements or in peripheral regions of Israel, in areas where the Ministry of Housing could easily locate available land for mass construction. Housing projects intended for "veteran" Israeli population were few in number and generally situated in more central locations than the immigrant housing.

As for different origins, both Mizrachim (from North Africa and the Middle East) and Ashkenazim (from Eastern Europe) were settled in many of the governmental housing projects of the 1950s and 1960s. However, within a few years, a process of negative selection and residualization occurred. Families, whose situation improved, left the immigrant housing projects in favor of better apartments in preferable locations. Reflecting the relatively high correlation between ethnic origin and socioeconomic status in Israel, many of those who left were Ashkenazim, and hence, the social segregation of low-income Mizrachim in distressed neighborhoods increased. In the early 1980s, Project

Renewal encompassed 70 neighborhoods throughout Israel, approximately 90% of which were old public housing projects with a clear majority (usually 70-90%) of residents of Asian and African origin (“Mizrachim”, who at this time constituted approximately 45% of the Jewish population of Israel)³¹.

A comprehensive study of the ethno-spatial structure of Jews in Israel³², found that, in spite of the continuous correlation between ethnic origin and socioeconomic status in Israel³³, a large number of Israeli neighborhoods have become heterogeneous in terms of the ethnic origin of their residents. Indeed, in the most prestigious neighborhoods in the country there is a clear majority of Ashkenazim, and in the lower end – especially in the remote development towns – a clear majority of Mizrachim, particularly from North Africa. But a large and enlarging number of middle-class neighborhoods, i.e., the majority of neighborhoods in Israel, are mixed. This process of spatial integration occurred as a result of the improvement in the economic situation of many Mizrahi households, who thereby managed to move into the center of the scale and take residence in both established and new middle-class neighborhoods.

Two conclusions may be drawn from this analysis. First, among Jews in Israel the socioeconomic status of the household plays a much more important function than does ethnic origin in determining housing opportunities available to the household. Secondly, in keeping with the declared housing policy, processes of integration of immigrant communities in Israeli neighborhoods are taking place. These processes occur in spite of the fact that during the first two critical decades, when most public construction took place, the policy implementation did not contribute to the promotion of the stated goal of integration.

Impact on the urban landscape of Israel

The architecture of public housing exerted a considerable influence on shaping the urban landscape of Israel. It reflects the changes and developments in modern architecture³⁴ as well as those in Israeli society: from “architecture for the poor” of two-floor concrete blocks in the 1950s, through long “train” buildings of the 1960s, on to the “fortress” constructions of the 1970s, to be followed by construction and architecture of the traditional urban street in the 1980s³⁵.

In the early 1950s, the prevalent type of building housed four families, on two floors, with tiny apartments of 30 square meters. These buildings were scattered in old and new towns according to the “garden city” model, whereby buildings are located along a network of ring roads and separated by large green areas. Apparently, the intention of the

Ministry of Housing was to enable residents to use their plots of land to grow vegetables, bearing in mind that Israel was then immersed in a period of grave austerity. No tomatoes were actually grown in these yards, but rooms did gradually spring up there. By the 1980s and 1990s, one could find in older neighborhoods (such as the Katamonin in Jerusalem and Ramot Remez in Haifa) stylish and spacious houses at the heart of which the old building lay hidden. These homes are populated by lower-middle class and middle-middle-class families, who have successfully exploited the potential of the old urban neighborhoods with their low-rise buildings and extensive open spaces.

