

TOWARDS A POLITICAL ECONOMY
OF URBAN LAND AND HOUSING:
THE CANADIAN SITUATION

by

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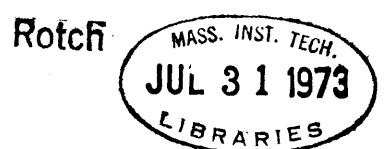
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ABSTRACT.

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by FRANK ROBERT LEWINBERG.

Submitted to the Department of Urban Studies and Planning at the Massachusetts Institute of Technology, on June 15, 1973, in partial fulfillment of the requirements for the degree of Master of City Planning.

This thesis is an attempt to develop an analysis of urban land and housing in Canada from a political-economic perspective. It traces the relationship between urban land and housing developments and the larger social and economic development in Canada. The analysis is historically based in order to clearly illustrate and understand the interests and economic processes involved. The problematic aspects of current problems are shown to have their roots in the past.

The first three sections [2 to 4] explain why a political-economic analysis of urban land and housing is necessary and then describe the underpinnings of such an analysis. The succeeding sections contain the historical analysis itself, interspersed with theoretical arguments when these are appropriate. Thus section 5 covers the period from 1760 to the 1920's. It begins by outlining conditions in an essentially pre-capitalist period then traces the emergence of capitalism, including the economic and social relationships which now predominate in Canada. Section 6 deals with the detailed effects of the trends which emerged with capitalism on urban land and housing at the present time. The conclusion indicates the next steps for both further theoretical work and for practise related to the problems of urban land and housing in Canada.

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To all these people who helped make this work a reality I extend my warmest thanks.

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1. INTRODUCTION

The thesis that follows is an attempt to develop an analysis of urban land and housing in Canada from a political-economic perspective. While one can find political-economic analyses on some social, economic and related questions, I have been unable to find very much dealing with urban land and housing. This thesis therefore represents what to my knowledge is a first attempt to consistently view urban land and housing developments in Canada in a new way.

Such an undertaking is a large one and therefore carries with it certain risks. The attempt to cover a large historical span and broad range of problems subsumed under urban land and housing questions, in a relatively short work, carries with it a danger of superficiality. Much of the material used has been taken from analyses and descriptions developed for very different purposes and which therefore often tend to neglect important areas for this analysis. However, despite these problems it is important to provide what I consider to be an initial framework, or broad and general map of the problems. Without this, it would be impossible to establish which questions require detailed first hand research and which periods of time are of particular relevance to these questions. I hope that I have successfully managed to strike a balance between the need to provide an initial framework and my ability to present a convincing analysis. I consider this work to be a first step towards the development of a coherent and convincing political-economic analysis of urban land and housing in Canada.

In the following three sections [2 to 4] I outline the reasons why a political-economic analysis of urban land and housing is necessary and then describe the underpinnings of such an analysis. The succeeding sections contain the historical analysis itself, interspersed with theoretical arguments when these are appropriate. Thus section 5 covers the period from 1760 to the 1920's. In it I first outline the conditions in an essentially pre-capitalist period and then trace the emergence of capitalism including the economic and social relationships which now predominate in Canada. In section 6 I trace the detailed effects of the trends which emerged with capitalism on urban land and housing at the present time. I conclude with an indication of what the next steps might be in both further theoretical work and for action related to the problems of urban land and housing in Canada.

2. THE STATED PROBLEM

I begin this analysis by outlining the problem of urban land and housing as it is documented by policy makers and planners in Canada today. This will serve to indicate the relevance of undertaking a study dealing with urban land and housing. Secondly, it will give a general impression of how these problems are conceptualized by policy makers and planners in Canada today.

Canada is the second largest country in the world after the U.S.S.R., with over 3.5 million square miles of land. Most of the population lives in a few cities relatively close to the United States border. Over four-fifths of the population live in all urban centers which are estimated to cover less than one-fifth of 1% of the national area.⁽¹⁾ The larger cities tend to grow more rapidly than smaller cities. In Toronto urbanization has become suburbanization. The Toronto Metropolitan Area's population increased by 600,000 between 1951 and 1961, (45% in a decade), while the City of Toronto's population decreased by one-half of 1%. Over half of this increase was due to migration, including immigration, rather than to natural increases.⁽²⁾

Most researchers point to the above trends continuing and even intensifying in the foreseeable future. In his extensive study of Canadian urban problems, Dr. N. H. Lithwick developed projections

¹R. A. Brocklebank, "Urban Maps", in Plan Canada, Special number, (May 1971), p.51.

²Graham Barker, Jennifer Penny and Wally Seccombe, "The Developers", in Canadian Dimension, Vol.9, Nos. 2 and 3, (January 1973), p.20.

which show that by the year 2001 the twelve largest metropolitan populations will more than double and that these twelve cities are expected to contain over three-quarters of the urban population, which itself expected to comprise 94% of the total population.⁽¹⁾ If current land-use trends continue the population increase will lead to a less than proportional need for new urban land, but each major city is still expected to double in area over the next thirty years. The population of Toronto is expected to increase by 30% over the coming decade and to treble by the year 2001. Therefore, the next 30 years will see more urban land transactions than have occurred in Canadian history to date. Dr. Lithwick anticipated the possible consequences:

"It is impossible to estimate directly the impact of these space requirements on land prices, although they will make our past trends seem flat by comparison. The secondary effects will be even more significant, since the competing demands for urban space lie at the heart of the full range of urban problems."⁽²⁾

The seriousness of this situation will be more clearly understood when I examine the effects of land prices at the present time later in this section.

The following estimate illustrates the financial importance of urban land and housing markets within the Canadian economy. These estimates were developed by P. Spurr in a recent report to Central Mortgage and Housing Corporation (C.M.H.C.).⁽³⁾ Most urban land

¹Harvey N. Lithwick, Urban Canada: Problems and Prospects, (Ottawa: Central Mortgage and Housing Corporation, 1970) pp.133 and 145.

²Ibid., p.156.

³Peter Spurr, Report On Urban Land, Under preparation for Central Mortgage and Housing Corp. [Ottawa: to be published, draft Dec. 1972], pp.78-83.

transactions occur in connection with: new house sales, existing house sales, the construction of new non-residential building, and the development of vacant acreage. In 1970 almost 1.5 billion dollars was transacted. This minimum estimate represents over 1.5% of the Gross National Product and exceeds the federal government's total spending on housing in 1970 which was about 1.1 billion dollars. If the above land transactions had included: transportation facilities, plus the majority of apartment buildings, sales of existing commercial and industrial property and in-city vacant land sales, then the value would probably have exceeded 2 billion dollars annually. This enormous cash flow clearly constitutes a major economic activity and therefore is one of primary concern and interest to policy makers and planners.

To clearly illustrate the seriousness of the problems linked to the rapid urban and suburban growth described above, I will examine the impact they are now having on the lives of people; i.e. the details of the urban problem. One C.M.H.C. study shows that the prices of new houses have risen by over 60% from 1951 to 1967. Closer examination reveals a 200% increase in land costs compared to a 40% increase in construction costs. In the process land costs rose from around 10% of the total cost of a new house in 1951 to between 17% and 20% in 1967.⁽¹⁾ Thus Canada has experienced a particularly rapid increase in land prices. Housing prices have risen partly as a result of the increases in land costs, but also as a result of the rising interest rates on mortgages.

¹Woolfgang M. Illing, "The Rising Cost of Housing and Problems of Financing", in The Right to Housing, Michael Wheeler (ed.), (Montreal: Harvest House, 1969), p.145.

The latter reflect rising interest rates on credit through all sectors of the economy. The consequence is that a growing segment of the urban population is unable to afford the cost of new housing.

Spurr examined the current costs of purchasing a home by using data concerning NHA housing, (Canadian Government mortgaging under the National Housing Act). He understates land and mortgage costs found in the private market since he describes minimum aggregate housing costs. The average down-payment required on a NHA house in 1971 was \$3,936 (in Toronto it was \$7,257) and average monthly payments including principal, interest and taxes were approximately \$200 (in Toronto \$237). The C.M.H.C. standard is that a family should pay no more than 27% of its annual income on housing; thus an annual income of \$9,000 was required to purchase a new home in 1971. This effectively excluded 78% of the Canadian population. In fact, the average annual income of new NHA homeowners was \$12,005 (in Toronto it was \$14,984) and some 20.6% of new homeowners in metropolitan areas had incomes exceeding \$15,000 per annum; they constitute approximately 2% of the population.⁽¹⁾ In 1965 those in the lowest third on the income scale accounted for 18% of new NHA homeowners, but in 1970 they comprised only 5%.⁽²⁾

A study by the Urban Development Institute of Ontario provides some even more specific evidence concerning peoples' access to housing in Toronto. In the period 1961 to 1971 the average weekly wage rose by 78% (an increase of \$63 per week). During the same period the average price of new detached NHA houses rose 120% (an increase of

¹Spurr, op. cit., p.293.

²Ibid, p.296.

\$32.80 per week) while in the private market the average price of similar houses rose 215% (an increase of \$51.90 per week).⁽¹⁾

The effects of high housing costs are clearly seen if one examines family housing expenditures; see Table 1.

TABLE 1

NUMBER OF FAMILY UNITS WITH SPECIFIED SHELTER/INCOME RATIOS - ALL COMMUNITIES, ALL FAMILY TYPES - 1969⁽²⁾

Annual Income Range \$	under 20%	SHELTER/INCOME RATIO (per thousand family units)			
		20-25%	25-40%	40-50%	over 50%
under 3,000	204.5	200	262.1	168.5	141.8
3-6,000	828.3	185	201.9	50.9	18.1
6-8,000	775.2	108.8	124.7	17.9	-
8-12,000	1,281.6	152.2	90.1	-	-
over 12,000	936.9	109.1	-	-	-

It can be seen that lower income groups are forced to pay well above a quarter of their income on housing costs which is above C.M.H.C.'s official standard. Almost all households who spend more than 40% of their income on shelter earn less than \$8,000 per annum; they number

¹Residential Land Development in Ontario, André Derkowski, (consultant), (Toronto: Urban Development Institute, November 1972), pp.8 to 12.

²Michael Dennis and Susan Fish, Programs in Search of a Policy: Low Income Housing in Canada, (Toronto: Hakkert, 1972), p.60.

approximately 400,000 families. The Canadian Council on Social Development estimated that people on welfare pay an average of 47% of their income on housing.⁽¹⁾ The Dennis Fish Report contains a great number of vivid statistics underlining the fact that the poor not only pay considerably more for their housing but that they receive a considerably lower standard where essential facilities such as heating, plumbing, electricity and general state of repair are concerned. A large proportion of the poor are tenants so that they do not have the security of tenure and the freedom to modify their homes that owners possess. The majority of low income households are located in city centres or in rural areas where community services and facilities are lacking.

The total situation was well summarized by the Minister of State for Urban Affairs in a speech in early 1973:

"The price of urban land in Canada is rising at an unacceptably rapid rate. In the last few years the rate of increase has been:

- 8% on a national average, and
- 12% in metropolitan areas.

Some cities, such as Toronto, Vancouver, Sudbury, and Ottawa, are experiencing even higher rates of increase. Urban land prices are, in many areas, rising much faster than other prices. Between 1961 and 1971:

- the consumer price index rose by 33%;
- the construction cost index rose by 46%;
- but land costs rose by 88%.

This more rapid rate of land price increases, affects the housing picture. Fewer people are able to afford home ownership. More row-housing and apartments are being built to economize on land while lot-sizes and floor areas tend to be reduced.

The question of the cost to the individual citizen of owning land or using land to house

¹ Spurr, op.cit., p.297.

himself, and the question of the distribution of ownership of land between individuals of differing income levels, and between those individual citizens and land owning and development corporations, the question of the amounts of land governments hold and make available for the common use -- all these affect in a very real and direct way the quality of life and economic well-being of Canadians." (1)
(emphasis added)

The problem outlined above is one with which most Canadian policy makers and planners would agree. Beyond this we enter the field of explanation, prediction and action, about which there appears to be a wide variety of opinion. It is to this debate that the rest of this thesis is directed. In the following sections I shall explain why a new approach is necessary and then describe what such an approach entails.

¹Ron Basford, Speech by the Minister of State for Urban Affairs in Toronto, January 29, 1973, (Ottawa: Central Mortgage and Housing Corporation, January 1973), pp.9 to 10.

3. LIMITATIONS OF THE ORTHODOX METHODOLOGY

Most public policy analysts and planners concerned with urban land and housing in Canada would readily agree with the facts contained in the previous section. Their different individual orientations lead to only marginal differences in explanation and suggested cures for these problems. In general, the debates revolve around a number of themes:

- a. The factors or forces which cause the problems
- b. The extent and seriousness of these problems
- c. The strategies which should be used to solve them
- d. The effectiveness of existing state policy.

Most "orthodox" analysts are also agreed that the problems are no nearer resolution than they were 40 years ago, and if anything, have become more serious with the growth in population and urbanization. These failures are generally attributed to the use of the wrong state policy or to poor implementation of policies.

The most recent of the Canadian government sponsored studies into housing problems, the Dennis Fish Report, is an excellent example of an orthodox policy study.⁽¹⁾ In the first chapter it graphically illustrates how over the past 30 to 40 years state sponsored studies and task forces have persistently pointed in certain policy directions, while in legislation and implementation these proposals have been reduced to ineffectiveness, or result in benefiting groups other than those

¹Dennis, op.cit.

intended. Thus, the report concludes that the problems remain ever with us, unresolved. This theme is prevalent throughout the report, yet at no stage does it attempt to explain this seemingly irrational state action. To complete this tragic story, the Dennis Fish Report concludes with yet another policy package. If we are to believe its own evidence this too will follow in the tradition of being transformed in its legislative form and still further in implementation, until its intended purpose is quite lost. Reports of this nature seem to imply that the professional role should be to explicate the logical flaws in current state actions and that the state will then be persuaded or embarrassed into transforming these actions. But the Dennis Fish Report illustrates the ineffectiveness of this assumption in much of its content.

The impetus for this thesis came directly from similar personal frustrations experienced in my education and as a practising architect. I have found these frustrations articulated by many of my fellow professionals and students, so that I feel justified in speaking about them in broader terms rather than as individual experiences unique to myself. The frustration arises from the role of the professional as it is defined by society and the educational system.

Many technocrats and scientists share an unarticulated assumption that their work will in general be aimed towards the positive development of mankind. More specifically, most social scientists consciously direct their work towards helping the poor, improving the quality of life for all men and women. In contrast to this avowed aim we find a

constant flow of empirical evidence as well as life experience which indicate that little is in fact happening to significantly solve basic social problems in our society. Instead, income differentials between people and between nations tend to grow larger, the problems in our cities grow steadily worse, and other problems seem to be continually re-appearing in new forms. This contradiction between intentions and outcomes can only be explained by a critical self understanding of the professional methodology itself.

The professional mode of working is transmitted to individuals through socialization in the university and later through the work process. This is achieved through a concentration on skills, strategies and finite research leading to definite and implementable conclusions. The professional develops rules to guide his or her actions which do not involve him or her in value based decisions. These rules, skills and strategies were originally derived in response to social and normative conditions. Therefore in implementation they always contain a value orientation which may be obscure to the individual using them.

The outlook which is engendered in the professional inevitably results in the separation of means from ends; of strategies on the one hand and goals or values on the other. Essentially this creates a separation between the professional and the world in which he or she acts, and results in little continuity between theory and practice. The professional role seems to be objective and scientific rather than value-laden and uncertain. The role of the professional today is clearly summarized by André Gortz:

"Technical and scientific culture and competence thus clearly bear the mark of a social division of labor which denies to all workers, including the intellectual ones, the insight into the system's functioning and overall purposes, so as to keep decision-making divorced from productive work, conception divorced from execution, and responsibility for producing knowledge divorced from responsibility for the uses knowledge will be put to."⁽¹⁾

By concentrating on immediate and empirically defined problems, the conditions which gave rise to the problems do not appear problematic in themselves. Therefore a stress on relative and practical conclusions aims only at the modification of the problem itself. Action is evaluated on its objective practicability rather than its ethical viewpoint. An excellent example of this was an argument given by Professor Soloman of M.I.T. in a recent debate on the "housing problem". He recognized that no existing strategy would be able to solve the housing problem, but that given the level of government spending at the present, housing allowances is a more efficient policy than construction oriented policies. This is an illustration of how the professional ignores the larger system and concentrates on practical problems of the day. The consequences of such action were well stated by Paul Baran:

"In their capacities as specialists, managers, and technicians, they believe they have nothing to do with the formulation of goals; nor do they feel qualified to express a preference for one goal over another. ...they wish to refrain from endorsing one or another of these "value judgments". It should be perfectly clear that such abdication amounts in practice to the endorsement of the status quo, to lending a helping hand to those who are seeking to obstruct any change of the existing order of things

¹André Gortz, "Technical Intelligence and the Capitalist Division of Labor", in Telos, No. 12, (Summer 1972), p.30.

in favour of a better one."⁽¹⁾

Subjective stands and questions are considered to be unprofessional as these would contain the interests of some groups over others. But the working code of professionals is essentially value-laden and will by definition contain the interests of some groups more strongly than others. These are handed down through education and the conditions found on the job, reflecting an existing social reality. This became very clear when I was able to observe fellow architects working in South Africa. Individually each abhorred apartheid and everything it stood for. Yet as practising professionals they felt able to act in a value neutral way; but with each house and its servants quarters, each building and its separate entrance and elevator they in fact accepted the system and acted to perpetuate and recreate the existing social reality of South Africa. Here is an example with which few would disagree, and yet in our own less clearly articulated social structure we by definition act in a similar way.

Most of the analyses aimed at solving the housing problem deal with non-housing questions only in so far as they relate directly to housing supply or demand, i.e.

- income distribution,
- the construction industry,
- aspects related to land development,
- financing and interest rates on mortgages for purchase or construction,

¹Paul A. Baran, "The Commitment of the Intellectual", in The Longer View: Essays Towards a Critique of Political Economy, John O'Neill (ed.) (New York: Monthly Review Press, 1969), pp.9 and 10.

- the effects of government housing policy, zoning, property taxation and building codes.

