Definancialising well-being: the case of housing

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Abstract
This paper initiates discussion on how relevant areas of provision can be definancialised to combat inequities and uncertainties generated by financialisation. It does so by examining the housing system of provision as this is a domain that has contributed to households’ increasing involvement with financial markets, and finance’s expansion into adjacent domains of economic and social life.

As analysis of the impact of financialisation and financial crisis required examining the ways in which finance interacts with the entire chain of production that forms a given system of provision, which is commodity-specific and is shaped by multiple factors, the examination of the definancialisation of housing likewise demands investigating the structures, agents, relations and processes that form a given housing system of provision in its social, political, geographical and historical context. A first step in this direction is attempted in this paper, mobilising, without being comprehensive, what we have learned about the embroilments of finance with the UK and the Portuguese housing systems of provision, and ongoing policy discussions in these two countries. The UK and Portugal comparison reveals relevant as these countries have highly financialised housing systems that are distinct enough to allow for contextual differentiation.

Key words: financialisation, financial crisis, well-being, households, debt, housing, Europe, inequality
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1. Introduction

This is one of six papers that contributes to the policy report on financialisation and well-being, which constitutes Deliverable D5.08 of Work Package 5 (WP5) of the EU-funded research programme Financialisation, economy, society and sustainable development (FESSUD).

Based on the summary report, which underlined the impact of financialisation on rising inequality and insecurity in people’s lives, this paper aims at initiating the discussion on how relevant areas of provision can be definancialised to combat inequities and uncertainties generated by financialisation. It will do so by examining the housing system of provision as this is a domain that has contributed to households’ increasing involvement with financial markets, and finance’s expansion into adjacent domains of economic and social life.

Previous research has shown how and the extent to which the housing system of provision has accounted for a large portion of households’ financial activities through mortgage markets, and how it has contributed to the creation of new forms and levels of inequality (e.g. Santos et al., 2016; Santos, 2016). Financialised housing has generated and distributed huge capital gains (rents) and profits to landowners, landlords, developers and financial institutions that benefited the spectacular escalation of land and house prices, especially so over the last two decades. Financialised housing has also been beneficial to homeowners, particularly to those who have bought their homes at the right time and in the right place, profiting from the increasing value of their housing assets. The excluded from the mortgage market were the losers of financialised housing, having increased difficulties in accessing and affording accommodation. The most vulnerable suffered the most with the gradual decimation of social housing. The Global Financial Crisis has accentuated these inequality-producing effects.

This paper proposes reducing the weight of finance on housing provision, and thereby aims at contributing to broader discussions on definancialisation. As analysis of the impact of financialisation and financial crisis required examining the ways in which finance interacts with the entire chain of production that forms a given system of provision, which is commodity-specific and is shaped by
multiple factors (Bayliss et al., 2015a), the examination of the definancialisation of housing likewise demands investigating the structures, agents, relations and processes that form a given housing system of provision in its social, political, geographical and historical context. A first step in this direction is attempted in this paper, mobilising, without being comprehensive, what we have learned about the embroilments of finance with the UK and the Portuguese housing systems of provision (e.g. Robertson, 2015a, 2015b; and Santos et al., 2015), and ongoing policy discussions in these two countries (e.g. Guerra, 2011; Pinto and Guerra, 2013; IHRU, 2015a, for Portugal; and Kemp, 2015; Ferrari, 2015; Edwards, 2016, for the UK). The UK and Portugal comparison is relevant in that these countries have highly financialised housing systems that are distinct enough to allow for contextual differentiation.

Both the UK and Portugal housing systems are marked by private and commodified forms of provision, having a sizeable mortgage market that has accounted for the recent rise of homeownership, which in the aftermath of the crisis show clear signs of exhaustion. However, the growth of mortgage markets has had differentiated impacts between the two countries. Britain’s planning system together with the speculative nature of housebuilding resulted in credit being channelled more into demand than into supply, resulting in the escalation of house prices. In Portugal, mortgage-led demand for new homes grew in tandem with housing supply. Favoured by lax land use regulation and state investment in infrastructure, the sector benefited from a construction boom which helped curbing house prices inflation, but led to a dysfunctional use of land and oversupply of dwellings. And while in Portugal social housing has always been marginal, in the UK it has been and still is significant even if subject to intense waves of privatisation through the discounted sale of council housing to sitting tenants (e.g. Robertson, 2015a, 2015b; and Santos et al., 2015).