The architecture that exerted a profoundly negative influence on the urban landscape in Israel is that of the standard housing projects a' la "the international style". They were constructed primarily from the late 1950s through the mid-1970s - the period when the majority of the public housing projects and development towns were established. According to the ideology of modern architecture of Le Corbusier and his colleagues, planning guidelines for minimal and standard housing were prepared in by the Ministry of Housing, generally without consideration for local variations in climate or topography, nor for the varying preferences among different populations. Buildings of 3 or 4 floors, arranged in train-like rows with several entrances, with apartments of 45 or 56 square meters, were constructed. This architectural approach, which reaped failure in Britain and the United States as well as in the Punjab in India and in Brasilia in Brazil³⁶, also stumbled in Israel. The failure of the housing projects was especially severe where the homogenous construction, incompatible with the specific needs and preferences of the residents and with local environmental conditions, was combined with homogenous inhabitation, usually of weak population groups. The poor reputation thus gained by the public housing projects continued to plague its neighborhoods and most of the development towns for decades, even after improved construction was introduced and efforts were made to attract stronger population groups.

By the 1970s, the Ministry of Housing was already aware of the negative results of homogeneity and monotony in public housing projects. One of the policy responses was to allow experimentation with new design forms in public construction. A decision was made to diversify the public housing projects and, more specifically, to create within each project, and sometimes also within each building, a variety of dwelling types. The assumption was that physical diversification would also lead to social diversification of residents³⁷.

During the 1980s and 1990s, the Ministry of Housing initiated the construction of neighborhoods characterized by diversity in types of housing and in land uses. It allowed

commercial uses on the ground floor and residential accommodation on the floors above. The planning approach of mixed land uses has also penetrated open spaces. Some areas are planned according to the “Dutch road” style, combining traditional functions of open spaces with pedestrian walkways, roads for slow local traffic and parking. The great achievement of this public construction is that – unlike the public housing projects of early years – one cannot easily differentiate between public and private construction of the 1990s.

Efficiency of the housing market³⁸

While economic efficiency has never been considered a key goal in Israel’s housing policy, those directing this policy would be expected to be interested in some aspects of efficiency, at least in terms of compatibility of supply and demand and as related to achieving maximum benefits for given costs.

In terms of supply and demand, which is referred to as efficiency of allocation, Israel has maintained partial efficiency. This has been reflected in the increasing standard of new housing in keeping with the increased financial capabilities of consumers, particularly as far as private construction is concerned³⁹, but also in the public sector. However, an indicator of inefficiency was the creation of a stock of tens of thousands of vacant apartments. This process advanced in the 1970s⁴⁰ and reached a peak in the late 1980s, when there were probably more than 100,000 vacant housing units in Israel (close to 10% of the national stock). Most of the vacant apartments were in public housing projects in development and peripheral towns, but also a considerable number of vacant private apartments, particularly in the city centers of Tel Aviv and Haifa. A large number of these vacant (or in non-residential use) apartments were occupied by the unexpected wave of immigrants in the 1990s. It could be argued, that the fact that the apartments were eventually filled justifies the policy adopted; in a country which is interested in and anticipates unpredictable waves of immigration, it is reasonable to maintain a stock of vacant apartments, and these should preferably be in areas where the state wishes to settle immigrants. The same argument could also be offered as a reason for the construction of a new stock of vacant apartments in the development towns in the early 1990s. However, the mayors of the towns affected by this policy do not support this approach, particularly since the Ministry of Housing tends to allocate vacant apartments to low-income households, single-parent families, and the elderly. . Concentrations of such households may lead to the creation of new distress neighborhoods, particularly in settlements that already have a low socioeconomic profile.

As for the efficiency of housing production in terms of costs and benefits, this should be examined both on the macro level (the state) and on the micro level (the household). On the macro level, economist David Pines⁴¹ calculated that an addition of one household in the crowded Tel Aviv metropolitan area, as opposed to its addition to a small development town, increased public expenditure by \$60,000. Pines acknowledges that the extensive expenditure on infrastructures in the central region must be balanced against the wide-ranging support given to development towns through housing subsidies, the Capital Investment Encouragement Law, income tax benefits and the high level of participation in financing the expenditure of local authorities. However, he believes that all these incentives taken together are still too low. His conclusion is that in terms of macro economic efficiency, not only “is there no excess in the level of incentives for population dispersal, but ... it would even be appropriate to increase these”⁴².