Housing itself is seen as the central issue, and combined with the other elements, is taken to provide a sufficient understanding of housing problems in our society. The conclusions of orthodox studies either re-assess or accept the currently defined dimensions of the problem and then propose solutions which either increase or decrease the state's role, or define new ways for such intervention to be exercised. The causes of social problems are seen to be contained within the problem areas and their related elements. Existing social relationships, patterns of ownership and decision making systems typical of their society are largely accepted. Thus, any proposed solution must presuppose that the existing economic and social system remains more or less stable and that the questions being studied do to some extent act independently of this system. More specifically, they presume that one can separate housing and land questions from the more basic economic and social institutions and that individuals can make choices about housing which are independent of this institutionalized context. The Hellyer Task Force on housing and urban development was very specific about the separation of housing and economic institutions in its report:

"Within its general terms of reference, the Task Force was concerned first with housing itself - its numbers, its cost, and its form. No small part of the cost issue involved economic factors beyond the housing market per se. The Members could hardly be unaware of these factors, but they did not interpret their mandate as extending into the broader area of general economic and financial policy."⁽¹⁾

¹Report of the Federal Task Force on Housing and Urban Development, (Ottawa; Queens Printer, 1969), p.2.

The growth of technology and science has been extremely effective in producing tremendous economic growth over the past 50 years. But, as far as the present day professional is concerned it has raised some serious questions. While issues such as Oppenheimer and the atomic bomb were fully debated (after the fact), most social problems have been obscured and depoliticized, hiding the values and social interests they contain behind a facade of technical objectivity. Current social problems appear to be the direct consequence of technology and if we wish our society to grow and develop, must be accepted. That the growth of technology as we have developed it in our society does not necessarily lead to the "good life", is witnessed by the increased destruction of the environment and our almost uninhabitable cities. After spending a generation trying to cope with the car by building bigger and better roads, some professionals have started to ask questions about the car itself. Yet this problem will continue to be a technical one which remains unresolvable at that level.

The separation between the professional at work and the everyday world is encouraged through the complicated technical language used. The debate which occurs is heard by fellow professionals only, through the ever increasing number of technical and scientific journals. A direct consequence of this has been to remove essentially political issues from the forum of everyday language and public debate and reduce them to technical issues.

In previous times ideology legitimized the trend of economic and social development. It was to some extent a shared social function.

Examples of this in our recent history are the "Protestant work ethic" and the concept which underlay free enterprise, that is the "exchange of equivalents" in which one benefits in return for ones efforts rather than as a birth right. These ideologies have been shown to legitimize easily recognizable interests and act to obscure real economic and social forces.⁽¹⁾ With the change to the non-specific ideology of science and technology, the interests which are served become increasingly mystified, and the process is further removed from public or societal debate and participation.

The thrust of this thesis will be to counter the trends described as a methodology generally adopted by orthodox analysts. I will provide an analysis aimed at increasing my own and other's understanding of urban land and housing problems in Canada. The analysis will clarify the interconnectedness of social problems and the larger social and economic developments. I hope to turn the focus of those interested in housing and urban land questions in Canada towards understanding the larger social and economic conditions which give rise to these problems and the broader social problems which a concentration on housing problems tend to obscure. The intention is to make possible an understanding from which fundamental social change can develop rather than the maintenance of existing conditions. Thus, this thesis will not add to the list of strategies and solutions which characterise orthodox analyses but instead will provide an understanding which I can use for my own future practice. In the next section I will describe the details of what such an analysis implies.

¹Max Weber, The Protestant Ethic and the Spirit of Capitalism, Talcott Parsons (translator) (New York: Scribner, 1958).

4. THE UNDERPINNINGS OF THIS ANALYSIS

The focus of a political-economic analysis is to uncover how social problems emerge and are defined as a result of the allocation of scarce economic resources. Allocation of these scarce resources is determined by the economic, political and social institutions in our society. To best understand these processes one must trace the historical development of these institutions so that the determining motivations contained in past events will enable us to understand the present. (1)

Most social problems directly involve economic conflicts and in most cases, one can identify groups with contradictory economic interests. The ability of these groups to resolve these conflicts is not exercised in a vacuum but within a well defined environment of economic and social relations. Social relations and their evolution through time are intimately connected to societies' economic development, or mode of production. The primitive tribal division of labour into council of elders who planned, warriors who fought and the rest who produced the food, is clearly an example of the social relations of production of the tribe. The relations between groups of men and women being defined by their role in maintaining and reproducing the social unit.

¹I was greatly influenced by three works of Herbert Gintis in writing this section. Herbert Gintis, "Activism and Counter-Culture: The Dialectics of Consciousness in the Corporate State", in Telos No. 12, (Summer 1972). "Alienation and Power" in Review of Radical Political Economics, Vol.4, No.5, (Fall 1972). "New Working Class and Revolutionary Youth: A Theoretical Synthesis and a Program for the Future", in Review of Radical Political Economics, Vol.2, No.2, (Summer 1970).

In the same way the creation of a large class of landless workers in England at the time of the Industrial Revolution marked the end of feudal modes of production and the beginning of present day industrial capitalist production. The key to understanding all aspects of social development is therefore contained in the historical evolution of the social relations around the production processes which are reflected in the changing relations between classes in our society.

A social class is defined by a common position of potential or actual power in relation to the production processes. The feudal lords of the middle ages were one class and the serfs another. Within each social class individuals assume more or less similar social roles leading to a common culture and a common set of interests. This does not prevent internal conflicts of interest from arising within a social class, but means that these incompatibilities are tolerated as long as they do not significantly affect the overriding common interests.

The exercise of class power, or the struggle of competing classes, appears as an historical evolution reflected in a chain of decisions. These decisions, and especially the mechanisms and institutions by which they are made, provide the key to understanding history and present day society including its social problems. While these decisions reflect class interests, it is too simplistic to suppose that they are always a conscious collective process. Instead, we must differentiate between two types of decision making processes; institutional decision making and political decision making. The use of the word institution in this context does not refer to what might equally be termed organization such as the university, bank or church, but rather reflects decision making

processes which are accepted as natural in our society such as in marriage, religion and education.

Institutional decision making more closely reflects history and social development itself. Early in our civilization the need arose to order and control certain activities which were closely related to the social group's chances of survival; particularly the economic ones such as production, distribution and exchange. At first custom and folklore ensured that individual desires and urges would be largely subordinated to the communal economic activities. In time these unwritten customs became laws and the foundation of state power. The laws were no longer directly associated with the economic relationships which gave rise to them, and became institutionalized and accepted as natural justice. In this way, the Greeks and Romans saw slavery as justice. It was the destruction of the same institution deemed as unjust which helped the northern industrial capitalists to dominance over the southern feudal plantation owners in more recent North American history.

Political decision making is the result of more obvious direct, consciously applied power. This is done by either the state or a group of private individuals. Political decisions by the state appear in tax rates, minimum wage laws, zoning regulations and choice of military technology. Private political decisions concern, for example, what is to be produced, with which technologies and which work roles.

The institutional power predominates in our society as it has through history. The small capitalist producer is an excellent example of this. Thought to be the sanctuary of individual entrepreneurial

decision making, the small capitalist producer has, in fact, little scope for private decision making. He or she can choose what to produce and to some extent how to produce it, but the costs of materials and labour are set by market forces as are the prices of the products produced. Even the quality level is not a matter of independent choice if he or she wishes to remain competitive. The small capitalist is institutionally bound to organize his or her business in such a way as to minimize cost or else to lose money. As for state decision making, we could examine the debate over housing policy, tax rates, interest rates, minimum wage legislation, income redistribution or welfare programs, all of which are framed as political questions. However, income distribution is largely determined by the social relations of production in a seemingly natural way. Any analysis of these political questions must therefore be preceded by an examination of this institutionalized distribution process. This does not mean that political decision making is ineffective, but rather that it is highly circumscribed by institutionalized conditions. Institutional power does not cover or resolve all social conflicts and where such unresolved conflicts arise they are solved politically. This is particularly true during times of fundamental change. The relationship between political and institutional power is not a simple one, it is constantly changing; what appears to be a political struggle at one time may be institutionalized in a later period. The purpose of an historical study is to reveal these interrelationships so that the institutionalized processes might be understood through their political roots.

The institutions which exercise a controlling influence on present day capitalist society in most western countries were described by Gintis as the following:

"(1) Private ownership of factors of production (land, labor, capital), according to which the legal owner has virtually full control over their disposition and development; (2) market in labor according to which (a) the worker is separated from ownership of non-human factors of production (land and capital), (b) the worker relinquishes control over the disposition of his labor during the stipulated work-day, by exchanging it for money, and (c) the price of a particular type of labor (skilled, unskilled, white-collar, blue-collar, physical, mental, managerial, technical) is determined essentially by supply and demand; (3) a market in land, according to which the price of each parcel of land is determined by supply and demand, and the use of such parcels is individually determined by the highest bidder; (4) income determination on the basis of the market - dictated 'returns' to owned factors of production; (5) markets in essential commodities, - food, shelter, social insurance, medical care; and (6) control of the productive process by the owners of capital or their designated managerial representatives." (1)

The consequences of the domination of the above basic institutions on the development of society will now be examined so that the implications of their essential determining role can be clearly understood. In our society a relatively small section of the population, the capitalists, generally own the non-human factors of production, capital and land. As these factors are essential inputs into the production process, the capitalists have control over these processes. Labour, the third essential input is owned by the large number of wage-earners who must work or sell their labour to survive. The market in labour enables the capitalist to purchase labour at a wage in return for control over its use during the working day. In this way capitalists are able to make

¹Gintis, "Activism and Counter-Culture", op.cit., p.45.

decisions which in general follow the criterion of profit or growth maximization which clearly benefits their interests.

The economic results of production guided towards profit maximization are as follows: Firstly, production is organized to minimize costs or maximize production from a given set of factor inputs (land, labour and capital). This results in the generation of vast amounts of goods and services. Secondly, production decisions are made on the grounds of the product being salable rather than its social usefulness. This, taken together with the generation of vast amounts of goods and services, leads to the ever increasing production of commodities found in the market today. Thirdly, new technologies are only introduced if they are cost minimizing or enhance the capitalist control over production.

The basic distribution of income also follows as a direct consequence of institutional power. Claims to income result from ownership of the factors of production - rent to land, wages to labour, interest and profit to capital. Both the share from production and the allocation of land, labour or capital to production is determined by the supply and demand for these factors. Since capitalists own the non-human factors (land and capital) and control the production processes, they are able to control the demand for all factors, so that they can arrange the combination which is the most compatible with profitability - a return to capital itself. Control is exercised by deciding in what to invest, what to produce, how it should be produced and which technologies to employ; each having very different labour requirements. Therefore, labour is likely to be in an inherently weaker position to make demands for a share from production, particularly as men and women must work to survive.

One of the major incentives for wage-earners to be productive is the size of the wage itself. This partly explains the marked wage differentials and complex hierarchies which exist in production today. However, the explanation is more complex, as wages increase with skill attainment, the incentive to study or learn new skills is largely provided by money rewards.⁽¹⁾ The point is that income differentials are functional for capitalist production relations. The inequalities between wage-earners mirrors the greater inequality which exists between classes as a result of the ownership of capital. The inequality is reproduced and increased as the return to large capital amounts creates still larger capital holdings, which can then be passed down from generation to generation. Thus the trend in capitalism is towards an institutionalized inequality of income, ownership and control which is tending to grow rather than lessen with the passage of time. This unequal development is not confined to the individual but similarly, as a result of capitalist institutions, nations or regions within nations, develop unequally. Capital controlled in one area but invested in a second, allows the surplus produced in the latter to be extracted for use in the former area, rather than being reinvested where it is produced.

Relationships which are considered to be purely social can also be understood in terms of the workings of institutional power relations.

¹For a fuller discussion of this point see: Thomas E. Weisskopf, "Capitalism and Inequality", in The Capitalist System: A Radical Analysis of American Society, Richard C. Edwards, Michael Reich and Thomas E. Weisskopf (eds.), (Englewood Cliffs, New Jersey: Prentice-Hall, 1972), pp.125 to 132.

The free market in labour, a prerequisite of the capitalist mode of production, requires a separation of labour from ownership or control of alternative means of production. The tribe, clan, extended family or even residential community no longer serves as an economic productive unit. Individuals within these social units of organization seek work outside in the larger labour market, thereby removing what has been an historically synthesizing element of social life (the question of economic survival) from the immediate community itself. In this way individual interests are seen above communal interests leading to the fragmentation of the social group and the increased reliance on individualized market relationships to determine communal behaviour and social groupings.

Outside of work and family relations the immediate community stands as the individual's next most important source of potential well-being. However, the private market in land ensures that land will be used for private rather than social interests. Parcels are generally allocated to the highest bidder for their most efficient economic use leading to land-use which conforms to profit criteria independent of community needs. Thus, a further potentially synthesizing element of social life is denied to communities in our society through institutionally defined power relations.

The role of the state is particularly important for the analysis which will follow in later sections of this thesis. I will therefore expand the short reference to state political decision making made earlier. As I have shown [section 3], the orthodox analysts take the role of government as central in their analyses. In essence, their

basic assumption about the state's function is that it mediates and reconciles the antagonisms which arise from the inevitable competing interests of our social existence. Thus, the state is seen as the guiding force of social development. As with other orthodox assumptions, this is an essentially ahistorical theory. It denies the basis of institutional power and the economic forces which these institutions represent in their historical evolution.

The legal system and its enforcement lies at the base of government power and its evolution represents a form of institutionalized decision making which reflects basic economic relationships. Thus, state power in its support of the legal system and the existing base of institutionalized power is by definition supportive of the class interests and property relations contained within them. If the state were in fact a dominant and separate power, it would be extremely difficult to account for the changes in class structure and economic conditions which are now part of our history. It would be equally difficult to account for the state's failure to solve social problems despite its strong declarations of the intention to do so. Therefore, the explanation of our social problems cannot be found in unenlightened political leadership, a conscious conspiracy of politicians and the big corporations, or even in an over-cumbersome bureaucracy. Just as technology is in and of itself not to blame, the state is also not the cause of our social problems.

"that since the real guiding force in social development is the set of economic institutions, the political power to cure social problems is quite limited, unless the state (i.e., political activity) attacks, destroys, and

replaces basic capitalist economic institutions at their root. Thus even if perfect democracy were achieved in the state sphere, the major contours of people's lives would be determined by processes beyond their control." (1)

The state is therefore an instrument of the dominant economic interests which enforces and guarantees the class structure itself via institutionalized power processes. Fundamentally, it protects the principles of private property which ensures the inbuilt advantage of owners over non-owners which has already been illustrated. State decision making is usually invoked to solve contradictions arising from the functioning of the basic institutions. This is done by shoring up those institutions which are functioning less well and by mediating conflicts between groups of capitalists through compromise solutions which serve to perpetuate the system itself. A further important function of the state is to lessen the tension caused by capitalist economic institutions by removing the worst social problems produced by them. In this way these social programs help to legitimize the institutions and avoid the politicization of the people whose lives are affected, which might result in social unrest and demands for meaningful change. Finally, the state is the power which provides essential services, infrastructure such as roads and schools, which are necessary collective functions for the expansion of economic activity and social development.

To illustrate the working of the state we need only return to the question of income distribution. As shown earlier, basic income distribution is an institutionalized process. But how do guaranteed incomes,

¹Gintis, "Alienation and Power", op.cit., p.10.

welfare, progressive taxation, etc. fit in? Essentially they threaten the ability of market processes to allocate an essential factor of production - labour. If the state threatened profits or confiscated wealth at death it would reduce production incentives and would result in opposition by those who own the bulk of the nation's wealth and productive potential. This would lead to inevitable economic chaos. If the state raised the level of welfare to where it provided even a minimally adequate standard of living, then those who presently have the worst jobs would clearly choose a safe guaranteed income over a somewhat higher income with unpleasant work. To ensure that they are still able to attract unskilled labour, employers would have to pay a great deal more, which of course means wage increases all the way up the hierarchy. The result would be either a massive inflation which would eliminate the guaranteed income or lower profits which in the same way would lead to economic stagnation and unemployment. Therefore, we can see that the state is bound by a clear institutional context. Its role is essential but is a secondary one in guiding the course of social development.

In the following sections of this thesis I will explore the institutionalized processes which gave rise to the existing conditions of housing and urban land in Canada. I will examine the relationship between institutional and political power processes as these evolved in Canada and show how they resulted in specific social outcomes related to housing and land. One must explore the historical origins of these developments in order to clearly understand the interests and economic processes involved, and to make apparent the problematic aspects of the

present situation. The present system of societal organization in capitalism has resulted in very different development patterns compared to previous historical periods. Therefore this analysis will start from pre-capitalist times so as to trace the emergence of capitalist institutions and their effects on urban land and housing.

5. FROM CONQUEST TO THE GREAT DEPRESSION: 1760-1920's

5.1 Pre-Capitalist Development: 1760-1864

The British conquest of Canada coincided with the period of transition from feudalism to capitalism in Western Europe. A feature of the transitional period was the accumulation of capital in the hands of an expanding and rising class of merchants. These merchants grew powerful with the development of internal and foreign trade. In foreign trade, large profits could be made by exploiting the potential difference in economic development between countries. Trade started with luxury items such as spices, precious metals and jewelry, and later turned to raw materials for processing or manufacture in the home country. The mercantile mode of operation revolved around the benefits to be made through trade, "to buy cheap in order to sell dear is the rule of trade".⁽¹⁾ Competition quickly reduced the profit margins of merchants as it was easy to step in and exploit potentially open markets. While the merchants remained the dominant class a close relationship usually existed between the role played by the state and the merchant interests in order to control competition. This period coincided with the beginnings of colonialism, and the control of trade and trade routes leading to the monopoly control of markets.

The British merchant interests largely set the scene for the initial development of Canada. Foreign monopoly control over Canadian resources

¹Maurice Dobb, Studies in the Development of Capitalism, (New York: International Publishers, 1968), p.89.

dominated her early history. British conquest in 1760 was followed by an influx of merchants who soon controlled the then lucrative fur trade. In England the merchant capitalist class had largely replaced the monarchy, church and landed nobility as the dominant class. Their primary concern was to ensure the resource market of Canada for themselves by assuming a tight political control and by limiting development to activities which supported the necessities of trade and extraction of natural resources. The control was openly exercised through the development of a feudal social structure.

The following years saw continued, a trend of merchant dominated development. Short-term capital was aimed at resource extraction which required relatively small capital investment in return for a large output of marketable produce. This maximized profits for the British merchants and minimized fixed capital formation in the form of buildings, machinery, etc. on Canadian soil. Most local production, including farming, was small scale and closely controlled through dependence on the British merchants for capital or credit. The timber trade replaced fur and was in turn replaced by corn. These changes in the major resource for export, and the need to control development as closely as possible, led to the formation of a Canadian merchant class which was closely related to, and dependent on, the merchant capitalist class in Britain.