The paper is organised as follows. Section 2 starts by synthesising the main consequences of financialisation on well-being, as discussed in previous WP5 work. Section 3 discusses the various ways through which financialised housing has been a mechanism of inequality reproduction and argues that definancialising housing is a necessary condition for ensuring housing affordability. Taking the UK and Portugal case-studies as reference, the remainder of the paper discusses housing policies. Section 4 addresses the broad goal of housing affordability and how it requires definancialised housing. Section 5 discusses the need for some policy focus on the private rental markets, and Section 6 examines the endangered social housing sector. Section 7 summarises the main implications of the paper for a definancialisation policy.
2. On financialisation and the household sector

Over the past four decades, we have witnessed the unprecedented expansion of the financial sector in the most advanced capitalist countries (Epstein, 2005). Finance has expanded relative to the rest of the economy, resulting in changed relationships between finance and the real sector (Sawyer, 2013), and has become pervasive in ever more areas of economic and social life, such as housing, pensions, education, health, and provision of economic and social infrastructure (Fine, 2009, 2011; Bayliss et al., 2015a). Finance expansion has had harmful effects on the economy and society, generating greater macroeconomic instability and placing more aspects of economic and social life at the risk of volatility from financial instability (Fine, 2009, 2011).

The growing weight of finance on the economy is deemed to have led to falling labour income shares and increasing inequality in the personal/household distribution of market incomes due to increasing shareholder-value orientation and short-termism of management, increasing top management salaries, restructuring of production around financial as opposed to productivity imperatives, deregulation of the labour market and weakened trade union bargaining power, among other factors (Boyer 2000a, 2000b, 2013; Epstein, 2005; Krippner, 2005; 2011; Palley, 2007, 2013; van Treeck, 2009, 2014; Hein, 2009, 2015; Sawyer, 2013).

Financialisation is also associated with the rise of household debt, which has contributed to maintaining aggregate demand and activity in both debt- and export-led groups of countries (Stockhammer, 2007, 2015). Stagnant wage income, rising income and wealth inequality and the retrenchment of the welfare state are taken as important mechanisms driving low- and medium-income households into debt in order to provide for housing, education, health, or consumption in general (e.g. Cynamon and Fazzari, 2008; Barba and Pivetti, 2009; Montgomerie, 2009; Crouch, 2009, 2012). But the process of substitution of loans for wages was doomed to end, as it did in the aftermath of the financial crisis (Barba and Pivetti, 2009). Households then sought to reduce their indebtedness, which put a brake on consumption in a context of reduced disposable income and high levels of unemployment.

While the rise of finance in the more mature capitalist economies has generally occurred in tandem with systemic regressive structural transformations, these changes were not uniformly felt across the household sector. Nor has the main result of these transformations been the rise of consumer loans in order to keep up with living standards in increasingly unequal societies marked by the growing privatisation of public provision. The percentage of total consumer debt to GDP has been
relatively stable in the EU over the last two decades, even if the most vulnerable groups may have increasingly had recourse to consumer credit and in particularly unfavourable conditions in seeking to meet well-being norms opening a corresponding gap between household income and expenditure (Santos, 2016).

Most significant over the last two decades has been the spectacular expansion of mortgage loans, which accounts for the recent evolution of household indebtedness in the EU, having become the primary business of banking (Jordá et al., 2015). This expansion involved mostly the better off, and in very beneficial ways (Santos and Teles, 2014; Santos et al., 2016). This means that for a significant part of the higher socioeconomic strata, financialisation has meant accumulation of material and financial wealth and the strengthening of their relative advantage. Financialised housing, in particular, has led to the rise of homeownership, which not only has been a means of improving household living conditions, being associated with higher levels of reported satisfaction with accommodation, but also a means of accumulating wealth due to the spectacular increase in value of residential property during the financialisation era, even if not uniformly so depending on temporal, spatial and social contingency (Santos, 2016).