On the micro level of the individual households, it may reasonably be claimed that the housing policy has been efficient, i.e., that it has supplied extensive benefits at low costs from the point of view of most of its beneficiaries. However, those who benefited much more than others were usually those who were better off, while the benefits did not keep pace with costs from the standpoint of “weaker” populations, especially Arabs and Jews from North African origin.

Arabs, who constituted some 15% of Israel’s population during the period, have certainly been negatively affected by public housing policy. They have suffered from expropriation of land, from dearth of special assistance programs, and from inequality in the allocation of public assistance intended for all citizens. Jewish immigrants have on the one hand been the major beneficiaries of housing policy, which provided them with reasonable accommodation and usually with accessible public and social services more quickly than they could have achieved by themselves. But in terms of their social and economic integration into Israeli society, parts of them seem to have suffered from their placement in isolated neighborhoods established specially for them, in particular when these were located in development towns, and when the immigrants came from the Middle East and North Africa. While there is no scientific proof that Mizrachi immigrants who settled in central Israel were absorbed more quickly and more successfully than those directed to the periphery (indeed, a particular example of the opposite may be found in Carmon and Mannheim⁴³), there is extensive circumstantial testimony supporting the claim that much damage was caused by the residential segregation of immigrants. Significant weight must also be attached to the personal feelings of deprivation among those who felt that they were forced to live in remote and/or undeveloped areas, losing opportunities that were perceived as open to “main stream” Israelis.

Management of public housing

A unique characteristic of Israeli housing policy is the high level of public construction, on the one hand, and the low rate of public ownership of dwelling units, on the other. Only 12% of the housing stock are in public hands⁴³, compared with 44% in The Netherlands, 36% (including cooperatives) in Sweden and 17% in France⁴⁴.

More than half the apartments built by public construction were originally intended for sale to the public. The government wished to control the location, standards, prices and conditions of finance and purchase, but it had no intention of maintaining ownership of so many apartments. On the contrary, it wanted to encourage home ownership as a means for rooting the population of immigrants. In addition, the government was actively interested in receiving payment for the apartments to finance continued public construction. The apartments that remained under public ownership were those that were difficult to sell from the outset, mainly due to their location in development towns or in peripheral city neighborhoods. These apartments were delivered to the responsibility of Amidar, a large governmental public holding company (established 1949), which allocated them to eligible residents who may remain living in them as long as they wish (even when their economic situation improves).

Later on, a few small public holding companies were established, but the governmental company of Amidar managed most of the publicly rented inventory (about 110,000 out of 150,000 apartments by 1990)⁴⁵. The company is responsible for placement, maintenance, rent collection, renovations and community work. Its activities are hampered by the extremely low level of rent paid by the residents. In 1990, approximately one third of the public housing tenants paid no more than symbolic rent; approximately half the tenants paid highly subsidized levels of rent; and the remainder were supposed to pay rent according to prices in the free market, although here, too, levels were low and many tenants received discounts⁴⁶.

Throughout the years, the public housing companies that run the projects that were not directly sold, have encouraged tenants to purchase the dwelling units they occupied. Unlike other countries, privatization of public housing is not a “new” policy of the 1980s. It started as soon as the governmental holding company was established in 1949. Those purchasing apartments could obtain assistance amounting to up to 90% of the reduced cost of their apartment: 30% by way of grant, and the remainder through a subsidized loan. Werczberger⁴⁷ reports that each year during the period 1964-1989 between two and five percent of the public housing stock was sold. Private ownership has generally generated positive results in Israel, as in other countries⁴⁸. However, there were also

problems in ongoing management, due to the division of ownership between private households and the public companies, not only within the same neighborhood but even within individual buildings.