Mercantilist control of early Canadian development led rapidly to private control of most of the desirable land. From the start, land became a primary instrument of social and economic control in Canadian development. The corollary is also true; the early economic developments

determined land development patterns from the beginning of Canadian history.

Historically the relationships between people, shelter and land have varied greatly from those commonly accepted today. In the period of hunting and gathering, people considered land to be inalienable, much as we consider air and water today. The change to animal husbandry and agriculture resulted in new forms of social organization to allocate and use the land effectively. Private and individual rights to land and shelter were interwoven with social obligations. The social fabric of the tribe was clearly reflected in its relationship to the land as a group rather than as individuals.

In the feudal period in Europe, despite a growing population, a greater surplus of food and later other items became available largely as a result of effective agricultural production. First the chief, and later the king, nobleman and church leader stabilized their position by increasing control over the population. The object of the control was the surplus and power which possession of it implied. Land was a major instrument in the controlling process. For the first time, private property became a reality. The king owned all the land for and on behalf of the community, but this also allowed him to re-distribute it, and to use it as an element through which to trade power. No market in land existed at this time. Feudal rights to land and housing were acquired as a birthright along with social and economic obligations to the owner of the land.

The British merchant interests had set about creating what amounts to a feudal class in Canada in order to effectively control her economic

development. This led to the formation of a landed aristocracy who were friends and business associates of the administration of each province. The whole of Prince Edward Island was granted in a single day to a few dozen absentee proprietors. In Nova Scotia land grants between 1760 and 1773 amounted to over 5,400,000 acres of the most desirable locations, while the population was only 13,000.⁽¹⁾ In two separate pieces of British legislation, the Quebec Act of 1774 and the Canada Act of 1791, the semi-feudal land tenure system was carefully preserved. The former act guaranteed the continuation of land granting which gave preferred families almost sovereign rights over the resources on their land and over the lives of their tenants. By 1763 over 7 million acres of Quebec had already been granted; a quarter to the Catholic Church and the remainder divided among 400 families.⁽²⁾

The Canada Act created the division between Upper and Lower Canada and set aside two-sevenths of all granted land for the Protestant clergy and revenue for the state. The British aimed to create a land-based state, church and ruling group, as a conservative bulwark against the "liberal ideas of the American Revolution". In spite of the establishment of English Common Law and freehold tenure, the local administrations were still able to continue their control over the distribution of land in the interest of political stability. The Act also provided all the "Loyalists" immigrants from the United States with 200 acres each, and ex-officers

¹Gary Teeple, "Land, Labour, and Capital in Pre-Confederation Canada", in Capitalism and the National Question in Canada, Gary Teeple (ed.), (Toronto: University of Toronto Press, 1972), p.46.

²Gustavus Myers, A History of Canadian Wealth, (Toronto: James Lewis and Samuel, 1972), p.23.

could claim up to 5,000 acres. Legislative councillors received 6,000 acres and entire township rights were granted to established merchants on which to arrange immigrant settlement.⁽¹⁾ In most cases the lands were not settled but instead sold to larger speculators who were interested in consolidating large land holdings as an investment. This trend led to the evolution of a number of large land companies who were usually closely linked to both local government and British merchant interests.

The 1820's and 1830's saw the best of the Crown lands also sold or transferred to land companies. The Canada Company was the largest of these and was an excellent example of the land company. In 1826 it received about 3.5 million acres of Crown land on which it was to settle immigrants. Use of the land was uncontrolled, economic control of development and land speculation was its intent, with the major part of its profits returning to England. A. T. Galt, an associate of the company, became Chairman of the Select Committee on the management of public lands. As a government official he kept watch over his private business.⁽²⁾

It must be stressed that the ownership of land represented control of economic development and speculation rather than productive interests. Therefore, the large holdings tended to conflict with the interests of small farmers or manufacturers who were more interested in the rational access to labour, materials and markets. The industrial and agricultural growth occurring in the United States was hampered in Canada by both land holding practices and a shortage of capital, both of which were controlled by British and Canadian merchant interests.

¹Spurr, op.cit., p.44.

²Teeple, op.cit., p.53.

Though relatively weak, the small farmers and urban manufacturers were the only real force in opposition to the merchant capitalist and land owning class during this period. This tension culminated in the Mackenzie-Papineau rebellions of 1837-1838. The small farmers and urban manufacturers demanded responsible government, free education, religious liberty and of course, freedom of trade and the abolition of monopoly restraints on the exploitation of resources. This led to the Act of Union between Upper and Lower Canada which introduced elective government. Real civil liberties helped to satisfy this group while in fact the newly structured state power represented a consolidation of the dominant merchant interests and their colonial backers.

Immigration to Canada increased during the first half of the nineteenth century due to the enclosures in Britain, the unemployment which followed the Napoleonic Wars and the crop failures such as the potato famine in Ireland. Primary resource export made the cargo imbalance towards Canada favorable for cheap immigration as most of the immigrants were poverty stricken. Access to land was reserved for those able to buy their way in through payment or previous social position. The immigrants provided a cheap labour force for canal and railway construction as well as seasonal work related to primary resource extraction. These jobs absorbed only a small proportion of those who came, creating a potentially cheap labour force for industrial development. But the domination of merchant capital meant that little use was made of this labour potential. Between two-thirds and three-quarters of the immigrants went south from Canada to the United States to find land and work. ⁽¹⁾

¹ Ibid., pp.57 and 58.

Those who remained faced seasonal work and continued poverty.

"Durham's Report confirms this early exodus. It states: 'immigration has been checked [by the excessive quantities of land... owned by persons who never intend to cultivate them], and out of the immigrants who have reached the colonies, more than half have sought a refuge in the United States.' This same Report says of the Wakefieldian Land Act of 1831: 'The young men of the colony, unable to purchase the wild lands on the terms now imposed, and who constitute our most valuable and hardy settlers, are leaving us by hundreds'."⁽¹⁾

The early nineteenth century in Britain was marked by the struggle between the industrial and the mercantile capitalist classes. In 1846 the repeal of the Corn Laws in Britain signalled for Canada the victory of industrial capitalism over mercantile capitalism in the mother country. This meant that restrictive and monopolistic trade practices which were aimed at maximizing trade profits were now replaced by policies which encouraged "free trade". The object was to reduce the costs of raw materials to British manufacturers and increase their sales of manufactured goods. These changes effected both British merchants and the now considerable group of indigenous Canadian merchants. This latter group still retained a dominance over state action in Canada.

Encouraged by their British merchant backers, the Canadian merchants attempted a succession of complex strategies aimed at attracting the bulk of trade from North America to Europe. Their plans were aided by the fragmentation of normal trade routes which preceeded the Civil War in the United States. But the unification which followed the Civil War frustrated and removed any gains the Canadian merchants had made. This

¹Ibid., p.57.

concluded the process started by the passing of the Corn Laws in Britain and left the Canadian merchant class seeking a new direction for their activities.

The importance of this transitional period for land and economic development is the fact that the Canadian merchants' attempts to control new trade routes had required considerable investment in infrastructure, particularly for transportation. Canals and railways were essential to their hopes for trade dominance. The unified Upper and Lower Canada presented a better security to ensure British investment and a broader base for funding the large public investment in transportation infrastructure such as the St. Lawrence canal system. Before 1850 the foreign debt was approximately 19 million dollars and by 1859 it had climbed to over 54 million. ⁽¹⁾

The small farmers and urban manufacturers were effected in two ways by the large public investment in canal and railway building. Firstly, high tax rates reduced their profit margins and meant that they had less to re-invest in building their businesses. Secondly, the infrastructural investment which suited the merchant interests meant that very little public investment occurred that was useful for the development of production. The needs of manufacturing relate to the maintenance of a labour force and include the full range of urban social investments from workers' housing and schooling to urban transportation. There was also very little public investment in the more obvious services related to farming and manufacturing such as roads, power facilities, water and sewerage

¹J. Bartlet Brebner, Canada: A Modern History, (Ann Arbor: The University of Michigan Press, 1960), p.270.

trunks, etc. Brebner, a modern liberal historian, describes a situation which accurately depicts all the interests contained in the developments during the first half of the nineteenth century:

"As elsewhere, the alliance between political and financial power seemed aimed against the producers. Profits for capital seemed unwarrantably high, and the merchants owned the ships and boats, the mills, the distilleries, and the tanyards. Banking was a monopoly of the Bank of Upper Canada; twelve of its original fifteen directors were in public office. The churchman, Strachan, was a director of the Bank and pamphleteered for the Welland Canal.

The canal was not only indebted to the Bank, but depended on the government for at least a quarter of its support - in the form of taxation that most of the farmers would have preferred to use to improve their roads and bridges." (1)

Effective control of most of the land by the mercantilist oriented dominant class was an instrument whereby they were able to exercise control of economic and social development. The Canadian merchant class exercised this control with short term gains in view rather than long term growth. Their colonial backers sought to ensure that the dependence of Canada on Britain was maintained rather than the development of production which would compete for markets with producers in the mother country. Control of the land ensured that the infrastructure investments could take place with no opposition and acted to increase potential land values of large speculative holdings. Investments were aimed at trade rather than at the development of local production and growth. The growth of a large class of peasant farmers was avoided by blocking access to the land by new immigrants. The development of an urban labour

¹Ibid., p.234.

force was hindered by both the merchant control of land around urban centres as well as a lack of public investment which was necessary for the growth of such a labour force. Urban development became an important factor in the struggle between small manufacturers and merchant interests, in which the control of infrastructure was a crucial element.

5.2 The Pre-Capitalist City: Toronto

The first Canadian cities grew as centres from which to organize the defense and administration of the territory and the transferral of natural resources out of Canada. Thus, they were strategically located at points where a good natural harbour could be found in an easily defensible position. Montreal was the most important city during this period and today is still the largest city, though its growth in the present century has been slower than other Canadian cities.

Toronto, or York as it was first named, more typically represents Canadian urban development. It was founded as a naval arsenal to secure Lake Ontario against the American threat to the south. After laying out the town for very basic military purposes it was later proclaimed the capital of Upper Canada. The Lieutenant Governor, J. G. Simcoe, "laid out a series of 100 acre lots to be granted as 'doceurs' to his retainers and to high government officials in compensation for their having to move to the crude new capital from Niagara."⁽¹⁾ This group came to be known as the "Family Compact" who through political and business interests both controlled and benefitted from the development of Toronto.

¹Peter G. Goheen, Victorian Toronto, 1850 to 1900, Research Paper No. 127, (Chicago: University of Chicago, Dept. of Geography, 1970), p.47.

Toronto remained a virtual village for many years while most of the development occurred in Montreal. Between 1797 and 1814 the population increased from 214 persons to only 691.⁽¹⁾ However, Toronto grew rapidly during the first half of the nineteenth century. Between 1820 and 1851 the population increased from 1,240 to 30,775.⁽²⁾ This growth marked a change from a largely administrative function to one concerned with trade and commerce. In microcosm, Toronto reflected the power relationships typical of all of Canada. The merchants totally dominated development. These men owned the land, controlled or directly owned the banks and were politically extremely active.

Toronto benefited as a result of the failure of Canadian mercantilist policies to capture North American trade by large investments in canals and railways. The Erie Canal enabled Toronto to benefit from the fact that New York became the most important trade route to Europe. Toronto was able to become a direct link for trade to the growing Upper Canada, later to become Ontario. Thus, the city grew as a result of its strategic location in relation to New York and to its own hinterland for which it acted as a market place.

Most of the population of Toronto was engaged in manufacture, which serviced the growth in trade and commerce. They were mostly skilled or semi-skilled craftsmen, the largest segment of which was involved in the construction of Toronto itself; others were involved in clothing trades, food trades, metal working trades, etc. Production units were

¹Ibid., p.49.

²Ibid., p.49.

small and organized along master apprentice lines which meant that there was little demand for unskilled labour. This large class of craft manufacturers separated a small powerful merchant and land owning class, and a relatively small class of unskilled labourers. The poor workers performed no social or economic function in the city and were therefore largely excluded. They were unable to find work except as servants for which the demand was limited. Those that stayed in the cities were destitute and depended on charity to survive. The majority emigrated to the United States and those that stayed in Canada depended on seasonal work in the rural areas or on canal and railway building.

The physical relationships in Toronto were extremely heterogenous. Work places were intermingled with residences and there was very little economic or social differentiation by districts within the city. Goheen talking about Toronto between 1850 and 1860 describes that:

"What is most notable about this compact city is not the density of the settlement, for this was not particularly high, but rather the heterodox quality of the map. By comparison with the end of the century, the city was a jumble of confusion in 1860. Commerce, industry and high class residential properties were tightly intermixed. The central commercial district was also the locus for the larger industrial plants of the city. Intermixed with these were the main institutions of the city and many of the estates of the wealthiest and most prominent citizens."(1)

"Wellington Street,...contained the homes of the following: a barrister, a professor, a surgeon, a merchant, a widow, a boarding house keeper and an accountant. On the south side of the street...there lived 3 gentlemen, 3 merchants, and a professor, a broker, a registrar, a civil engineer, an auctioneer and a widow. ...there were already several

¹Ibid., p.84.

prestige commercial developments, notably barristers' offices and a bank. ...By contrast, and to emphasize the characteristic diversity to be found even in the districts of wealth in the city, the occupations of persons living on a small side street just one block away from the previous example are listed: 6 labourers, 2 widows and a tailor, a shoemaker, a cooper, a moulder, an inkeeper, a clerk and a carver."(1)

The physical segmentation which did exist related only to the very rich and the very poor. The very rich lived closest to the centre which contained government buildings and the commercial centre. The very poor were often totally homeless. Servants normally lived in their master's home. The poor who remained in the city were to be found in shacks on the periphery in either the "least accessible or least healthy districts".(2)

"In 1834, Toronto had such a large and poor shanty town on its outskirts that W. L. MacKenzie wrote of it and the poor districts of Toronto:....'I never saw anything in Europe to exceed the loathsome sights to be met in Toronto'." (3)

In general, the city was a "walking city"; most people lived and worked either at the same place or the two were only a very short distance apart. This reflected the small scale craft based production processes in which most people in the city had some measure of control over their work. There was a relatively even spread of commercial, retail and manufacturing enterprises throughout the city.

¹Ibid., p.85.

²Ibid., p.143.

³Teepie, op.cit., p.59.

Outside of the original development on the military centre all development took place on land which had been granted to private merchants and government officials, initially by Simcoe and later by the local government of Toronto itself. No control was exercised on the development of the land, so subdivisions varied with the taste of the individual landowner. Housing and business places were usually owner occupied. Ownership of the land was possible through a very small cash down payment and a long-term loan, usually directly from the merchant-landowner. The house itself was provided by the occupier and was often self-built. Rental properties owned by landowners and other wealthy members of the community were also available, but ownership predominated. A significant fact to be noted was that neither form of tenure predominated at any income or social level.

Toronto in its beginnings reflects a pattern of essentially pre-capitalist social relations. The institution of private ownership of land had always been a feudal institution and therefore private landowners were able to enforce a share of the surplus created as a result of the growth of accumulation in mercantilism and small scale craft production. The heterogeneity of income groups and the integration of work and shelter which preceeded the beginnings of a market in labour, represent a very different spatial organization of the city from the one which has given rise to current urban and housing problems.

5.3 The Development of Capitalist Institutions: 1864-1920's

The move to Confederation can be understood as an attempt by Canadians to secure control over Canada's internal development, since

there had been a decline in direct economic control from Britain and the loss of a favoured status in international trade. American encroachment in the West meant that a serious consolidation of Canadian interests was needed to ensure sovereignty. In economic terms Confederation in 1867 signified a regrouping of the merchant and landowning interests. Faced with their failures in external trade they now turned their attention to the potential of the Canadian economy. The population had grown and a significant class of farmers and urban manufacturers meant that internal trade and development represented new economic potential. This period saw the move of the previous merchant and landowning class into banking and finance, railways, utilities, land speculation, etc.

The financial and landowning interests, which had evolved from the merchant class, continued to have a close relationship with state power. State actions and financial and landowning interests continued to be interdependent as they had during the earlier development of international trade. The financial and landowning interests were therefore best served by the creation of a strong central government structure. This is reflected in the constitution which emerged as a result of the British North America Act. It created very weak lower levels of government all heavily dependent on the federal government in Ottawa. The federal government controlled all the powers which determined economic development: trade and commerce, banking, credit, currency, canals, telegraphs, navigation, all taxes except land taxes, and so on. The dominant class was now to be found in four closely related enterprises: politics, finance, transportation and land speculation. The British financial institutions retained an interest in that they provided the capital

and were obviously interested in a strong central government in the ex-colony to guarantee the safety of their investments.

Banking had grown out of a pooling of the resources of the earlier merchant capitalists. The resultant conservative banking structure, and its government-protected centralized control, helped perpetuate an economy aimed at extracting and exporting unprocessed natural resources and at the controlled development of the West.

Land development and the related function of infrastructure investment was one of the central aspects of economic activity during this period. Through taxation the federal government channeled potential surplus to railway interests in the form of loans. Members of the government were usually closely linked to these railway interests. Transportation was the link between production and consumption and was intimately related to land development and speculation. Many examples exist which illustrate the importance of infrastructure investment for the landowning and financial interests, as well as the explicit role played by the state in supporting these interests. The case of the Canadian Pacific Railway (C.P.R.) and the Hudson Bay Company (H.B.C.) will be sufficient to make this clear.

Before Confederation the Union government had ended feudal tenures and duties as a concession to the farmer and small manufacturer class. Conditions were then ripe for the creation of a free market in land. Those who lost their rights were generously compensated in the process. A blatant example was the case of the powerful H.B.C. They finally returned huge holdings known as Rupert's Land to the Canadian Government in 1870. As compensation the company received generous cash grants,

45,000 acres adjacent to H.B.C. trading posts across Canada and a twentieth of the land lying in a fertile band between the Red River and the Rockies in the West.