3. Financialised housing as a mechanism of inequality reproduction

Previous research has examined the impact of financialisation on well-being and how this depends on the ways in which finance interacts with relevant systems of provision (Santos et al., 2016; Bayliss et al., 2013, 2015a). This required investigating the ways in which finance interacts with the structures, agents, processes and relations that characterise the entire chain of production that forms a given system of provision, which is commodity-specific and is shaped by multiple social, political, economic, geographic and historical factors (Bayliss et al., 2013, 2015a). In the case of housing, financialisation has contributed to the rise of homeownership and its establishment as the dominant type of tenure, transforming housing into a mechanism of differentiation and inequality reproduction across different social strata (e.g. Robertson, 2014, 2015a, 2015b; Bayliss et al., 2015a; Santos, 2016).

Housing has been the most critical area for households’ increasing and differentiated involvement with financial markets through mortgage markets. The evolution of household debt over the last two decades in the EU is by and large explained by mortgages that constitute the bulk of household indebtedness in Europe (Santos and Teles, 2014), and in the developed world in general (Jordà et al., 2015). Because housing loans are concentrated on the higher income groups, as these have sufficient wealth for a deposit and a stable income stream to pay the monthly mortgage payments, financialised
Financialised housing has turned house prices into a leading mechanism through which finance impacts on well-being. The unprecedented rise of mortgage loans, facilitated by the deregulation of housing finance and mortgage innovation, is a major factor underpinning the spectacular rise of house prices, and the more so the higher the levels of mortgage lending. The long-run trends in mortgage lending, home ownerships and house prices, show that “the 20th century has indeed been an era of increasing ‘bets on the house’” (Jordà et al., 2015: S4).

The generalised upward trend of house prices until 2007-08 has meant that homeowners have experienced a rise of wealth through the valuation of their houses, especially those who have bought their homes early on and sold them at the peak of the house market boom. But as real house prices rose relative to income in most countries, housing has become less affordable, especially so in the countries that have experienced most significant price hikes, such as Ireland, Spain, the UK, and the Netherlands (Figure 1).

![Figure 1. House Prices to disposable income per head ratio (OECD, index based in 2010)](image)

Because house price increases mean housing costs increases, they entail distributive consequences. First, there is inevitably a redistribution of wealth away from tenants and towards landlords that experience capital gains by simply owning property, and profit with higher rents. Second,
homeowners (both with and without mortgages) benefit from property capital gains as well, and from occupation at a cost lower than equivalent for private renting. This has been also the case of mortgagers in the recent low-interest rate environment who may have actually experienced a reduction in their loan monthly repayments due to falling interest rates. Homeowners moreover benefit from eased access to credit through mortgage equity withdrawal, and they have a secure form of storage of wealth that can be used in case of need. Third, and by the same token, house price rises mean that housing has become less affordable for those excluded from the mortgage markets and facing increased rents. Thus, homeownership through mortgages has been generally an advantageous means of accessing better houses in privileged areas, containing housing expenditure, and of storing wealth. Those unable to afford rising housing costs have had to move to poorer dwellings, in more distant neighbourhoods, and possibly in substandard environments.

Indeed, not only has homeownership through mortgages entailed financial benefits to wealthier homeowners, allowing them to access better housing and accumulate wealth, but it has also entailed important gains to the privileged due to the structuring of location. Housing location is a relevant layer of inequality to the extent that it determines accessibility and proximity to other relevant amenities and opportunities, such as schools and environmental quality. Thus, not only has access to homeownership been unequal, reproducing economic and social inequalities (income, racial, gender, age), but the differentiated access to homeownership has reinforced and magnified extant inequalities by exacerbating further differentiation as housing is also an important mechanism of segregation and discrimination, impairing equal access to jobs, schools, public services, transportation, recreation, and so forth. This effect has become more intense as the rise of homeownership rates intensifies the segregated use of space, entailing added political power to homeowners, exercising more influence on the control of local land, mobilising against perceived threats to property devaluation, further reinforcing discrimination. While this has been more evident in the USA, where the rise of homeownership has rendered housing a more relevant “vehicle through which intolerance is identified, constructed, and learned and through which social exclusionary mechanisms are learned and perpetuated” (Shlay, 2015: 574), similar concerns arise elsewhere. Patterns of spatial segregation seem to be rising, both in house price terms and variability in the

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1 For example, this has been observed in Portugal where housing loans are contracted at variable rates indexed to the interbank rate, Euribor, having followed the decline of the ECB interest rates since 2009 (Santos et al., 2015).
availability and quality of a range of public services as these become capitalised into housing prices (see Green and Shaheen, 2014; Ferrari, 2015, for the UK; and Pinto and Guerra, 2013, for Portugal).