Until the mid-1970s, the housing policy in Israel worked simultaneously in two directions: on the one hand, it added new apartments to the stock managed by the public companies and on the other, it reduced it by selling apartments to interested tenants. During the years thereafter the process of sale continued, but the authorities deliberately refrained from adding new public housing projects with the goal of reducing the public inventory. However, at the same time the public companies purchased several thousand apartments on the free market, which were also allocated to eligible households. The advantage of these apartments is that they are not concentrated in public housing projects but dispersed throughout the urban area. During the early 1990s, the years of the mass immigration from the former Soviet Union, government “budgeted construction” and “guaranteed purchase” accounted for the addition of approximately 40,000 apartments to public management. The government intends to continue to hold approximately twenty percent of these apartments for the purpose of social rent to elderly people, single-parent families, etc., while the remainder of the apartments added to stock are gradually being sold. This process of selling public housing to their tenants together with continuous additions to the public stock deserves special attention by policy makers. It will be discussed in the last chapter of this article.

Renovation of the old housing stock

In the early 1960s, the Israeli Ministry of Housing started its involvement in housing renovation programs. Following the urban renewal policies that were common in most Western countries in the middle of the century, programs for the “elimination of slums” by means of demolition of buildings and relocation of residents were prepared in Israel as well. Very few of them were implemented. These programs of “the bulldozer era” were sharply criticized wherever they were implemented, including Israel⁴⁹.

Western countries took a very different approach in “the second generation” of neighborhood rehabilitation policies. Comprehensive social and physical rehabilitation programs, such as Model cities in the US, replaced demolition and displacement⁵⁰. Israel’s Project Renewal (announced in 1977, still partly active in the late 1990s) was a national program for integrated physical and social treatment of distressed neighborhoods. It gradually reached 150 neighborhoods throughout the country, including over 20 small development towns; about 15% of the Israeli population lived in Project Renewal’s neighborhoods. The project invested half of its resources in improving local social services,

particularly education and leisure services. The other half, channeled via the Ministry of Construction and Housing, was devoted to improving housing conditions and physical infrastructures. All the project's programs were directed to the existing population in its existing housing stock, i.e., "no demolition" of buildings and "no displacement" of residents were highly observed principles. Residents' participation in the rehabilitation process was encouraged in each neighborhood. The various aspects of this extensive project were studied extensively⁵¹.

Ninety percents of Project Renewal's neighborhoods were public housing projects, built in the first 25 years of the State of Israel. Construction standards during this period, both in terms of apartment size and construction materials were substantially lower than the standards that emerged during the 1980s, which have in turn continued to rise during the 1990s. To take care of these low-standard dwelling units, Project Renewal had four main housing programs⁵²: Encouraging ownership, external renovation, internal renovation (including a sub-program for the elderly), and enlargement of small apartments. The analysis below focus on the enlargement program only, because of its special long-term influence on the local and national housing stock.

Spontaneous activities to enlarge apartments are widespread in developing nations. John Turner discussed such processes in Peru⁵³ and Graham Tipple researched this subject in Ghana, Egypt and other countries⁵⁴. The initial stages of the process in Israel were of similar nature. Families who lived in the small dwelling units of the early public housing projects, where the apartments were in the range 30-45 square meters and the buildings of one or two floors surrounded by generous open spaces, began to enlarge their residential space when they had the financial means to do so. Researchers studied this process and found positive consequences from the points of view of the families involved, the neighborhoods, and the state's housing stock⁵⁵. With the assistance of neighborhood directors, the researchers succeeded in persuading those leading Project Renewal to include assistance for housing enlargements in the project's programs.

Under the leadership of Project Renewal, a process of public-individual partnership began. The responsibility for the enlargement program and the main burden of finance rested with the tenants involved, but the project staff provided assistance in convincing neighbors to accept changes, obtaining permits and designing new layouts, in addition to arranging access to subsidized loans⁵⁶. Approximately 35,000 apartments were enlarged under the auspices of Project Renewal; their average size was doubled, from 50 to close to a 100 square meters⁵⁷. The extensions diversified and improved the housing stock in the neighborhoods. A most important outcome was that the possibility to considerably

improve their housing conditions served as an incentive for “stronger” families to remain living in these areas, instead of moving out as soon as they could afford it. Hence, the deterioration process was halted and signs of regeneration were detected.