The Canadian government had assumed control of most western land with a view to construction of a transcontinental railway and settlement of the West. The C.P.R. was a state chartered monopoly. The contractors who were awarded the contract were a joint venture between Donald Smith of the H.B.C. who represented the land owning interests, George Stephen of the Bank of Montreal who represented financial interests and an entrepreneur from the United States who was responsible for construction. Donald Smith was a member of the legislature as well as a director of other financial and land companies. Lands which had been taken from Smith's H.B.C. were now ceded to the C.P.R. together with enormous cash gifts, land guarantees, already completed railway lines, and tariff and tax exemptions. The C.P.R. followed the route of the old fur trade which of course happened to follow the location of H.B.C. trading posts, thus making them potential urban centres and greatly increasing their land values. These are examples of how the dominant classes set about protecting their interests, developing the country and opening up the West. (1)

Market processes in land prevailed. The builders of the C.P.R. had expected to make their profits mainly from land sales. George Stephen

¹Tom Naylor's analysis of Canadian political-economic development has been used extensively throughout this thesis. I recommend its reading in full for a more thorough analysis than is presented here. Tom Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence", in Capitalism and the National Question in Canada, Gary Teeple (ed.), (Toronto: University of Toronto Press, 1972), pp.18 and 19.

had said that they: "looked for a return of our capital and a legitimate profit entirely to the growth of the country and the development of the property."⁽¹⁾ Upon receiving its land grant, the C.P.R. sold 5 million acres to the North West Land Company, an amalgum of existing landowning and financial interests including Donald Smith. The H.B.C. and the newly created company controlled approximately five-ninths of the arable land in the West. During the construction of the railway, boom conditions prevailed in the West, despite the fact that Canada and much of the world was experiencing a severe economic depression. The economic activity was due to both the construction of the railway and to land speculation.

"lands were astutely chosen and, as usual, land companies sprang up, accumulated desirable blocks, and offered special inducements. The big real estate gambling, however, was at town sites, and "booms" developed in Winnipeg, Regina, Calgary, and in the New Westminster-Port Moody-Vancouver area between the mouth of the Frazer and Burrard Inlet. When construction stopped, the bubbles burst."⁽²⁾

The depression which continued into the 1890's, the scarcity of capital and the difficult farming conditions meant that the building of the C.P.R. did not lead to the waves of migration that had been expected. Land without labour and capital was not a saleable commodity. Where settlement occurred the farmers were at the mercy of the C.P.R.'s transportation monopoly and the tightly controlled banking system. Agribusiness did not develop in the West and the mode of production

¹Brebner, op.cit., p.308.

²Ibid., p.312.

remained small in scale. The availability of mostly short-term credit from the merchant bankers reinforced the farmers' dependency on a single cash crop, since earnings in good years would have to pay off debts contracted in bad years. Wheat became the dominant crop for export. The eastern financial interests concentrated on marketing and therefore entered into the production process only at that stage. By 1900 five eastern companies owned three-quarters of the grain elevators in the West. Land companies were concerned with speculative land sales rather than any direct involvement in agricultural production.

The state acted to remedy the situation in three ways. First, the Canadian government initiated concerted immigration drives to attract settlers from Europe, and actively encouraged them as well as the existing population to migrate to the West. Second, the state allowed homesteading on state controlled lands in the West, whereby settlers were able to claim 160 acres in return for \$10 and active use of the land.⁽¹⁾ Initially these two policies failed and immigration into Canada was still exceeded by emigration to the United States. Only in the 1890's did rapid settlement in the West begin. This was largely due to the immigration of farmers from the United States who were driven from their farms by the rise of agribusiness in that country. The third and most important trend was the National Policy. It aimed to stimulate territorial and population expansion and industrial development, through the imposition of tariffs on the importation of manufactured commodities. The declared purpose was to expand the scale of the economy by attracting

¹A. G. Dalzell, "I. Housing in Relation to Land Development", in Housing in Canada, (Toronto: Social Service Council of Canada, January 1927), p.7.

capitalists and blocking the outflow of population. It clearly achieved its goal in attracting a great number of foreign capitalist investments in the form of branch plants. This resulted in increased competition for Canadian manufacturers within rather than across borders, but for the merchant, the banker, the railway and shipping tycoon, and the landowner, the expansion of economic activity was clearly beneficial.

These state actions were inevitable once the infrastructure and foreign loans had been sunk into developing the West. By encouraging its settlement the state was clearly acting in the best interests of Canadian development. The explanation of these actions cannot be that they served only the dominant classes. However, such policies only emerged when they coincided with the interests of the dominant group. Previously in the 1820's conditions had been ripe for homesteading, and yet many thousands of self-motivated immigrants were lost to Canada because they were refused access to the land. At that time the British and Canadian merchant classes had predominated and international trade was flourishing. The merchants sought to ensure their dominance and reduce competition by preventing the growth of the farming and urban manufacturing class which had become a real threat to their power in Britain. However, in the late nineteenth century the merchant ventures were a thing of the past and the growth provided by the development of Canada itself became the most obvious route to profits and survival of the new landowning and financial interests. Thus, this change in policy reflects economic changes which carried with them the seeds of industrial capitalism.

The National Policy of the late nineteenth century illustrates

the interests of the financial and landowning class. Their actions were oriented to benefit indirectly from rapid industrial growth rather than from direct participation in its development. This demonstrates the essentially mercantilist origins of the dominant class in Canada at that time. The National Policy set the pattern for present economic conditions. The branch plant industry was prompted by the tariff free entry of many unassembled parts, which provided a strong initial orientation towards assembly operations. The close control of the American parent over the subsidiary assured the perpetuation of the division of function, thereby retaining dependency on the parent company. Primary industry followed the pattern set in earlier times in which raw materials were mostly exported for processing. This flow continued uninhibited by controls or tariffs.

The beginning of industrial capitalism saw the emergence of a market in labour, which is a prerequisite of industrial capitalist development. During the last decade of the nineteenth and the first decade of the twentieth century, there was enormous immigration. Between 1901 and 1911 the labour force increased by 52.8%.⁽¹⁾ This trend of high immigration and large-scale capital formation in the form of branch plant industry transformed the existing production processes which were essentially craft based into large scale machine production. However, the enormous immigration created a larger surplus of low-skilled labour than production could absorb. This helped keep wages low and the threat of unemployment always present.

¹Leo A. Johnson, "The Development of Class in Canada in the Twentieth Century", in Capitalism and the National Question, Gary Teeple (ed.), (Toronto: University of Toronto Press, 1972), p.169.

Thus the development of industrial capitalism, due to the National Policy, ushered in a market in labour. Land speculation in the West signalled the beginnings of market processes in land. These two basic institutions of capitalism were briefly discussed in section 4 and I shall now illustrate their effects on urban land and housing in Canada.

In 1872 the H.B.C. made its first subdivision of land for urban purposes in what is now the centre of Winnipeg. Initially towns developed rapidly to service the needs of the agricultural community. Large tracts were subdivided for sale. This set the pattern of development in western cities over the next 50 years. The slow growth of the West resulted in these lands remaining unoccupied for a long period. "Land speculators encircled even the smaller cities with belts of vacant 'city lots' that might be three to five miles wide".⁽¹⁾ The land companies kept land values artificially high and thereby slowed the recovery of the West from the depression. Dalzell wrote:

"In the Winnipeg area some 56 square miles of land has been fully subdivided, ample for five times the existing population. Calgary and Edmonton, before either city had acquired a population of 50,000 had more land subdivided than the city of Buffalo, when it had nearly 500,000. Robert Murray Haig, Professor of Economics of Columbia University, after an exhaustive study of urban development in Western Canada, reported to the Provincial government of Saskatchewan in 1917: -'that urban land values, imputed on the basis of actual sales made, probably exceeded in proportion to population the level obtaining in any other region of the world'"⁽²⁾ (emphasis added)

¹Brebner, op.cit. p.354.

²A. G. Dalzell, "II. The Housing of the Working Classes", in Housing in Canada, (Toronto: Social Service Council of Canada, April 1928), p.6.

The effect of speculative subdivision on urban development was substantial. The large urban area that served a relatively small population made the provision of infrastructure and services very costly. Landowners used their political powers to ensure that newly subdivided land was included within the city boundary. While all subdivided land was liable for taxation, defaults were common. The boom which preceded the depression had left a number of relatively small landowners in possession of unsalable land. Only the large companies were able to wait until conditions were ripe to make the profits they desired. The total absence of any planning or social control on subdivisions in these early days meant that the spatial allocation of infrastructure followed the layout which best served land saleability. These layouts were usually very costly and socially wasteful, considering the sums available for investment and the size of the population to be served. The local governments had no alternative but to service the needs of all those paying taxes. Thus, indirectly, the landowners were able to profit from the fact that these services would inevitably be publically provided.

"When a population is scattered by too great a subdivision of land, much vacant land has to carry the cost of street making, street services and public utilities, whilst it produces no revenue. In the year 1914 the city of Calgary had 26,763 vacant lots served with streets, sewer and water services, but the authorities were importuned by owners of property still further away for street improvements and sewer systems. At the end of 1926 the same city was in possession of over 73,000 lots acquired by tax sales. Nominally this represents considerable capital value, actually it means a considerable tax on those who try to make a living within the city, because they have to carry

the costs of improvements provided for speculators."⁽¹⁾

The contradiction between industrial and landowning capitalists was apparent when questions of infrastructure and property taxation in urban locations arose. Infrastructure was a necessity of production but had to be provided from taxation. The effects of subdivision and infrastructure led to high property tax rates. While some American branch plant industries were given a free tax ride, local manufacturers had to pay the price. This effected both the manufacturers and the jobs that they represented.

"It is not desirable that the impression should be left that all these defects in municipal development are confined to the western provinces, there are many places in the eastern provinces where unsatisfactory methods of disposing of land are resulting in burdens of municipal taxation, which cripples business and throttles industry, and at the same time is such a tax on the householder that housebuilding and house improvement cannot be what it should." (2) (emphasis added)

The importance of infrastructure in relation to market processes in urban land can best be understood through its role in creating urban land values and in effecting the supply of urban land. It is obvious that the supply of land is limited, new land cannot be produced. But in a country the size of Canada, there was clearly a great deal of unused land. Yet, as seen in section 2, most of the people are concentrated in a small number of urban areas, so that four-fifths of the

¹Dalzell, "II. The Housing of the Working Classes", op.cit. p.15.

²Dalzell, "I. Housing in Relation to Land Development", op.cit. p.26.

population utilize less than one-fifth of 1% of Canadian land. This illustrates the fact that land in our society, is only of significant economic value when it relates to other essential factors of production, labour and capital. The use and value of urban land is seldom inherent in the soil itself, but rather arises from its relationship to the surrounding parcels of land and the public or private services to which the use of the land grants access. Thus, the value of urban land arises as a result of the mutual interdependence of neighbouring parcels of land; the social character of urban land. Value is determined as a result of how neighbours use their land and how the social group acting together services the land in the area.

The supply of urban land is essentially a collective process. Private individuals are rarely able to open up tracts of virgin land for development, and even then after initial settlement, questions of maintenance and increased services become publicly determined and financed. Thus the provision of basic infrastructure such as streets, water, sewers, electricity, transportation systems, schools, etc. rely on collective action for their supply and maintenance. It is these infrastructural components which to a large extent make different parcels of land more or less valuable for residential or productive uses. Therefore individual landowners are able to benefit from the results of collective action financed from taxation, and it is the investment of this public money which controls the supply of urban land.

The allocation of infrastructure is therefore a crucial factor for the perpetuation of power relations which arise from the workings of a market in land. The industrial capitalist requires a certain bundle

of infrastructural components as a necessity for production. The landowner requires control over infrastructure as an essential part of the commodity he is selling; without it he is unable to bargain with wage-earners or industrial capitalists. Wage-earners require it as an essential part of their urban life since it becomes a base from which to have access to work. It is part of how differential value is assigned to different parcels of land for all groups. This is an equally essential part of perpetuating market and social differences. Thus, the allocation of infrastructure is at the heart of the urban system as it represents the clearest form in which land becomes an overt expression of class relations and the class struggle.

The landowning and financial capitalist had a further impact on urban development through the provision of loans for housing. Those who settled in the cities were able to get long-term loans for the land purchase. The landowning interests were usually involved in financial institutions and had to provide means whereby the high prices could be paid. Houses were usually self-built and considered to be poor collateral against long-term loans. Only short-term speculative and expensive loans were made for housing itself. The high prices of land and expensive loans meant that settlers had little funds to invest in the house itself. This situation combined with a climate of profit maximization meant that the physical outcomes were unlikely to provide the foundations for a cohesive community identity. Dalzell writing about western cities in 1928:

"In far too many cases the building instead of adding to the value of the land, depreciates land value, not

only of the land it occupies but of the land adjacent, and one reason for dispersion of population and scattered buildings, is because so many blocks are blighted by inferior buildings." (1)

The development of cities which emerged with capitalism in Canada was influenced by market processes in land which allowed the financial and landowning capitalists to control the land they owned. The pattern of development was therefore predicated on the criteria of the maximization of profits. This means that the physical aspects of social and community development were substantially influenced by the financial and landowning capitalists rather than the inhabitants of the cities. The criteria of profitability had produced irrational development from the point of view of those who lived in these cities. Societal development was fragmented by individual and economic motivations, rather than being integrated around common social and developmental problems relating to the growth of a new community. The problem of the high cost of urban land, about which so much is currently written in Canada, is clearly not the modern phenomena which present day planners would have us believe. In Canada the high cost of urban land originally resulted from the power that landowning capitalists were able to command relative to other potentially powerful groups. I shall show in section 6 that the present high cost of land can be traced to similar relationships.

The effects of competing interests within the dominant class are reflected in state action. In section 4 I described how one important

¹Dalzell, "II. The Housing of the Working Classes", op.cit., pp.27 and 28.

function of the state is to mediate between the various dominant interest groups so that the system itself will function smoothly. The system, by the turn of the century, was the development of industrial capitalism in Canada. While housing policy was by no means a central mechanism of state mediation in this early period of industrialization, the first public actions related to the provision of housing date from 1913 with the Ontario Housing Accommodation Act. Ontario had received the largest share of industrial development. The close relationship between housing for workers and the needs of industry were well understood at the time. Sir Clifford Sifton, the Chairman of the Commission of Conservation, said in Ottawa in 1926:

"How are you going to have happy, contented, frugal, industrious, thrifty workmen if you charge them more for the miserable few feet of land on which they build their poor habitations than they can save in ten years? You cannot do it." (1)

At the conclusion of the First World War the country was particularly unsettled. Strikes and serious disturbances occurred in most urban centres. This period gave rise to the first federal housing policies aimed at increasing house production. A further federal government action in 1919 was also significant. The government arranged for a National Industrial Conference, "in the endeavor to bring employer and employee to a better understanding".⁽²⁾ The report of the Commission appointed by the government in connection with the conference cited poor and insufficient housing conditions as contributing to worker dissatis-

¹Dalzell, "I. Housing in Relation to Land Development", op.cit., p.2.

²Ibid., p.4.

faction. A resolution adopted unanimously was particularly revealing:

"That this Conference, recognizing that much industrial unrest, economic loss and social suffering has resulted from land speculation, poor and insufficient housing, and high rents, heartily commends the action of the Dominion and Provincial Governments in their united efforts to improve housing conditions and to provide facilities for the proper and satisfactory housing of the people..."⁽¹⁾ (emphasis added)

The speculative ventures in land development by the landowning and financial class were beginning to have serious consequences for developments initiated under the National Policy. While the goals and economic benefits of increased development were being achieved, they had also produced contradictions. They had produced a large working class for whom housing was an essential commodity. The foreign and local manufacturing interests required both workers and infrastructure. The costs of both were rising as a result of the landowners' actions. If wages were lowered beyond a certain point, unrest occurred. Thus, initial state aid for housing was a feeble attempt to provide employment through construction as well as an increase in overall housing supply. It was hoped that the result would be the solution of the worst effects of housing and job shortages; the system was to be maintained and problems would eventually correct themselves.

These state actions again point to the contradiction between the landowning and the manufacturing interests. By virtue of ownership of land, the landowner was able to refuse access to that land unless paid the price he was asking. Therefore industrial capitalists were prepared

¹Ibid., p.4.

to pay for the use of the land for production, and workers were prepared to pay for the access this gave them to shelter and most important of all, to work. ⁽¹⁾ The market process in labour meant that those who worked only for wages had no alternative but to accept these conditions, as they had to work to survive. The relationship between landowner and industrial capitalist can be seen as an antagonistic one, where the former is able to share in the surplus from production by virtue of his private ownership of the land. The antagonism develops over how large or small that share is to be.

In the late nineteenth and early twentieth century in Canada, landowners, through their large influence on urban land and housing markets, were pressing their market advantage to the point where one of the essential factors of production, labour, was being threatened. As Dalzell says in his introduction, "Good housing protects public health, is a vital factor in securing and retaining both agricultural and industrial workers."⁽²⁾ (emphasis added). This is the insight of a housing policy analyst in 1927 which seems to have largely escaped his modern Canadian counterparts.

5.4 The Capitalist City: Toronto

The explanation for the rapid urbanization in Canada can be found

¹These arguments are developed more systematically in a theoretical analysis by Shoukry Roweis. Shoukry T. Roweis, "Towards a Radical Analysis of Urban Land Rent", in ReseArch, Vol.4, No.1. (Massachusetts Institute of Technology, Dept. of Architecture, June 1973).

²Dalzell, "I. Housing in Relation to Land Development", op.cit., p.1.

in the growth of industry. As has been shown, [section 5.3], a new set of forces emerged with the growth of industry to effect the development of urban land and housing. In 1871 only 19.6% of the population lived in urban centres. The National Policy allowed each province, city or town to pursue its own mini-National Policy by offering tax concessions, free land, utilities, loans and even cash grants to branch plant industry. The aim was to share in the economic growth produced by this industrial expansion. By 1901 about 37.5% of the population were living in towns, and by 1921 this proportion had increased to 49.5%.⁽¹⁾

The forces of change were apparent in the development of Toronto during the period from Confederation to the Great Depression. The population in 1870 was 56,092, by 1900 it was 220,000 and by 1921 it had grown to 605,000.⁽²⁾ During this time it developed as an important commercial and trading centre which is evidenced by the large number of railway lines which entered the city from different directions. However, of even greater importance was that Toronto developed as a prime location of industrial development for both local and foreign manufacturers. The city had also become the second most important banking and financial centre in Canada after Montreal, and this development made it the natural location for the head-offices of resource extracting industries in Ontario.

The forces of capitalism had clearly emerged during this period. Production had changed from small scale craft based to large scale

¹John Porter, The Vertical Mosaic: An Analysis of Social Class and Power in Canada, (Toronto: University of Toronto Press, 1965), p.138.