Housing has also been identified as a relevant mechanism in excavating an intergenerational gap between young adults and older generations. Standards of living of individuals and households in their 20s have been lagging dramatically behind those of older age groups over the past 30 years in many advanced capitalist countries. This has become a topic of general interest worldwide, attracting the attention of the media for what has been labelled the ‘Generation Y’ or ‘Millennials’ in the Anglo-Saxon world or ‘mileuristas’ in Portugal and Spain. Interestingly, the present situation of the younger generation is attributed to financialisation, in general, and financialised housing in particular (even if the terms are not used), producing “[a] combination of debt, joblessness, globalisation, demographics and rising house prices [that] is depressing the incomes and prospects of millions of young people across the developed world, resulting in unprecedented inequality between generations”. This is raising awareness on housing issues, most visibly in the UK, as exemplified by another popular and almost overlapping label, ‘Generation Rent’. Not only does the younger generation have less income due to badly paid intermittent jobs, they also face rising living expenses, especially rising housing costs, which annihilates any aspiration to rising living standards, typical of previous generations. On the contrary, they have greater difficulties in establishing themselves as independent adults than previous generations, and are forced to postpone important life decisions, such as forming a family, and face a more uncertain future with irregular working careers and no savings (as well as often being forced to live in the parental home).

To conclude, through its detrimental impact on housing costs, financialised housing has reproduced and amplified economic and social inequality, with relevant spatial and intergenerational effects, undermining the situation of the least advantaged. The evolution in house prices, increasing at a much faster pace than average earnings, has meant not only that younger families can no longer expect to become homeowners, i.e. those deprived from wealth transfers from their parents, but also that their standards of living will be lower than those of previous generations. The policy implication of this is clear: the harmful effects of financialised housing can be curtailed by a more effective control of house prices, implying the end of homeownership as a policy goal, replacing it by the promotion of

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2 The Guardian two-week series on the status of “Generation Y” is symptomatic of this interest, having commissioned a study from LIS based on the Luxembourg Income Study Database of eight affluent countries: Australia, Canada, France, Germany, Italy, Spain, UK and US. See: http://www.theguardian.com/world/2016/mar/07/revealed-30-year-economic-betrayal-dragging-down-generation-y-income (retrieved March 11 2016).

3 Same as above.
4. Definancialising housing I: Making housing affordable

Housing affordability has become a pressing policy issue in the aftermath of the financial crisis. Both private rental and owner-occupied housing have become more unaffordable, especially for low-income young households. This issue is most prominent in the UK, particularly in London and the South East of the UK, where house prices are among the highest in the world (Hilber, 2015; Wilcox et al., 2015; Edwards, 2016). Even if with different causes, this is also a policy concern in Portugal, where an increasing number of families are facing difficulties in finding housing that is adequate to their means and needs (IHRU, 2015a).

Although the housing problems currently confronting Portugal and the UK have a considerable amount in common, they are unlikely to yield to universal solutions. Effectively promoting more affordable housing requires close attention to the context-specific characteristics of national systems of housing provision, and spatial and other variation within countries. Rather than universal policy prescriptions that can be applied always and everywhere, especially if taking the form of financial assistance to owner-occupation as opposed to targeting conditions within differentiated supply and forms of access, what we need is policies that are tailor-made to each national and local context. This is true even for, or especially of, two very highly financialised housing systems, sharing many characteristics, such as those of the UK and Portugal.