By the mid-1980s, the housing enlargement movement began to spread to middle and even upper-middle class neighborhoods in various cities. After 10-15 years of opposing housing extensions in the name of urban order and environmental quality, municipal agencies gradually realized that the process was both necessary and positive, if they wished to encourage families to stay in the cities rather than moving out to the suburbs.

In the late 1990s, housing enlargements became very popular in Israel. One can see them in one-story to twelve-story buildings, usually executed on a building by building scale. The Ministry of Housing continues to provide technical assistance and subsidized loans for extending apartments in cases of “eligible” households, mainly in distressed neighborhoods and development towns. Most of the activity, however, is currently carried out in areas of moderate-income and middle-income families, without publicly subsidized financial assistance. Several municipalities provide legal and administrative support to such activities. The process is slow, but the interesting fact is that the initial momentum of enlarging and “updating” the old housing stock, which started in public housing projects, is gradually spreading throughout the cities and towns of Israel. It carries the potential of preventing neighborhood deterioration, where it has not yet started, and contribute to reversing it, where it is currently in process⁵⁸.

Discussion

From the viewpoint of those shaping public policy in Israel, housing policy relates not to the efficient management of real estate transactions, but rather to the provision of roots for people who have been uprooted and to the fulfillment of the goal of nation building. This is not an ideological statement, but a realistic description of the motives that have shaped the decisions and actions of the leaders of the state and those responsible for its housing policy, not only in the 1950s, but also, to a considerable extent, in the 1990s.

In keeping with the importance of the national goals attributed to housing policy, extensive public resources have been invested in this field. The policy makers have adopted a profoundly paternalistic approach, arguing that not only should the public make such large investments, but that each individual should also forego personal aspirations in order to realize the national vision. This approach dominated Israeli life for the first two “heroic”

decades — the period when housing policy and public construction created the spatial map of Israel.

The state devoted a significant part of its budget in general, and its development budget in particular, to the field of housing. Many Israeli citizens, especially poor people who were not able to choose their place of living according to their preferences, paid a high personal price for that housing policy. This is the cost side of the equation. As for benefits, it would seem that the effectiveness of Israel's housing policy, in terms of the extent to which it achieved its goals, was quite high. First, it successfully provided shelter for 2.7 million immigrants who arrived in the country over the years, many without any financial resources, including close to one million immigrants in the 1990s, mainly from former USSR. In the remote development towns, the shelter was provided together with physical infrastructure and buildings for social services. Hence, the waves of immigration not only did not lead to the appearance of homeless people wandering the streets, but also did not produce shantytowns that are common in areas of mass immigration. Second, The housing policy promoted population dispersion in Israel: it expanded the settled area in the middle of the country (which stretches today from Carmiel to Kiryat Gat) and increased the proportion of Jewish population in the periphery, in the Galilee at the north and especially in the Negev at the south. Thirdly, it raised the standard of living in Israel in the last 20 years by constructing improved new units and by large renovation projects.

In light of the heavy costs of these policies on the one hand and of the considerable achievement of goals, on the other hand, several questions may be asked. One: assuming that population dispersion and the settlement of peripheral regions is a key national goal, was it necessary for the government to deeply intervene in the housing market in order to achieve them? Looking backward, it seems that it would have been impossible to bring a significant population to the peripheral regions without governmental intervention in residential construction in these regions. This does not imply that it was necessary to establish such a large number of rural and urban new settlements. Neither does it imply that the allocation of public resources did not focus too much on subsidizing accommodation as opposed to subsidizing employment. Above all, it does not imply that what was indispensable in the past is also required in the future. While government support seems to be a necessary condition in the early stages, nowadays, assuming that the government still wishes to promote the settlement of peripheral regions, it would be desirable to take a different way. Most specialists argue that the government should transfer a significant portion of public assistance to infrastructures, particularly in the fields of education and communications⁵⁹.