²Goheen, op.cit, p.66 and Larry S. Bourne, Private Redevelopment of the Central City, Research Paper No.112, (Chicago: University of Chicago, Dept. of Geography, 1967), p.54.

factory production. While the number of wage-earners employed by industry grew continuously throughout the period, the number of factories or work places decreased. In 1890 there were 24,480 employees working in 2,109 establishments, but by 1901 42,515 employees were employed by only 847 establishments.⁽¹⁾ The proportion of people who were directly, and probably permanently, dependent on wage-labour became the largest group in Toronto. This group was subdivided into skilled, unskilled and clerical workers, but the most significant change had been the growth of a large body of unskilled workers.

The changes in the production forces led to considerable changes in the spatial relations of the city. From a heterogenous land-use pattern, the physical relationships now reflected the hierarchial structure of the new production relations. Goheen talking about Toronto in 1890 describes this:

"economic rank provided a more significant basis according to which groups sorted themselves residentially. Unskilled, skilled, clerical and professional persons were segregated from each other. Such a finding suggests that location within the city was a matter of exclusion -- those whose occupations ranked them on the low end of the economic scale were more thoroughly isolated than were other classes." (2)

The proportion of homeownership had also decreased in Toronto. In 1921 slightly more than 50% of the families were tenants.⁽³⁾ Rental properties predominated in the poorer areas but were almost non-existent

¹Goheen, *op.cit.*, p.66.

²*Ibid.*, p.194.

³Dalzell, "II. The Housing of the Working Classes", *op.cit.*, p.24.

in the most wealthy sections of the city. Ownership carried advantages in economic terms as it raised the possibility of speculative profits while it gave the owner security of tenure. The unskilled workers could still choose to live in self-built shacks on the outskirts of the city. But mobility was more important to workers who were continually threatened with unemployment or the need to change jobs. Thus the central location and the flexibility of rental over ownership was chosen as a direct consequence of the workers' position at the bottom of the productive hierarchy. Dalzell, writing about homeownership in 1927:

"the situation in many places to-day is that it is more difficult than ever for a home to be secured, and what is much more serious, more difficult to secure the steady employment in urban communities which is essential for true prosperity and happiness. In reply to a questionnaire on housing conditions submitted to many municipal authorities for the guidance of this Committee on Research, the difficulty of securing steady employment is frequently given as the main reason why more do not own their own homes."⁽¹⁾
(emphasis added)

The form of tenure thus became a further form of segmentation and separation of the social classes which was apparent in Toronto as a result of market processes.

Work place and home were also segregated. The growth of industry and commerce in central locations which related to transportation facilities soon forced the wealthier people from the centre. The landowners who controlled the surrounding land were eagerly subdividing their lands. The first streetcar lines all serviced the wealthy residential suburbs and helped those who could afford it to escape the rapidly con-

¹Ibid., p.25.

jesting centre. The working of the market in land meant that only those who could pay the price could afford the new suburban locations. The large houses vacated by the wealthy were subdivided and rented to the unskilled workers and newly arrived immigrants. The fact that only the poorest workers now lived close to their work places helps underline the changes which had taken place. Workers of that level had performed no economic function in the pre-industrial city and were therefore largely excluded [see section 5.2]. However, now that they were necessary for the production processes they were catered for in the city. The close relationship between home and work only meant that those on the bottom of the hierarchy had the least environmentally desirable locations, or the housing of the lowest market value.

The shift in residential location of the lowest stratum of the urban labour force, from the periphery to the centre coincides with the advent of industrialization. It is an indication of the way in which urban spatial patterns result from, and in turn buttress, the social relations of production. The initial separation of housing and work came as a result of two factors. First, the separation of direct producers from control over their means of production which was affected by the change from small scale craft production to large scale industrial production. As a result the city became a centre of employment, providing alternative places of work for workers as well as a pool of labour from which manufacturers could draw. Thus, conditions for a true market in labour were created. Second, the institution of private ownership of land meant that the landowner, who was outside of the relationship between industrial capitalist and worker, could expect

to benefit or participate in the exchange of labour for wages. If landowners were able and willing to provide housing for workers, who were now able to pay rent from money wages, it would suit both industrial capitalists and workers. The industrial capitalists would not have to use scarce capital to provide housing, and workers would not be tied to one job by the house which accompanied it. Thus, the separation of housing and work was consistent with the interests of all classes resulting from a free market in labour.

The workings of a free market in both labour and land together created conditions which rewarded individual desires and actions rather than communal actions in contrast to patterns resulting from earlier production relations. This laid the foundations for the social relations which currently dominate communities in present day cities and result from the separation of residential community from control of work processes. Individuals were faced with two allegiances. The first to work and the second to home; the former predominated as it related more clearly to survival. Working interests were served by the development of production. Individuals were prepared to accept profit dominated industrial development provided this occurred away from their own homes, where the negative by-products such as noise, smoke, safety and visual appearance could continue unrestrained. Instead of an identity of interests existing as a result of the close location of factory and residence, these now reflected an essentially antagonistic relationship. Workers showed little concern for the effects of their work process on other peoples' homes but great concern about the effects of other work places on their own homes. The community at work, the

union, became a far more effective community for producing changes in the workers' lives. Residential community relations became secondary and played a relatively minor role in social life.

It must be noted that the above argument is not a plea for a return to pre-capitalist relationships, but instead an attempt to explain the roots of essential relationships which effect housing and urban land in our present society. The separation of shelter and work is not inherently incompatible with positive community growth and development. However, in capitalism it is the physical reflection of a process where control over work is divorced from its communal base thereby laying the foundations for a situation in which individual economic interests in land and housing often contradict the best interests of the community. As a result of individual economic interests in housing, social differentiation in the growing Canadian cities was increased and perpetuated. This was not only true for developers and speculators, but more important, the market processes in housing led rationally to actions oriented towards the maximization of individual economic welfare for all the inhabitants of the city.

In section 5.3 I described the importance of the allocation of infrastructure in the urban situation for maintaining power relations and market processes in urban land and housing. The development of public transportation in Toronto illustrates these processes most effectively. The franchise to operate streetcars was granted in 1861. The control of the first line was held by those interested in developing the land around Toronto, particularly in the northern areas which became expensive residential suburbs. Until 1890 streetcar develop-

ment continued to service mainly the interests of the landowners and the new suburban population. This had limiting effects on industrial development, as workers could not afford the fares and therefore were not able to reach industries beginning to locate outside the centre along the railway routes. In 1891 the city exercised its right to repurchase the franchise and immediately resold it after inserting a clause which required that "working-class reduced fares were to be instituted in the early morning and early evening hours."⁽¹⁾ Thus through assuming temporary control of the infrastructure, the local government was able to mediate a compromise between private interests, while allowing the landowners to continue to control the development of a public service which related directly to increasing private land values.

Conflicts between different interests continued to revolve around the development and services related to the public transportation network. The company which held the franchise refused to extend its single fare service beyond the limits of the city as it was defined when they signed their contract in 1891. This move again affected the growth and spread of industry, and the city responded by encouraging new streetcar companies to be formed beyond those borders. Transportation was becoming a vital link in the productive process as well as an essential part of the value of land. The competing interests led to a chaotic situation in which nine separate companies were soon operating in the Toronto area. Many were run inefficiently and were losing money which severely affected the service provided. The local government had no alternative

¹Goheen, op.cit., p.74.

but to assume ownership of all the companies in 1920 and publicly control all streetcars. This essential economic function had become too important for the survival of the system in Toronto to be allowed to be ruined by private interests. Thus, the infrastructure was an integral part of the struggle for power in the city. The role played by the state was necessary for the smooth functioning of the system. Public ownership meant that both landowning and industrial interests could be served without one limiting the scope of the other. The people of Toronto also benefited by the move to publicly own and control the streetcars. However, it is important to realize that the reasons for this local government intervention were economic rather than social or philanthropic.

Throughout this section I have traced the forces which have led to the emergence of capitalism in Canada. Many of the social problems, including those relating to urban land and housing in present day Canada, have their roots in this period. I have tried to show how urban land and housing problems emerge from the development of the institutionalized relationships which characterize capitalism itself. There is no doubt that given different social relations of production other social problems would inevitably have arisen. But this is not the issue here. I am interested in Canada today, which is a highly industrialized capitalist country. Therefore it is relevant to focus only on the problems arising from the social relations in capitalism, as they are the ones which must be grappled with if we wish to move forward towards a higher level of development and the resolution of our

social problems. In the next section I will explore the history which leads directly to the present.

6. FROM THE GREAT DEPRESSION TO THE PRESENT

The final section of the analysis will be concentrated on current issues related to urban land and housing in Canada. The focus will be on the institutionalized and political processes which most clearly effect urban land and housing today. Following the outline of the previous section, I shall proceed by first tracing the economic and social developments which have occurred since the depression of the 1920's. This will be followed by a detailed examination of market processes and the role played by the state in urban land and housing in Canada.

6.1 Economic and Social Development from the 1920's

The Great Depression severely affected the Canadian economy. World wheat prices collapsed. Interest rates on the large British loans rose steeply. These economic changes ended the role played by British financial institutions in the mainstream of Canadian economic development. The response of the Canadian government and those it represented was to intensify the search for investments from the United States. Previously much of the branch plant ventures had been financed with British capital provided through the Canadian banking system. Now the period of direct American investment began. The rate of investment intensified. In 1931 alone, 90 new branch plants opened in Canada.

To replace the depleted wheat export trade new primary resources for export were emerging, such as paper and pulp, minerals, oil, gas and

hydroelectric power. Unlike the previous export resources, these required a large investment of capital over a long-term in an initial risky phase. The British and later Canadian mercantile, financial and landowning capitalists had seldom been prepared to undertake investments of this risky nature. American industrial capitalists traditionally sought this type of investment and were thus able to control these Canadian resources for United States productive markets. This was facilitated by the elaborate transportation network already provided at an earlier period.

During the period of British domination of the Canadian economy international capital was invested through banking systems. The loans were attracted by high interest rates. The American corporations behaved in a significantly different way. Earnings were retained within the corporation and their investments sought areas of reasonably high profit levels rather than areas of scarcity of capital. The American corporation therefore aimed its investment at the most dynamic, rather than the unproven areas. It sought out an economy that had "already proven itself capable of generating the surplus to sustain real capital formation and the income to clear its product markets".⁽¹⁾ Thus direct American capital investment led to the take-over of many Canadian businesses as well as to greater and greater urban concentration.

The trend to continued urban growth during this period was clear. In 1921 approximately 49.5% of the population of Canada lived in urban areas, by 1941 the figure was 54.3% and by 1961 it was 71.1%.⁽²⁾ Urban

¹Naylor, op.cit., p.30.

²Porter, op.cit., p.130.

growth resulted largely from the growth of secondary industry. Firms tended to locate in clusters to protect their market share and encroach on that of their competitors. In 1913 almost 70% of American branch plants were located in the 7 largest urban centres and in 1934, while the number of branch plants had trebled, the same cities still contained 70%.

The emergence of agribusiness in the 1930's and 1940's and the development of the food processing industry led to a rapid decline in the number of farmers. The growing resources of Southern Ontario and parts of Quebec, and later Vancouver in British Columbia, attracted massive migration to the already larger and more powerful centres. In recent years, over 45% of American controlled employment lay within 100 miles of Toronto and 64% within 300 miles.⁽¹⁾ This region had, and continued to act as a funnel through which the major part of Canadian produced raw materials flowed to the United States. The rural areas continued to provide cheap resources and labour as well as markets for the products of urban industry. The unequal development and dependent relationship of Northern Ontario and the Maritimes on Southern Ontario, paralleled the development at the national level of Canada in relation to the United States.

The growth of industry and agribusiness resulted in a decline in the number of farmers and small manufacturers. Between 1948 and 1968 the farmers and small manufacturers declined from 14.7% of all income earners to 10.9%, and their average earnings declined from 120% of the

¹Barker, op.cit., p.21.

average income of all earners to 94%.⁽¹⁾ Today approximately 83% of Canadians depend on wages and salaries for their income. Thus, the essential nature of class conflict is that between those who work for wages and salaries and those who own or control capital. However, the wage-earning sector cannot be considered a homogenous group. A large part of the new Canadian wage-earning class is white collar, about 45% in 1961. This group with the professionals tend to be known as the middle class. Yet, the work of many white collar wage-earners is no more financially rewarding and contains no more control over the work process, than does the work of most blue collar workers who are traditionally of lower social status. Clerical workers, whose work is in many ways similar to the work performed by most semi-skilled labourers, now number 15% of the white collar sector.⁽²⁾

The stratification of the wage-earning class is also found within the blue collar sector itself. The surplus of labour grew with the Great Depression. While unemployment in 1933 was 20%, those who were employed within the industrial sector became a relatively high-paid elite. This trend continued to the present where industries which are highly capitalized, such as mining, steel, automobiles and chemicals, have granted labour unions high wages. These industries are difficult to move and the high fixed costs result in great losses during strikes. Their near monopoly control enables them to pass on the high labour costs to the consumer. In contrast, the labour-intensive industries

¹Johnson, op.cit., p.148.

²Ibid., p.165.

in which low levels of skill and little fixed capital is needed, such as electrical and clothing manufacture, are able to enforce low wages. These industries are relatively easy to move and are often competitive and maintain competitive prices. Therefore differences exist between the well-organized, high-wage workers in capital-intensive industry and the low wage workers who have weak unions or are unorganized.

The general trend to segmentation of the wage-earning class follows the classical lines as in most highly industrialized capitalist countries, through maintenance of a hierarchy within firms as well as the differences between men and women in the work place. The importance of these differences for the dominant class is obvious. Were this large wage-earning class to develop a single class consciousness they would certainly have the power to change the state of affairs in their interests. It is therefore an important part of both conscious and unconscious strategy of the dominant classes to perpetuate and recreate differences among the wage-earning classes.⁽¹⁾

The second world war greatly stimulated industrial development in Canada. The development of a strong Canadian industrial class was effectively prevented by the existing dominance of the industrial capitalists from the United States. The post war period in fact marked the

¹For a comprehensive discussion of labour market segmentation in capitalist countries I recommend the following: A Canadian Analysis: Johnson, *op.cit.* Two excellent theoretical and empirical analyses of labour segmentation in the United States: David M. Gordon, Richard C. Edwards and Michael Reich, "Labor Market Segmentation in American Capitalism"; and Katherine Stone, "The Origins of Job Structures in the Steel Industry", both presented at the Conference on Labor Market Segmentation at Harvard University, March 16-17, 1973, (Lexington, Mass.: D. C. Heath and Company, mimeos awaiting publication).

greatest increase in take-overs of Canadian businesses and new branch plant developments. The size of this foreign ownership in the Canadian economy was vast. Foreign owned assets in Canada in 1969 were valued at \$46.9 billion while in the same year Canadian private individuals owned share capital valued at only \$14 billion. Foreign interests controlled 74% of the petroleum and natural gas, 65% of mining and smelting and 57% of manufacturing.⁽¹⁾ The controlling force of Canadian development thus rested in the hands of the same group which controlled the development of the United States.

The Canadian dominant class could be broadly divided into two groups. The first was that which represented American industrial capital and was overshadowed by the large American corporate interests. These might be described as part of a North American corporate class based in the United States. The power which these "junior partners" in American corporate capitalism represent was non-Canadian, with its focus being on international rather than specific national potentials. The second and most powerful Canadians remained those servicing industrial capital in banking and finance, transportation, communications and utilities which remained relatively free of foreign control. An attempt in the 1960's by the Rockefeller controlled Citibank to expand into Canadian banking through a take-over of the Mercantile Bank was both strongly resisted and prevented by Canadian financial capitalists, who had been eager to cooperate in the American take-over of Canadian industries. The state was compelled to act to prevent this re-occurring

¹Johnson, op.cit., p.157.

by legislating a limit to foreign participation in Canadian financial corporations of 25% of equity. (1)

The relatively small and powerful Canadian financial and land-owning class is linked in a complex pattern of intercorporate ownership, cross directorships and social interaction. Their controlling organizations are the banks, trust companies and insurance companies which accumulate the savings of the ordinary citizen into pools of money which are made available for their investments. The largest such network is the Bank of Montreal - Royal Trust - Sun Life - CPR - Steel Company of Canada group, which controls assets equal to more than a fifth of Canada's annual GNP. The directors of the Bank of Montreal hold 13 directorships on the board of the Royal Trust, 10 on the CPR, 6 on the Steel Company and 5 on Sun Life. In 1957 the thirty directors of the Bank of Montreal held 220 corporate directorships among them! (2)

"But if capital is available in the hinterland (Canada), why does not the indigenous capitalist class undertake the process of industrial development? In Canada, the process of penetration by direct investment has been aided considerably by the legacy of merchant capital, an overdeveloped transportation and financial infrastructure which drains funds away from industry. The tightly cartelized banking system cannot provide long-term risk capital, but is concerned primarily with liquidity. Life insurance companies prefer fixed interest securities and government bonds and mortgages, and invest only in very gilt-edged securities, which naturally are those of big established American concerns. ... These factors, together with the

¹Ibid., p.160.

²Ibid., p.155.

reluctance of American firms to issue minority shares in their subsidiaries, twist the Canadian capital market so that Canadian capital continues to flow into utilities, agriculture, housing, merchandising, and government bonds, thus robbing industry of funds."(1) (emphasis added)

This group of financial and landowning capitalists continue to behave in a similar manner to their mercantilist predecessors. Historically mercantile interests concentrated on accumulating wealth through organizing the flow of goods between producers and consumers, or at a more sophisticated level, capital between savers and investors. Productive interests were those of an industrial capitalist class which accumulated wealth through using either owned or borrowed capital in a manufacturing process to gain profit through production. There is a basic contradiction between these two groups of capitalists; the financial and landowning capitalists operate in service and distribution, while the industrial capitalists operate in production. In general, the financial and industrial capitalists tend to allow the foreign industrial capitalists to take the initiative in development and benefit by servicing the resultant growth. They are essentially interested in profiting through non-industrial activities. Instead, they profit indirectly from the profits made by others in industrial production. While individuals may be involved in both financial and "junior partner" relationships, the distinction between these different interests within the capitalist class has analytic validity, particularly as the more powerful capitalist interests indigenous to Canada are largely those of the financial and

¹Naylor, op.cit., p.31.

landowning group.

I have previously explained the contradictions which emerge as a result of market processes in capitalism. One particular conflict of interests was that between those who control land and those who control industrial capital. In many capitalist countries these groups seem to have merged into a more or less homogenous group, but Canada is interesting in that this merger has not occurred. This factor is particularly relevant in order to understand the problems related to urban development in Canada.

6.2 Housing and the State

The trend toward increasing urbanization and the forces this represented resulted in the demand for housing remaining high throughout the present century in all Canadian cities. During the period from the 1930's to the 1950's most of the land within cities and the growing suburban areas was owned by a large number of small owners. The construction and development industry was characterized by a great number of small scale businesses.

Housing supply was affected by the Depression and the Second World War which were obvious constraints on production. Housing was also not considered to be a profitable investment by those who controlled capital; particularly housing for the lower income groups who faced the most severe needs. Investment in production or in other sectors competed with housing and provided safer and higher returns. As housing was an essential commodity, the state had no alternative but to ensure that

production of housing was maintained to serve the migrants and immigrants flowing into Canadian cities. Thus, the rate of housing supply depended directly on those who controlled the financial institutions and the state.

From 1935 with the Dominion Housing Act the federal government initiated a constant and growing involvement in housing production. In 1938 the first National Housing Act was passed and was amended at regular intervals. The province of Ontario and the city of Toronto which were experiencing by far the greatest share of American investment were among the few provincial and local governments active in housing and related policies of their own, from the earliest times.

During the ten years which preceded the Second World War, house construction had averaged only 26,000 units per annum, while in 1928 50,000 units had been built.⁽¹⁾ The federal government action in 1935 and 1938 had been mostly concerned with making loans available for building houses for homeownership. The pressures for action were beginning to build up but were not yet great. Few units were produced as a result of these programs when the war broke off all production.

Many of the day to day rules of life were temporarily suspended as a result of the war; that is, the institutionalized forces were no longer operating as the natural order which controlled the relationships between people. The production of a vast amount of essential war supplies was a national and international necessity. The federal government created 28 Crown Corporations to organize this production directly. One of

¹Humphrey Carver, Houses for Canadians: A Study of Housing Problems in the Toronto Area, (Toronto: University of Toronto Press, 1948), p.4.

these corporations was known as Wartime Housing Limited. The normal function of the state had been to mediate between the interests of the landowning capitalists and the industrialists. However, the market processes in land and housing were now swept aside so that production could proceed totally unhampered. The state clearly recognized the close relationship between housing and the needs of industry. There was of course profuse apology on the part of the state for the necessity to take such drastic measures, which in fact threatened property rights themselves. However, the justification of "the war effort and world freedom" were seemingly a powerful enough ideology to justify the action to the bulk of the dominant class.

With the return of the soldiers after the war, the activities of Wartime Housing were retained to house the veterans who were a group to which the country clearly owed a debt. They could not be allowed to go homeless after their experiences abroad. This might be seen as both gratitude and an awareness that this group would not easily accept poor social and housing conditions without creating serious disturbances such as those which followed the First World War in every Canadian city. Thus, the suspension of market processes could be allowed to continue for a few years longer. In the war period from 1941 to 1945 over 19,000 housing units were produced and between 1945 and 1949 a further 27,000 units were built.⁽¹⁾ In 1949 in order to restore the normal relationships of Canadian society, the federal government ceased all production and sold this considerable sector of rental housing to private individuals,

¹Dennis, op.cit., p.127.

usually the occupiers themselves. Many of these houses are still in use today.

The Wartime Housing Corporation with its short life in Canadian history effectively illustrates the direct importance of housing as a necessity in the maintenance of a labour force for industrial production. This state action was by no means typical of the Canadian government and the clear move to totally divest the federal government of the operation illustrates that it was an embarrassingly radical departure from normal state behavior.

The federal government's long term actions in housing policy are most clearly reflected in the National Housing Act (N.H.A.) and the creation of Central Mortgage and Housing Corporation (C.M.H.C.) in 1946, a crown corporation which was to administer the N.H.A. The first policies of 1935 laid the general pattern for much of the following legislation. These legislations of 1935 and 1938 represented attempts by the state to elicit the support and active participation of the financial capitalists in housing production. The federal government provided a loan program which allowed for mortgages on new residential housing jointly financed by the federal government and approved lending institutions. The 1944 legislation continued this direct loan program and added a program which provided loans for the production of rental housing. The legislation also provided for direct control by C.M.H.C. of the conditions under which the loans could be made. In subsequent years the first slum clearance programs were added though they were not acted upon for a number of years. In 1949 the first provisions which set up formal arrangements for the public development of housing through joint federal/provincial ventures

were added.

The effect of the direct loan program was to stimulate the flow of capital into the production of single family homes for home ownership. The existence of the automobile meant that people were no longer dependent on public transportation and the move to the suburbs could begin in earnest. Talking about this policy Albert Rose said:

"Clearly, it was the policy of the central government to encourage the assumption of home ownership, in new construction only, through a program which resulted in the lowest first-mortgage interest rates in our history. This was formed by not one, but two forms of subsidy: direct lending of funds provided by the general taxpayer to several hundreds of thousands of privileged families, and the provision of such funds at an artificially reduced rate of interest. Although it occupied only one short part of the federal legislation, a consequence of this set of policies was clearly the expansion of vast suburban areas adjacent to every medium-sized and large urban centre." (1)
(emphasis added)

Certain conditions gave rise to this policy. Besides an absolute shortage of housing, the trend in tenure during the 1930's and 1940's was towards rental rather than ownership. By 1931 only 37% of households in Canada's 12 largest cities were owner-occupied and by 1941 the figure was 34%.⁽²⁾ The new policy can be interpreted as achieving the following concrete results. The supply of houses to the upper stratum of the wage-earning class who were able to carry mortgage

¹ Albert Rose, "Canadian Housing Policies", in The Right to Housing, Michael Wheeler (ed.), (Montreal: Harvest House, 1969), p.67.

² Carver, op.cit., p.8.

responsibilities and afford automobiles was increased. This group was therefore given a more desirable form of housing tenure as well as a "stake in the system" itself. While the policies may not have been expressly aimed at this separation and further segmentation of the labour force, its results clearly achieved this. By the early 1960's homeownership figures were over 60% in the majority of Canadian cities.

The financial arrangements of the loans for homeownership assured the Canadian financial and landowning capitalists that participation in these moves would be both a profitable and safe investment. The rapid suburban growth issued in a new phase in the relationship between the Canadian financial and landowning capitalists and the development of urban land and housing. Demand for land, housing, retail and commercial facilities was a potentially profitable venture, particularly as the state was prepared to accept some of the risks involved. Thus, during the early 1950's a number of development corporations were established which have had a vital impact on the development of Canadian cities. These development corporations grew quickly during the 1950's and 1960's to the point where they presently have direct control over urban land and housing markets in most cities. The Canadian financial and land-owning capitalists became intimately involved in the market processes of urban land and housing, not only as providers of capital but also as direct profiteers. This has had some direct consequences on state actions which ensure that the essential relationships between land, labour and capital are maintained within the presence of relative social harmony. (Details of these development corporations will be examined in section 6.3).

The state policies during the 1950's and 1960's continued the trends begun during the 1940's. The major loan program aimed at producing housing changed from direct loans to mortgage insurance in 1954, thereby providing a risk-free investment. The cost of the insurance was borne by the individual house buyer so that the developer or contractor could be protected. The state's move away from active participation in loans for individual houses allowed the financial capitalists a direct control over the supply process. While individuals were allowed to appeal directly to C.M.H.C. for loans they had to be able to demonstrate that private lenders had refused them help. In practice, this residual direct lending was only used for rural areas and very small towns not serviced by private lending institutions. The emphasis at the federal level was on production measured in numbers of new houses or dwellings completed, and the instrument was the private market process. By directing most of its activity in housing through the private sector the state could not be accused of infringing the rights of those with private investments. The supply, price and distribution of state subsidized housing was therefore mediated by the same processes which mediated market transactions.

During the 1940's and early 1950's most of the direct loans had gone to single family houses for homeownership; the trend started to shift during the late 1950's and the 1960's to multiple dwellings for rental purposes. In 1958 11.05% of N.H.A. insured mortgages went to produce multiple units which include apartments, row houses, semi-detached duplexes, quadrexes, etc. By 1965 it appears that 59.64% of

these mortgages were producing multiple units. In the sphere of conventional mortgages the trend had occurred earlier and by 1958, 55.33% were producing multiple units and this had risen to 60.75% by 1965.⁽¹⁾ A closer examination of the units produced during the past 20 years is revealing, see Table 2.

TABLE 2
TYPE OF DWELLING COMPLETED, ALL MORTGAGES,
CANADA, 1951 to 1971.⁽²⁾

<u>Period</u>	<u>Unit Type (percentage in each period)</u>			
	<u>Single detached</u>	<u>Semi-detached & duplexes</u>	<u>Row houses</u>	<u>Apartments</u>
1951-55	72.2	7.3	0.7	19.8
1956-60	66.9	7.7	1.6	23.9
1961-65	55.5	6.9	2.4	35.3
1966-70	43.0	5.4	4.6	47.0
1971	41.2	6.2	8.4	44.2

This table demonstrates that most of the multiple units constructed were apartments, most of which were high rise. Physically the pattern evolving in many Canadian cities represents a still greater segmentation and community fragmentation than that which has occurred in many highly industrialized countries. Besides the separation between city and suburb, suburb and suburb, rental and ownership, the creation of a large proportion of middle income apartment dwellers has added an extra dimension to the traditional pattern of urban growth and spatial fragmentation. This

¹Spurr, op.cit., p.307.

²Ibid., p.286.

also reflects a decrease in the quality of urban life available to these income groups. ⁽¹⁾

These changes reflect developments which can be traced to the actions of the development corporations which were beginning to have an impact on urban land and housing markets during this period (see section 6.3). Their actions in the market in land had caused land prices to rise considerably. In fact, the impact of the introduction of the mortgage insurance policy in 1954 appears to have increased land prices. The stimulus to development which it represented was reflected in a 52% rise in the land component for units financed under the N.H.A. during the period 1953-55. In no other two-year period between 1951 and 1971 did the increase exceed 30%, and excluding this 52% rise it averaged 19%. ⁽²⁾ Thus, to maintain a high rate of dwelling unit production while retaining reasonable housing costs, it was necessary to construct more units on a single piece of land. C.M.H.C. directed their efforts at statistical results and were less concerned with the nature of the units being produced. These development corporations were more interested in developing high-rise multi-unit structures which produced the most units efficiently for a given amount of capital investment and were also income producing investments. The actions of the state while providing essential housing also benefited the interests of those capitalists seeking a

¹There have been a number of studies in Britain which have demonstrated that multi-story apartment buildings lead to fragmented community relationships, loneliness, lack of pride in the home, inhibiting environments for child rearing, etc. The most comprehensive study is by, Pearl Jephcott, Homes in High Flats, (London: Oliver and Boyd, 1971).

²Spurr, op.cit., p.315.

greater share of the surplus through control of urban land and housing.

The state policies for housing which were directed through the private market failed to reach the low income groups in any substantial amount. The necessity to house this essential part of the labour force fell directly upon the state. The Canadian government developed direct lending programs for public housing, urban renewal, low rental housing and assisted home ownership.

The division of responsibility between the levels of government for housing was particularly compatible with the developments in each region. The federal government created the programs and acted as a co-ordinator and banker, but initiation and implementation fell to provincial and later municipal governments. The largest proportion of state funding was allocated to areas where there were evident contradictions between industrial and landowning capitalists; i.e. the need to house a large number of unskilled wage-earners. Many less developed areas built almost no housing under the programs aimed at helping the low income groups. Ontario was by far the most active province, often initiating policies before they were legislated at the federal level.

Though public housing policies of some description had existed since 1949, very few provinces had acted on them. During the 1950's production for the whole country was about 834 units per year.⁽¹⁾ Ontario, which was experiencing considerable industrial growth, pressed the federal government for more help in this area than existed under the legislation that was current at the time. Urban and suburbanization

¹Dennis, op.cit., p.173.

had been tremendous in the region. Toronto's population had increased from 810,000 in 1931 to over 2,000,000 by 1965.⁽¹⁾ The growth in industry and commerce had obliterated many of the older central areas which normally housed the poorest wage-earners. Ontario was the first province to create a mini-C.M.H.C. known as Ontario Housing Corporation (O.H.C.) specifically to resolve the housing problems of the poorest wage-earners.

In 1964 C.M.H.C. ammended the legislation dealing with public housing and offered to bear 90% of the capital costs as well as 50% of the operating costs. By 1970 results had still not been great in numbers, only 70,000 units had been produced out of a total national housing stock of 6,300,000 dwelling units. The public housing which had been produced had gone to serve particularly pressing needs. Ontario received 64% of all units and Toronto had approximately 35% of the total national production.⁽²⁾

The point I am stressing is that the state had no alternative but to provide some housing help which totally by-passed the private market. The state's role was to reduce the tensions resulting from the failure of private market processes to provide tolerable housing conditions. The action taken was inconsistent with property relations represented in a private market in urban land and housing, as the poor were being offered a "free ride". The reluctance to do this is evidenced by the extremely low production rate which resulted even after relatively

¹Bourne, op.cit., p.54.

²Dennis, op.cit., p.181.

advantageous financial terms had been provided at the federal level. Those provincial and municipal governments which acted had no alternative. If they were to continue to attract industry they also had to provide a labour force at all levels of the productive hierarchy, and for the poorest workers this meant the provision of housing.

The action taken by the state also represented the minimal conditions, in which the tension caused by the market failures to produce housing for the poor, was reduced to manageable proportions. While some may argue that the motive force for public housing in the larger cities had grown from humanitarian concern, or social justice, the words of those involved and the physical outcomes certainly create a different impression. A member of the Board of Directors of C.M.H.C. wrote to the President of the Corporation in 1957 saying:

"It seems to me that public housing projects should also be at a minimum standard as far as accommodation is concerned, but not as far as external design, siting, etc. are concerned. In other words they should improve the community but only provide a bare minimum of housing for the occupants...It seems to me that this should be deliberately used not only to achieve economy, but to make clear that we are not competing with private enterprise who we assume will be building a more attractive product intended for those who can afford it." (1)
(emphasis added)

The government's own Task Force reporting in 1969 tells us something about the quality of public housing:

¹Ibid., p.174

"The big housing projects, in the view of the Task Force have become ghettos of the poor. They do have too many "problem" families without adequate social services and too many children without adequate recreational facilities. There is a serious lack of privacy and an equally serious lack of pride which leads only to physical degeneration of the premises themselves. The common rent-geared-to-income formulas do breed disincentive and a "what's the use" attitude toward self and income improvement. There is a social stigma attached to life in a public housing project which touches its inhabitants in many aspects of their daily lives. If it leads to bitterness and alienation among parents, it creates puzzlement and resentment among their children." (1)

Public housing was also often located on the least desirable sites, poorly connected to public transportation and generally with an inferior bundle of social services.

Public housing illustrates the limitations of state action within a given institutional context. Without the mediation of market forces as is the case with most state action in housing, public housing reveals the real contradictions of state action. The state is clearly not bound to create housing which will do the social damage described by the Task Force above. It appears to have the power and the means to provide totally different physical and social alternatives. However, to do so would also mean to give people a "free ride" or "rob men and women of the incentive to do better" or "to work at all". Those on the bottom rung within the market process would also want a "free ride" and soon the system itself would be in jeopardy, as workers choose welfare

¹Report of the Federal Task Force on Housing and Urban Development, op.cit., p.54.

instead of work. Thus the state has little option within the current order of our society to greatly change things. The poor must be condemned to the ghettos and the differences in social and economic status must be constantly underlined and reinforced in our physical environment so that market processes and property relations which they reflect can be maintained and legitimized.

The urban renewal program was a further illustration of the problems inherent in direct state action. The intention of the program was to demolish, clear and redevelop central core districts of the cities which were regarded as "blighted". These areas of older houses were inhabited by the poorest wage-earners who could not afford a great deal of investment towards maintenance or rehabilitation. While the environmental quality of the neighbourhoods was poor, over 50% of the units were often still owned by the occupiers.

Many of these blighted areas were adjacent to the most valuable land in the city centres and carried a real market potential. These areas were also an "eyesore" to the municipal authorities who saw in them the potential for tax-base improvements as well as the means to improving the environmental quality of the city centre. Thus, renewal would be in the interests of the local government and those who owned property and worked in the city centre. These locations were also attractive investments for development corporations as a proportion of the wealthier people with no growing children sought to escape suburban life and a long commute to work. The people who lived in these areas could not afford to participate in a change in the quality of the area.

With state aid, private developers were allowed to clear the area, renew the infrastructure and redevelop the land. The goal of profit maximization was often tempered by requirements to construct public housing or other communal facilities on this land. But even in this case urban renewal statistics in Toronto reveal that 9,725 residential units of 3 or more bedrooms were torn down and replaced by 45,098 one or two bedroom units and only 4,260 units with 3 or more bedrooms. Many of the families had incomes which were too high to qualify for public housing (\$5,800) and too low to qualify for N.H.A. mortgages (\$8,000).⁽¹⁾ Thus, they were forced into the market for low-income rental units in various parts of the city. Previously a large proportion had owned their own homes.

The poor families could not be lured away by market processes because no alternative housing existed at such low rents and in such convenient locations. The slums served an important social function of housing the poor, albeit in a shockingly inadequate manner, but were irrational from a financial investment point of view. Thus, urban renewal served to remove the poor and to subsidize the demolition of buildings, the acquisition of land and the renewal of infrastructure. The state acted to restore to the market these problem neighbourhoods created by market processes. This one-sided legislation so forcefully illustrated the contradictory interests involved in direct state action, that concerted citizen protest and opposition was the result in almost every declared urban renewal area. The federal government had no

¹Barker, op.cit., p.42.

alternative and no social justification for continuing the program in the face of such vigorous opposition. In 1969 a "freeze" on urban renewal was declared by the federal government and it still persists today.

It would be beyond the scope of this thesis to examine every public policy relating to housing in Canada. Many of the other policies are marginally different but in no way contradict the general arguments which have been made here. Most programs arose from concrete needs for housing and the state acted to meet these social needs by either directly or indirectly increasing the supply of dwelling units. Initially most programs were aimed at increasing the supply for the upper and middle income groups who could support mortgages. The state was performing a function which the financial capitalists considered to be unprofitable and which was essential for social and economic survival of the system itself. By using the private market as a means of allocating the new housing, state action went unquestioned by most of the population. These policies resulted in the suburban sprawl common to most cities in Canada and helped the upper and middle income wage-earners to seek self differentiation from the lower income groups. The problems of the poor remained unresolved by the indirect programs and increasingly led to the need for direct state action. These direct programs resulted in hesitant action at all levels of government with low production rates and a high measure of controversy. Well meaning planners and social workers have been quick to point out the obvious inequalities contained in the programs and in their implementation. Yet the policies continue to maintain essential relationships in our society.