Another question is: is it reasonable to attribute the considerable improvements in the housing conditions of Israeli citizens over the first fifty years to the governmental policy, or could similar improvements have occurred if housing had been left to free market forces? In the absence of any direct empirical answer, I shall address this question by means of a comparison between the processes that occurred in the Jewish sector, where there was profound government intervention both in supply and demand, and the processes in the Arab sector, where minimal public assistance was provided during the first 30 years and only limited assistance thereafter⁶⁰.

The progress achieved in improving living conditions in the Arab sector during the first fifty years is no less than in the Jewish sector and possibly even more (though note that the extent of progress does not equate with the quality of the result). The Jewish community, however, enjoys a clear advantage. Firstly, the living conditions of the poorest Jews are substantially better than those of the poorest Arabs (and than those of poor population sectors in many developed nations), and discrepancies in living standards between the upper and lower deciles within the Jewish population are smaller than those in the Arab sector. Secondly, the physical and institutional infrastructure in the development towns and disadvantaged Jewish neighborhoods, most of which were constructed by the Ministry of Housing, are substantially superior to those in the deprived areas of the Arab population. One may also add to these two factors the reality that living conditions for most Jewish socioeconomic groups are better than those of parallel groups in the Arab population; one of the main reasons for this is probably that the costs of improving living accommodations and living environs among the Jews were divided between the government and individuals, which was not the case with the Arab population.

Conclusions and Policy Implications

Israel has been a living laboratory for housing policies. Its extensive experience can be used to draw lessons and policy implications that may be useful for developed and developing countries. This concluding chapter deals with the extent of desirable governmental intervention in the housing market, tenure issues, urban design, promotion of social integration and prevention of neighborhood deterioration through housing policies.

A basic lesson that can be drawn from the Israeli experience is that governments can and probably should change the extent of their involvement in the housing market in accordance with changing social and economic conditions in the society. During early stages of economic and social development of a nation, when citizens lack material

resources and knowledge, public direction is vital⁶¹. As individuals and households have access to greater resources, as they have increased ability and willingness to pay more for matching the products they consume with their preferences, public intervention should be largely reduced. This policy recommendation reflects the conclusion that the free market is more efficient in the fine-tuning needed to promote compatibility of demand and supply. After such a reduction takes place, a renewed need for intervention may emerge, such as in crisis situations due to economic depression or mass immigration. In such cases, the government may temporarily expand public involvement.

Housing policy in Israel, as in most other countries, has encouraged and supported home ownership in the housing market. However, unlike other countries such as the US and the Netherlands, the support was not provided to every person who purchase a home but rather limited to specific groups. Economists say that universal support of home ownership, which usually means allowing deduction of mortgage interest and property taxes, assists upper-income households, increases social discrepancies and encourages over-consumption of housing on the account of more productive investment⁶². Hence, the recommended policy is to selectively support home ownership among needy groups of population.

Another type of support of needy populations is through public ownership and management of housing. The process adopted by the Israeli government, whereby public agencies continuously add apartments to their stock, while at the same time they sell housing units to tenants who can afford buying, may serve as a model for an appropriate public policy. The public assists start-up households or households facing deprivation, but assistance continues only until the point when the household can stand on its own feet. At this point it is not forced to leave the apartment, thus leading to the segregation of the weaker population; instead, it is invited to purchase the apartment it occupies on particularly attractive terms.

Two main negative results have been reported regarding the privatization of public housing in Western countries: firstly, a significant reduction in the number of public housing units without any concomitant reduction in the number of people requiring this service; secondly, the removal of the better-quality apartments from the public stock. The Israeli method described above seems to overcome both these obstacles, since the sale of apartments is accompanied by the creation of new public housing at standards that are usually better than those of the sold apartments. This process merits detailed research in terms of its individual and public costs and benefits. It should be compared with the

alternative to replace public housing for the needy with the allocation of cash or “housing vouchers”, an alternative that was implemented and studied in other countries⁶³.