The fragmentation and separation of social classes and income groups is growing rather than receding as a result of these state actions.

6.3 The Development Corporations

Over the past 20 years the land and housing development industry in Canada has changed from an industry which consisted of a large number of small developers and contractors to one dominated by a small number of large development corporations and a diminishing number of small independent firms. These development corporations have grown rapidly to the point where they have direct control over urban land and housing markets in many of the larger cities. Table 3 illustrates the growth which has occurred in seven of the larger corporations in recent years.

TABLE 3

STATISTICS RELATED TO 7 MAJOR DEVELOPMENT CORPORATIONS
FROM 1965 TO 1971⁽¹⁾

Company	Assets		Gross Rental Revenue		Net Revenue	
	1965	1971	1965	1971	1965	1971
Trizec	164	480	17.7	77.5	-1.5	4.5
Campeau	60	297	18.0 ⁺	78.1	0.3	2.5
Cadillac	78	272	3.9	26.5	0.7	3.1
MEPC	30	95	2.4	10.6	0.9 [✓]	1.7
Western Realty	*	89	2.3	17.1	*	2.5
Markborough	15	76	*	1.0	0.02	0.5
Block Bros.	9	63	1.8	17.7	0.4	1.1

* No Figures Available

⁺ 1966 Figures

[✓] 1967 Figures

¹ Ibid., p.25.

Many of the development corporations are following the pattern of corporate growth in other industries. They are acquiring, within a single organization, the functions which relate to the development process. These include the take-over of construction firms, building suppliers, architects and real estate firms. The Campeau Corporation was described in an industry journal:

"The company acts as its own general contractor in construction, maintains its own architectural and engineering staff, and manages its revenue producing properties. It manufactures building components for its own use." (1)

It seems that the Canadian development industry has undergone the kind of changes which critics of the construction industry in most highly industrialized countries have been advocating for the past 20 years. The large development corporations are able to benefit from pre-planning, are assured of a continued demand, have efficient management and financial control, and also economies of scale in land development and construction. But I shall show that, in capitalist society, with the guiding principle of profit maximization, these changes lead to monopoly control and high prices rather than to better and more housing for all people.

The development corporations represent a different and more attractive type of investment for the Canadian financial capitalists than do the traditional small scale developer or contractor. They tend to represent more secure and profitable investment opportunities. Their investments are diversified over large scale land development, production

¹Ibid., p.27.

of residential accomodation for sale and for rent, and the construction of large retail, commercial and even industrial buildings for rent. It tends to be cheaper to service a single large loan than many small ones, and the financial capitalists are also offered the opportunity to participate in the profits of the large revenue producing projects. The reason that financial capitalists consider urban development to be a prime investment was well summarized in a public statement by Gordon Grey, President of A.E. LaPage, Ltd., Canada's largest realtor and market analyst: "Real estate is unquestionably the best investment on earth. It is basic to everything. There will be more people but there will be no more land."⁽¹⁾

Of the 21 large development corporations in Toronto, 13 have a majority of directors who also sit on the boards of one of the large financial institutions. An analysis of the directorships held by the largest public development corporations illustrates the intimate connection between the Canadian financial capitalists and the development corporations; see Table 4. (see page 99). The development corporations have clearly become closely aligned with the interests of the Canadian financial capitalists.

The search for capital by the development corporations which resulted in the close association between them and the financial capitalists has also reopened the door for foreign financial capital in Canada which has been invested in the largest development corporation; Trizec is 61% owned by the Eagle Star Insurance Company of Britain and its subsidiaries.

¹Spurr, op.cit., p.127.

TABLE 4

TOP TEN PUBLIC DEVELOPMENT CORPORATIONS, 1971
DIRECTORSHIP HELD IN FINANCIAL INSTITUTIONS⁽¹⁾

Company	Head- quarters	Number of Directors	Banks	Trust Co.	Insurance	Other Finance Co.
Trizec	Montreal	23	4	2	12	9
Campeau	Ottawa	22	2	2	7	13
Cadillac	Toronto	17	1	1	9	6
MEPC	Toronto	10	2	1	2	2
Oxford	Edmonton	7	none listed			
Western Realty	Vancouver	8	-	1	-	1
S.B. McLaughlin	Toronto	9	-	1	-	2
Peel/Goldale	Toronto	7	-	4	2	4
Markborough	Toronto	21	2	3	11	10
Block Bros.	Vancouver	11	-	1	1	11

British interests also own 70% of MEPC and smaller percentages in a number of other corporations.⁽²⁾ American corporations in development tend to be directly owned by similar corporations in the United States, such as the Rouse Corporation and Boise-Cascade. Whether this trend will continue may depend on the resistance to these developments by the Canadian financial capitalists. The foreign investors in no way lessen the contradiction between the interests of those capitalists occupied in mercantile, financial, service and land development and those interested in industrial production. Each type of foreign investment clearly reflects the already defined divisions among the dominant class, and at this stage it is only the latter interests which are controlled mostly

¹Barker, op.cit., p.33.

²Ibid., p.35.

from outside of Canada.

The questions which still remain unanswered are how these development corporations exercise control over the markets in urban land and housing, and what the consequences of these actions are? All of the larger development corporations belong to the Urban Development Institute which is an association aimed at presenting the development industry's view of current issues concerning urban development. This is a very powerful lobbying device which also spends large amounts of funds on research and publications aimed at presenting the development corporation's position. This organization provides a public setting for collective decisions by the development corporations. Many of these corporations are linked directly through interlocking directorships or joint investments in large developments. Five corporations together formed the organization which developed Bramalea, a new town adjacent to Toronto. It represented a \$79 million investment. Five corporations jointly own Modular Precast Concrete Structures which was created to receive the Canadian rights to the Waites System of precast construction. This is an efficient construction system developed in Britain which considerably reduces construction costs. The venture gives these companies a virtual monopoly over the system. Thus, the development corporations seem to recognize the potentials of their collective action.

The largest firms in the development industry also account for a large proportion of the development which currently occurs in Canada. Spurr showed that 20% of the firms now build approximately 80% of the dwellings in Canada.⁽¹⁾ Yet most of these firms have publically stated

¹Spurr, op.cit., p.231.

that they consider land development to be the most important part of their business. It appears that 42 of the largest firms now hold about 90,000 acres carefully chosen around the various larger Canadian cities.⁽¹⁾ In London, Ontario, which is experiencing most of its growth in the southwest, all the important developable property, about 1000 acres, is held by Sifton Properties Ltd. In Toronto over half the development corporation holdings are on the rapidly developing western fringe; 17,829 acres are held by three firms. In West Vancouver the British Pacific Corporation owns one-tenth of the area.⁽²⁾ Thus, the development corporations exercise a considerable influence over the supply of urban land around these cities.

The growth of the development corporations once begun tends to be self-propelling. High land costs make it difficult for small builders to compete as they are unable to hold their capital in the form of land for long periods. Therefore the small builders must buy land at high prices and sell at equally high prices. The small firms find it difficult to compete with the large scale construction techniques of the larger firms in producing high rise apartment complexes. Thus, these firms are limited to: serving the relatively wealthy people in single family houses, becoming attached to a development corporation, joining together with a number of smaller firms or being driven out of business.

The relationship between state action and the growth of development corporations was briefly mentioned in section 6.2. But these relations

¹Ibid., p.242.

²Ibid., p.199.

run far deeper than was described. The development of new land for urban purposes relies on public action to provide the minimum requirements for such a change. Trunk roads, sewers, water mains, etc. are provided by the state at various levels, and limited budgets for this type of public investment means that only a small part of the land surrounding each city can be serviced at any one time. In both Toronto and Montreal property values rose between 3 and 7 times when they were within the orbit of the proposed and later constructed underground rapid transit stations.⁽¹⁾ In Toronto the proposal and construction of a rapid long-haul commuter train known as the "GO Train" raised the property values of those suburbs and small towns which it serviced. Redevelopment of existing property requires public infrastructure investment, particularly for the very large projects currently being undertaken in the larger Canadian cities. The local government has a very important role to play in approving or rejecting project proposals, zoning changes, etc., which may result in changes in land values throughout a city. Federal government financing has made the financing of apartments a publicly supported process, so that 72% of all N.H.A. financed units in metropolitan areas are now apartments. Their construction represents the creation of an income producing investment and a means of retaining control over the land so that future long-term capital gains can be made through the appreciation of land values and continuing urban growth. A.E. Diamond, the President of the Cadillac Development Corporation, Toronto's largest residential landlord, was quite explicit concerning this point: "The real value in real estate

¹Ibid., p.122.

lies in holding it for long-term appreciation."⁽¹⁾

The state action which in general supports market processes is supportive of the rapidly developing monopolist control of urban land and housing markets. The development corporations seem to have gone further at the municipal level to assure their investments. A number of studies and newspaper exposures in recent years have recorded the interrelationships.

"As of 1972, 12 of Toronto's 23 city politicians were property industry businessmen or professionals. In Vancouver the industry had an absolute majority - 7 of 11. ...Of Winnipeg's 51 elected city politicians, 24 were property industry people." (2)

"Tabulating the votes on planning and development issues, transportation issues and citizen group issues (in Toronto) for the 24 months of 1970 and 1971 shows that there were two voting blocs on council which consistently voted as blocs and consistently opposed each other in these areas, all major concerns to the property industry. For 1970-1971, there were 17 aldermen in the property industry's majority group, and 5 aldermen in the opposition group."⁽³⁾

The evidence is powerful and many examples can be cited. The development corporations play an active political role at all levels of government to protect and further their interests.⁽⁴⁾ McNeely, the mayor of Oshawa, a town outside of Toronto, recently stated publicly:

¹Ibid., p.129.

²James Lorimer, A Citizen's Guide to City Politics, (Toronto: James Lewis and Samuel, 1972), p.96.

³Ibid., p.120.

⁴These political intrigues and interrelationships have been documented in a large number of sources, Lorimer's book is perhaps the most complete document: Ibid. and Barker, op.cit. and Spurr, op.cit.

"With the kind of money involved in the developer's land and the kind of pressure they put on government that's just been through an expensive election campaign, who knows what will happen?" (1)

I have shown that infrastructure is particularly important for landowners (section 5.3). Thus, one object of political intrigue by the development corporations is likely to be aimed at influencing the location of infrastructural investment. The available literature records only existing relationships and not the history of these developments, which is necessary to fully test this hypothesis. Little vacant land remains within the greenbelt around Ottawa; thus development in the region can be expected at the points where transportation, sewer and water trunks emerge from the greenbelt. In the west the Trans-Canada Highway, water and sewer trunks leave the greenbelt where 6,800 acres are held by eight firms. In the east a new section of the highway will emerge from the greenbelt at another firm's 2000 acre site, while existing highway and trunk services adjoin Costain's 1400 acres and Campeau's 1500 acres. (2)

Local governments do not have much alternative but to extend trunk servicing to developers' lands. They are constantly searching for new areas to increase the tax base of the city. When a firm proposes a large integrated project it becomes "efficient" to invest major public resources to provide the infrastructure for this kind of orderly development. Once the infrastructure has been invested, it limits the local government in its ability to provide heavy infrastructure investment in other developing areas. Thus, the developers are able to assume a large

¹Spurr, op.cit., p.201.

²Ibid., p.201.

measure of control over the supply of urban land.

The development corporations effect the supply of housing through the redevelopment of existing and already developed urban land. I have shown how these corporations have assumed a large share in urban land and housing markets. This is particularly true for inner-city redevelopment. Most inner-city land is expensive and the assembly of large parcels requires large capital sums, political influence and complicated covert organizational techniques such as "block-busting", secret land purchases through front companies, etc. Redevelopment has thus become the province of the development corporations, and its results help illustrate their intentions.

A study in Toronto between 1950 and 1960 revealed that approximately 1% of the already developed land was redeveloped each year. In Toronto the pace has increased considerably during the past 10 years. Accepting the 1% figure for most Canadian cities would mean that at least 10 square miles are redeveloped each year in Canada's 19 major cities. Most redevelopment occurs on residential land: 33.9% of properties redeveloped in Toronto were formerly single family residences, 0.5% were apartments and 10.9% were other residential types. The other major source of land for redevelopment, 33.7%, was vacant lots, many of which had also previously been residential buildings. Only 1.8% of offices, 0.3% of industrial buildings and 6.3% of other uses were used for redevelopment. The majority of all redevelopment is income producing property produced for rent, not for sale. Between 1952 and 1962, of all redevelopment, only 5.3% was for low density residential use and 11.96% was for high density residential projects. All the other redevelopment was aimed at

the more lucrative markets for real estate, the whole range of commercial and industrial uses.⁽¹⁾ Thus, this trend which required active local government participation helped to reduce the absolute number of houses and simultaneously turned single family homes into high-rise apartment buildings.

The pattern described above is reflected in a reversal of the trend toward homeownership which had occurred during the 1940's and 1950's. Between 1961 and 1971 the proportion of owner-occupied homes in Toronto dropped from 67.4% to 54.9% and nationally the figures went from 61.8% in 1961 to 56.5% in 1971.⁽²⁾ Increasingly, homeownership becomes a significant market separation between the various income groups of the population. The lower income groups are increasingly denied this sign of wealth and socially valued control over their shelter.

The apartment buildings which are now starting to fill Canadian cities are built primarily to realize an investment rather than to serve as long term housing. Depreciation allowed on a building held as an investment bears no relationship to the building's long-term potential as a scarce resource; housing. A development corporation may write-off the cost of a building for tax purposes over a 20 year period, but once depreciated, the building may never again be re-depreciated. Thus, after the 20 year period, an important source of income (the tax shelter), represented by the building to the investor no longer exists. This may have been one of the incentives to initiate the project. Thus, the

¹Ibid., p.124.

²Ibid., pp.301 and 302.

development corporation has two likely actions open to it. First, it might sell the building to another developer so that the selling price indicates inflated land costs (any depreciation taken by the new buyer will be re-couped from the seller if it had already been taken once). This tends to inflate adjacent land values. Second, it may decide to demolish the building and rebuild a new structure. This action is particularly likely as the development corporation is usually able to realize a greater income on that land parcel as a result of the general increase in land and housing costs during the original building's life. The new structure may be depreciated again from the beginning at its full value. Thus, the supply of housing units is kept down as a result of redevelopment even though building activity is great. The development corporations are thereby able to exercise a considerable influence over supply of housing units to ensure that their product continues to command a high price.

Spurr has provided a detailed and lengthy analysis of how the control of urban land has led directly to the rapid increase in land prices in many Canadian cities.⁽¹⁾ These have also been described in sections 2 and 6.2. In fact, the average land costs for single detached dwellings on N.H.A. loan applications rose by 714% from 1949 to 1971; between 1969 and 1971 the price rise in Toronto was 27.2%, in Vancouver 34.5% and in Ottawa-Hull 30.1%.⁽²⁾ The effects of the high price of

¹Peter Spurr's report being prepared for C.M.H.C. has been used a great deal for this thesis. It provides an exhaustive documentation of the activities of the development corporation and in particular their effects on all aspects of land development in Canada. I recommend this report for a more thorough documentation of the facts. Ibid.

²Ibid., pp.279 to 281.

urban land and housing become vividly real when one considers a study by the Urban Development Institute itself. In 1961 an examination of housing and land costs in cities throughout North America revealed that the relatively small Canadian cities had a high cost of housing when compared to far larger cities in the United States. Toronto and Vancouver were sixth and seventh most expensive in this respect after Los Angeles, Washington, San Francisco, Chicago and Boston; while Ottawa, Hamilton, Winnipeg and Edmonton were eleventh to fourteenth. By 1971 this position had worsened considerably so that Toronto, Ottawa and Hamilton were the three most expensive cities in North America as far as housing costs are concerned and Vancouver was sixth after Los Angeles and Chicago. (1)

While on average, Canadian wages have always been lower than their United States counterparts, wage-earners are also faced with relatively high housing costs. The Canadian wage-earners lose in two ways; first as a result of being in a weaker bargaining position in production, as their employers are foreign and have little incentive to invest besides potential profits, and secondly as a result of the operation of financial capitalists who have remained separated from direct participation in industrial production and have concentrated on the provision of services to industrial growth - a primary one of which is urban land and housing.

The landowning and financial capitalists through the development corporations have had a considerable impact on the market in urban

¹Residential Land Development in Ontario, op.cit., p.6.

land and housing. Their actions have resulted in the high prices of urban land and housing found in most cities. Deteriorating housing conditions, fragmented communities and increasing spatial segmentation of income groups and social classes are reflected in the rapid increase in apartment buildings and the decrease in those able to own their own homes. The contradictions, between the financial and landowning capitalists and the industrial capitalists are no longer as direct as they were during the transitional stages when industrialization emerged in Canada. Industrial expansion is not greatly hampered by the operations of the Canadian financial and landowning capitalists. The development corporations are always eager to capture industrial location for their large developments. It is well known that large industries are given exceptional terms and are supplied with the infrastructure they require to induce their location in new towns or newly developed areas. Don Mills, the first of the new towns around Toronto, attracted 70 different industries. A new venture by the same development corporation, known as Erin Mills, has persuaded the Chrysler Corporation to locate there before any construction has begun. Thus, at the present time, the contradiction between the two capitalist groups can most clearly be recognized through the demands on wage-earners. The industrial capitalists wish to avoid having to pay high wage increases while the development corporations aim at extracting as much as possible from all wage-earners through urban land and housing markets.

6.4 A Synthesis

It is important not to lose sight of the basic forces which emerged with capitalism, when analyzing current Canadian urban land and housing developments. The fundamental physical relationships which result from the workings of market processes in land and labour, and those which occurred with the separation of community based control of work processes and community shelter, reflected new forms of social and economic behavior for both the individual and the social group. These institutionalized relationships are today considered to be part of "human nature" and socially accepted behavior. They contain the roots of problems in urban land and housing in our cities today.

Once it is accepted as a private and individual commodity, housing supply relates only to the question of return on investment, or in cruder terms, profit maximization. But as explained in section 5.3 and 5.4, housing is also an essential commodity if wage-earners are to survive and work. The close relationship between house, land and infrastructure means that housing questions are of social or public concern. I have shown how the state in Canada has singled out housing for its attention among other welfare issues. Thus, the public and private nature of housing in capitalist society seems to be contradictory by definition. It is this contradiction which underlies many of the housing problems in Canadian cities today.

I have shown that people came to Canadian cities in large numbers throughout this century because of the availability of work. The production of housing normally requires between one and two years from the

perceived demand to the completed house. Houses are rarely produced unless it is clear that they will be sold or rented. Thus, many of those who arrive in the cities have to make do with existing housing. Houses are subdivided and more people are squeezed into less space, and as is usual with market processes, the increased demand results in price increases. While price increases can be expected to result in an increased supply, this response depends on a number of factors. First, that financing is available and the investment appears to be a safe one relative to alternative investments. I have shown that market forces have failed to provide housing for low income wage-earners whose absolute ability to pay is limited by low wages. Second, I have shown that as housing prices rose, land prices also tended to rise. Thus, one essential input into the production of new houses becomes more expensive. This increase in land prices reduces the size of potential profits and therefore reduces the incentive to build new houses.

If the market fails to provide housing for low income groups directly, their needs are supposed to be met by the filtering process. Filtering means that demand for housing raises prices for all income groups and that this will result in an increased supply for the wealthier groups who are able to satisfy the investment criteria of market producers, i.e., building housing for higher income groups is more profitable. These people will then vacate their old houses which will become available for the use of lower-income groups. In this way houses are passed down the income hierarchy. Della Adam Nevitt, talking about filtering in England, points to the limitations of this theory.

"If the richest 30 percent of the population could be persuaded to buy a new house every five years the "filtering process" would soon solve the housing problem of the poorest people, but alas the Queen's family continues to occupy Buckingham Palace and some residents of Chelsea and Westminster are quite content to remain in their old houses. The filtering process can only operate effectively in a universe in which householders enjoy a "general post" and have no psychological attachment to the places they know and the houses they have occupied for some time." (1)

There are many technical problems with this theory which fill pages of orthodox analysts' debate. The consensus is that the filtering process is unlikely to be the route by which low-income wage-earners receive their housing as a result of market processes. (2)

The point of the above arguments is that market processes are incapable of providing expensive and essential commodities such as housing for people who do not have the means to pay for them. The history of state policy in housing, discussed in section 6.2, helps to explain how those at the bottom are catered for at all.

People in other than the lowest income groups are assigned a certain quality of housing as a result of market processes and the individual's bargaining position for a share of the surplus from production. The market price of a house reflects more than the house itself, it also reflects the neighbourhood characteristics such as schools, roads, location, public and private services, environmental quality, etc. Thus, for a certain price one buys both the house and the neighbourhood. It

¹Della Adam Nevitt, Fair Deal for Householders, Fabian Research Series 297, (London: Fabian Society, November 1971), p.8.

²For a complete discussion of filtering I recommend: Matthew Edel, "Filtering in a Private Housing Market" in Readings in Urban Economics, Matthew Edel and Jerome Rothenberg (eds.), (New York: The MacMillan Co., 1972). and also Nevitt, op.cit.

would be irrational to build a large and expensive house in an undesirable neighbourhood as the market price would reflect both the house and the neighbourhood. A similar investment in a good neighbourhood would fetch a far higher price. Thus, both quality and price of housing tend to be more or less homogenous within a particular neighbourhood. This process is often perpetuated by state action such as zoning laws. The result is that neighbourhoods tend to be inhabited by a more or less similar income group or social class. The low income wage-earners are assigned to poor housing conditions and the least pleasant neighbourhoods. It would be utopian to expect individuals to act other than to try to buy the best housing they can afford, irrespective of the social consequences. Once the economic purpose of a diversified community is removed, "market consciousness" becomes the rational guiding principle for all individuals.

The stratification which occurs as a result of the social relations of production, are to a large extent reflected in the spatial relationships in our cities. These physical relationships are far less rigid than those that flow from the stratification of wage-earners in production, but in every Canadian city one is able to draw maps of areas in which certain income levels predominate. The question which must now be asked is what effect does this segregation and separation in our cities have on people's individual life chances?

There appears to be evidence that through neighbourhood, community and schooling, the socialization of children in the home is reinforced and perpetuated. Samuel Bowles demonstrated how schooling is very closely related to the re-creation of social differences already existing in society.

"Unequal schooling reproduces the social division of labour. Children whose parents occupy positions at the top of the occupational hierarchy receive more years of schooling than working class children. Both the amount and the content of their education greatly facilitates their movement into positions similar to their parents." (1)

Bowles also illustrates how schools in different areas reflect the socialization patterns characteristic of the social class in which they are located. After demonstrating the far reaching effects of schooling in re-creating social classes he concludes:

"children spend a small amount of time in school - less than a quarter of their waking hours over the course of a year. Thus schools are probably more effective where they attempt to complement and reinforce rather than to oppose the socialization processes of the home and neighbourhood." (2)
(emphasis added)

Low income neighbourhoods produce children already socialized to accept work conditions which their parents accept, and wealthy neighbourhoods produce children who seek and expect to receive what their parents receive.

A study in Toronto conducted by Pollution Probe, based at the University of Toronto, is particularly revealing in relation to the above argument:

¹Samuel Bowles, "Unequal Education and the Reproduction of the Social Division of Labor", in Review of Radical Political Economics, Vol. 3., No. 4, (Fall-Winter 1971), p.11.

²Ibid., pp.24 and 25.

"Generally speaking, those schools which are the newest and the best equipped are those in areas of higher incomes. ...Incidentally those same schools have a higher percentage of more highly qualified teachers..." (1)

Of eleven vocational and commercial schools in Toronto, nine are located in relatively poorer areas. In Toronto "Special Class A" is the lowest level of streaming for so called slow learners in school:

"this lowest stream is predominately filled with students from poor and working class homes. ... if you are employed as a sheetmetal worker, a mechanic or a repairman, your child has 18.5 times the chance of ending up in the "Special Class A" stream than if you are employed as an accountant, an engineer or a lawyer." (2)

The odds for labourers, truck drivers and taxi-drivers rise to 20.5 over professionals and those on welfare to 67. The likelihood of children attending a vocational secondary school rather than a regular high school parallels the previous figures: "Again, relative to the child of an accountant, an engineer or a lawyer, a labourer's child has 18 times the chance of attending one of these schools."⁽³⁾ Finally, the report includes the findings of Dr. J. Buttrick, professor of Economics at York University who studied the percentage of grade 12 students who entered university from the various secondary schools in Toronto during 1969-1970. Here a direct correspondance was found between

¹David Clark, et.al., Rules of the Game: A Handbook for Tenants and Homeowners, (Toronto: Pollution Probe, 1971), p.21.

²Ibid., p.22.

³Ibid., p.22.

the schools located in wealthy neighbourhoods and a high percentage of students entering university (60%). The middle income neighbourhoods produced middle range results and the schools in the low income neighbourhoods had very low proportions entering university (15%).⁽¹⁾

The forces which produce such unequal opportunities can hardly be attributable only to housing and neighbourhood. Yet it is also clear that access to housing and neighbourhood do grant access to basic components which shape childrens' lives, such as schools, friends and social context. Thus the institutionalized market process clearly serves to create conditons under which social classes are maintained and perpetuated from generation to generation. This means that certain children are denied equal access to life's chances and that these market processes are by their nature inegalitarian.

I have shown that the separation of work and shelter reflected a process whereby the communal base was destroyed and individual benefit replaced collective benefit in the actions and consciousness of men and women. It now becomes clear that market processes in housing serve to perpetuate and recreate the essential inequalities which are necessary to the smooth functioning of a capitalist economic system. By increasing the segmentation and separation of the labour force the growth of a unified class conciousness among wage-earners is further inhibited.

¹I have been unable to find studies which have tested the effects of only the neighbourhood on the life chances of individuals. The Pollution Probe report also documents how different neighbourhoods in Toronto receive a different quality of public services. The quality in every case improved from the poorest neighbourhoods to the middle income neighbourhoods and again to the wealthy neighbourhoods. The study tested garbage collection, water and sewers, streets, parking, police and fire protection, and parks. Ibid., pp.15 to 21.

Much of the argument thus far would apply to most highly industrialized countries in the West. But Canadian urban development has been further complicated by contradictory interests of foreign industrial capitalists and Canadian financial and landowning capitalists. The financial and landowning capitalists are intimately involved in sectors which control urban development such as financing and land development itself. I have shown that through the development corporations they are able to exert a considerable influence on the market processes for urban land and housing.

The impetus for urban growth comes from the industrial capitalists who are essentially interested in cheap factors of production; a labour force and land which contains infrastructure. This group usually has the upper hand in any potential struggle as they are relatively easily able to move their industries to new locations within or outside of Canada. The financial and landowning capitalists are satisfied to share in this urban growth by marketing urban land, housing, commercial facilities, retail facilities, etc.

Tension between the two capitalist interest groups arises when the market processes allow the cost of living to rise faster than normal wage increases, through rising costs of land, housing or financing. This results in wage demands which threaten profit levels and cause wage earner unrest. Wage levels are in fact held down by the threat of unemployment and the relocation of the industry. The existence of this situation discourages new industries from locating in these urban areas.

The state has no alternative under such circumstances but to institute policies which will create jobs and reduce housing costs. This inevitably

interferes with the interests of the financial and landowning capitalists in the short-term; but in the long-term, by restoring the system, the provision of jobs and production will also ensure the investments in land and housing. The question is one of extraordinarily high or normal profits, and the complaints from the development corporations about state interference are short-sighted even in their own best interests over time.

Canadian wage-earners are affected in that as a result of these processes, real wages are lowered and the quality of urban life deteriorates in the face of the constant pressure to turn the city into its most efficient revenue producing form. The box in the sky is replacing the box on the ground, further distorting the spatial and community relationships in our cities. The process of state mediation is therefore framed as being aimed towards helping wage-earners. Thus the struggle between the two groups of capitalists resolves itself in public as a question of social policy.

The role of the state is crucial in maintaining and perpetuating property relations and the rule of law; or the institutionalized system itself. The details of state actions are constantly changing as the social and economic order develops. I have shown that in the early mercantilist period of Canadian history, the state played an active role and the political decisions made reflected the dominant merchant interests. Today the federal government is closer to being a mediator between the interests of various groups, including wage-earners. The most powerful tool the dominant classes have is their economic veto through which they

are potentially able to create economic chaos. Thus, orthodox policies which suggest a threat to basic property relations or profit levels cannot be implemented by the state in its current form. Social change leading to changes in property relations can only be affected by a class struggle in which state power itself becomes the ultimate object of the struggle.

7. CONCLUSION

The point of departure for this thesis lay in general dissatisfaction with the professional role as it is currently defined in education and professional practice. This largely theoretical analysis needs to be followed by some indications of its implications for practice, if it is to fulfill the promise set for myself initially.

The most important conclusion which emerges from this thesis is that one cannot separate the problems relating to urban land and housing from the institutionalized context of our society. Analyses which fail to understand these essential relationships will fail to understand the meaning behind real events and problems at any level other than a superficial one. The resultant theories will counsel action which will therefore support the institutional system, since they take its existence as a starting point. Thus in a simplistic way, I might conclude that it is not the housing problem which needs solving but the social, economic and political problem. The housing problem grows from the workings of the basic institutions in our society and when these are changed, to some degree, housing problems and our perception of them will also change. Thus, the thrust of action must be aimed at changing the institutionalized processes themselves by concretely tracing the links between these latter processes as they currently operate and the above social problems. This has been the central purpose of my thesis, and the closest I have come to practice at this stage.

I hope that I have avoided the pitfall of drawing conclusions not based on a complete understanding of the problems, by aiming at a

comprehensive analysis of the processes related to urban land and housing. An understanding of the interrelationships of these processes and problems has enabled the discovery of contradictions which relate to urban land and housing in Canada. Therefore by working on the contradictions derived in this way I feel able to indirectly question the basic institutions of our society.

I have shown how market processes in urban land and housing in Canada help to legitimize and perpetuate the social relations of production. These market processes lead to a spatial separation of social class and income group which is originally created through the hierarchical division of labour in production. Thus, the existing patterns of urban development are clearly compatible with capitalists institutions, and are not negative and inevitable by-products of economic growth or technological development. The ugly and inhuman cities with their miles of roads, car parks, high-rise buildings, and slums, are by no means the irrational or unexplainable phenomena that they appear to most individuals who would prefer them to be otherwise; instead they accurately reflect the market processes and criteria of profit maximization which dominate these developments and are functional to the maintenance of the economic order. Social problems such as slums, air pollution, destruction of the environment, congestion and less clearly urban problems such as the drug problem, irrational violence, growing crime rates, and social neurosis, are in part by-products of the same processes.

Fundamental change of the capitalist social order will not come as a result of state action, which, as I have shown, is institutionally bound. It can only arise as a result of social action in which the most immediate

contradictions become the centre of concerted class struggle. Therefore this work will produce no new strategies or policies for state action. Instead its purpose is to increase my own understanding and that of other professionals or wage-earners who might be dissatisfied with the existing contradictions between theory and practice, or intentions and outcomes. I hope to help in taking an initial step towards the development of strategies and policies in urban land and housing which might be used by the wage-earning classes for direct social action.

I have shown that the real, yet superficial, definition of the urban land and housing problems described in section 2 represent an inadequate understanding of these problems. Firstly, as a result of capitalist institutions it has become rational for individuals to act in ways which conflict with the best interests of the social group. Thus it has become socially acceptable, part of the "natural order", to condemn large sections of our population and their children to an endless cycle of poverty. Secondly, urban land and housing problems cannot be defined as affecting only the poor, in fact every member of our society is affected by the market processes.

More specifically, for urban land and housing, I have shown how market forces lead to the physical segmentation of social classes and income groups into neighbourhoods. This becomes functional in maintaining divisions among the wage-earning classes and in delaying the development of a unified class consciousness aimed at fundamental change towards a higher level of development and the elimination of our social problems.

An examination of the urban land and housing problems in Canada leads to the temptation to describe these problems in terms of the exploitation of wage-earners by financial institutions, landowners and development corporations. I have shown that these groups certainly exert a considerable influence on the market processes and much state policy can be seen to be operating to help these interests exercise control and profit from the essential need of wage-earners for shelter. While this explanation is accurate it is one which grows from the basic institutions of capitalism and the history of Canada itself. Thus an understanding of the exploitative practices of landowning and financial capitalists must be preceded by a theoretical understanding of the institutions of capitalism which enable them to exist. This I have tried to do.

I have shown that the financial and landowning capitalists play an essential but secondary role to the foreign industrial capitalists. This has resulted in higher prices of urban land and housing as well as greater community fragmentation, segmentation, and deteriorating housing conditions in many Canadian cities. However, this must always be understood in terms of the basic relationships which emerge as a result of the social relations of production in capitalism.

To illustrate the dangers of taking only the development corporations as the target for social action I need only cite a number of confrontations which have occurred in Toronto over the past few years. Community groups were formed to halt developments planned by the large development corporations. Thus the base for social action was an already segmented and isolated section of the working class contained in particular

neighbourhoods. This community action threatened the jobs of a large number of construction workers who had been hired by the development corporations to build the new developments. As a result the construction workers' union picketed City Hall and packed City Council meetings to neutralize the community groups' pressure to stop the developments. Such action which starts from an already fragmented social base cannot form the platform leading to irreversible and more successful actions. In the same way as the actions of orthodox analysts, these actions are based on an insufficient understanding of the interests and the forces in the urban context.

One can obviously not counsel people to do nothing while their homes are destroyed. But as I have shown, the residential community is not a realistic power-base from which to organize. Organization must aim at integrating rather than further separating segments of the wage-earning classes. Inevitably, economic survival, production and foreign ownership must enter into the analysis. While the "freeze" on urban renewal in Canada represents a victory for social action, the struggle is not won or lost at this level. Beyond urban renewal lies the control of urban land and housing markets which is presently in the hands of Canadian financial and landowning capitalists; and beyond this lies the foreign ownership of Canadian industry. Each contradiction is real and each must become the setting for a concerted struggle in such a way that the relationship between each contradiction remains always in conscious reach. The most fundamental contradiction in urban land and housing is the separation of control over work and shelter, community and survival which must be the ultimate target. I do not mean by this

a return to the pre-capitalist relationship, but instead a new social order and new spatial relationships, the exact nature of which will be decided by the processes of change and development itself.

The analysis which I have provided can only point to very general conclusions. It must therefore be seen as a point of departure for different and more specific analyses which should precede detailed action in limited specific settings. The explanations are not sufficient to explain single events for all time. Such explanations are in fact not possible at a general level.

A number of issues have been raised in writing this analysis with which I have been unable to deal adequately. Thus, in order to fully understand the problems of urban land and housing, and in order to develop an analysis leading more directly to action, the following steps need to be taken:

1. The documentation of the institutionalized inequality resulting from capitalist institutions at the level of the individual, the neighbourhood, the city, the region and the nation.

2. The documentation of the direct actions of the state in allocating infrastructure, as this process most vividly illustrates the interests being served in the urban situation.

3. The documentation of the contradiction between the Canadian financial and landowning capitalists and the foreign industrial capitalists, particularly as it affects state action, wage-earners and the allocation of infrastructure.

4. The analysis of the role played by orthodox policy analysts, social workers and planners in the re-creation and perpetuation of urban land and housing problems.

5. The analysis of the interests represented in new state policies related to urban land and housing.

The above analyses obviously interrelate and the whole must never be forgotten. The purpose is always to make the process of our society transparent to those effected by it. Frederick Engels most clearly stated the direction in which I intend these next steps to be taken and that which I have been trying to follow in writing this thesis.

"The growing perception that existing social institutions are unreasonable and unjust, that reason has become unreason and right wrong, is only proof that in the modes of production and exchange changes have silently taken place with which the social order, adapted to earlier economic conditions, is no longer in keeping. From this it also follows that the means of getting rid of the incongruities that have been brought to light must also be present, in a more or less developed condition, within the changed modes of production themselves. These means are not to be invented by deduction from fundamental principles, but are to be discovered in the stubborn facts of the existing system of production." (1)

¹ Frederick Engels, "Socialism: Utopian and Scientific", in Karl Marx and Frederick Engels Selected Works, (New York: International Publishers, 1968), p.417.

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