Because of the large share of the Israeli government in housing construction, the design of public projects had a strong impact on the urban landscape and on urban processes. The design of housing in Israel of the 1950s and 1960s', as in other countries, mostly in European countries, followed the ideas of modern architecture and the international style (see above). As it turned out, the residents did not like what the modern architects created for them; those who could afford it, left the public projects and moved into differently designed neighborhoods. Thus, mistakes in housing design served as one of the central causes of deterioration of housing and neighborhoods.

The main lessons of these design failures are “no” to separation of land uses and “no” to mega-buildings with standard apartments, particularly for below-average-income households. The movement of the New Urbanism⁶⁴ seems to provide some guidance for preferential housing design. Among its principles: Compact walkable neighborhoods, a diverse mix of activities and a wide spectrum of housing options, which enables people of a broad range of income, ages and family types to live within a single area. The movement has emerged in the US, but its principles seem to be in line with urban structure and regulations in Europe and Israel much more than with those in North America. Recent housing architecture in Israel is compatible with some of the main requirements of the New Urbanism. Its principles are suggested here as a potentially good practice for housing design, a kind of compromise between the mass housing construction a' la modern architecture and the enormous single-family sprawl of suburbs that is typical of the US and parts of other countries.

In addition to some elements of urban design, a few of the principles proposed by the New Urbanism are compatible with lessons from the Israeli experience in at least two other important respects. First, is the preference of socially-mixed housing developments. Israeli analysis as well as examination in other places, shows that housing segregation of the lower classes is both a symptom and a main cause of deterioration⁶⁵. There is a long and frequently unsuccessful experience with various forms of socially-mixed housing in several countries⁶⁶, but the extensive experience in Israel suggests some useful guidelines for planners⁶⁷. These guidelines include the following: mixed income neighborhoods should be large (usually more than two thousand households) to allow for several relatively homogeneous clusters within it, and to be able to carry qualitative social and commercial services; residents should know in advance that they are going to live in a mixed area; the disparities between the various groups should be moderate; as far as

possible, common interests (fighting for or against a certain initiative) should be encouraged.

The second respect in which New Urbanism's statements are compatible with the Israeli experience is the recommendation to give priority to sites within the existing urbanized areas over development of new residential areas. However, unlike the emphasis of the New Urbanism on infill housing and redevelopment, the Israeli experience proposes to start with the existing homes and only later on (where necessary) to add new housing in proximity to the improved ones. Ways to prevent deterioration and to reverse housing and neighborhood deterioration have been developed and experimented with in Israel. For prevention, "the Phoenix Strategy" for user-managed "updating" of the old housing inventory is suggested. The leading idea is to provide modest-income and middle-income households living in old residential buildings (1-12 story high) strong incentives to "improve (their homes) instead of move", and thus, to prevent the vicious circle of social and physical deterioration, before or close to its start⁶⁸. For deteriorated neighborhoods, a "two-stage strategy for regeneration" is offered. The first stage requires several years of social programs and housing improvements a' la Israel's Project Renewal style (see above), which should bring the distressed neighborhood closer to the standards in better-off areas. The second stage is aimed at ending the isolation of the distressed area and turning it into an integrated part of a broader and higher-status urban quarter, mainly by adding new housing within it or in its immediate proximity⁶⁹. Both these strategies require cooperation on housing issues between the three sectors of the economy: the public, the private and the voluntary (not-for-profit) sectors.

Housing policy-making in developed countries of the 21st century is changing. From strong dependency on public agencies it moves towards various forms of partnerships between public, private and voluntary organizations. In spite of the strong movement towards the private market, social considerations in housing policy remain high in the order of priority. There are good moral reasons for that, but in addition, there are practical reasons, recognized even by economists. For example: The economists Person and Tabellini⁷⁰ whose work was based on extensive data from many countries, found a positive correlation between social equity and economic growth in democratic countries. Hence, how to manage effectively and efficiently the new complex patterns of partnership in the housing market, while truly caring for the interests of all the diverse social groups within each society and locality, are the major challenges of future housing policy.

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