For example, one policy area that is crucial to improving housing affordability is finance, in particular, mortgage markets. A major contributor to house price increases has been the channelling of a growing volume and share of credit to residential property (Turner, 2015). Because of this, Turner calls for measures to both reduce total leverage and rebalance the sectoral allocation of credit away from housing. Such policies would help to improve housing affordability in both Portugal and the UK. However, Turner focuses on the destabilising macroeconomic effects of excessive real estate lending. From the point of view of the housing sector in particular, the effects of excessive real estate lending are different in each country reflecting their distinct housing SoPs. In the UK, land, planning, and supply structures have meant that the bulk of real estate lending has been used to purchase existing housing. This has driven up prices and given rise to a self-fulfilling cycle of credit chasing capital gains, with these reinforcing inequalities in favour of those who can gain access to the housing ladder as owner-occupier or landlord. In Portugal, supply structures have meant that real estate lending
has gone into the production as well as the purchase of houses. There, the problem is not a Minskian property asset-price bubble, but the misallocation of real economic resources to real estate construction (Turner, 2015). While housing affordability in both countries would benefit from tighter regulation of real estate lending, the different circumstances in each country calls for differences in the details of such regulation, and the broader package of policies of which it is a part.

It is true that the expansion of mortgage markets slowed down and that access has become more exclusive since the Global Financial Crisis, with borrowers expected to put down larger deposits, and lenders seeking more stringent evidence of ability to make repayments, including close scrutiny of the income, and even the spending habits, of prospective borrowers. However, in the absence of wider reforms to the housing system, credit restrictions have merely served to increase mortgage market segmentation. The current economic situation, marked by stagnation, high levels of unemployment among the youth, precarious labour relations and low wage income, further contributes to skewing mortgage markets towards the well-off accentuating its inequality producing effects.

Policy responses so far have tended to focus on improving access to mortgages, rather than addressing the housing system’s structural reliance on finance. For example, demand subsidies continue to be a high priority for the UK Government, as reflected in policies such as Help to Buy. But bringing prospective homeowners onto the housing ladder through mortgage subsidies will only succeed in helping those at the border of mortgage markets. For those further away from homeownership, demand subsidies will likely make matters worse by exercising an upward pressure on house prices and driving them further away from what wages can afford and what deposits can be found. Instead of making housing more affordable to the middle- and low-income strata, the beneficiaries of these policies would be once again the wealthy and older homeowners via the increase in their property values (Hilber, 2015; Kemp, 2015; Wilcox et al., 2015). Making housing more

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5 The Financial Times questioned 88 economists about recent UK government housing policies that overall maintain a primary focus on subsidies to stimulate demand. According to the FT (January 3, 2016), none of them suggested that these policies will produce a general fall in prices, and the majority, “54 said current policies would either have little impact, or would only succeed in increasing demand”. Ethan Ilzetzki, a lecturer at LSE, went so far as to claim that the help-to-buy measures “translate one-to-one into housing prices. They are therefore a subsidy to existing homeowners, not new buyers”, See http://www.ft.com/intl/cms/s/0/87652554-afa8-11e5-b955-1ad298b6250.html#axzz46XpxKeoV (consulted April 22 2016).
affordable requires instead the tempering of mortgage markets, accompanied by measures to address dysfunctions elsewhere in the housing SoPs.

As mentioned above, the rise of house prices in the UK is attributed to the combination of both a deficient planning system and the speculative character of house building, which have jointly contributed to credit having fed demand more than supply (Robertson, 2015a). In Portugal, the evolution of house prices has been more moderate and this has been explained by the channelling of lending into both household debt and new construction, resulting in an oversupply of dwellings that curtailed the rise of house prices at the turn of the millennium (Santos et al., 2015). Considering that the UK housing system has been characterized by chronic shortage of supply, also exacerbated by demographic growth, promoting the construction of new dwellings in the country is a pretty straightforward policy goal to address the speculative uses of housing.

This diagnosis attracts considerable consensus in the UK (Edwards, 2015; Hilber, 2015; Wilcox et al., 2015), though agreement is not absolute. Danny Dorling (2014) argues that Britain’s housing problem is fundamentally not one of supply but of distribution. The housing stock in Britain is sufficient to house its current population, Dorling argues, but the large capital gains associated with housing in Britain over the last three decades has encouraged the hoarding of housing wealth among those able to afford it. Such hoarding, which may take the form of under-occupancy (living in a house with excess bedrooms), second home ownership, or buy-to-let landlordism, has served to restrict access to housing, leading to current access problems. Dorling’s diagnosis is congruent with our discussion above about the way in which housing wealth is expanding inequalities. Where we differ is with regard to the cure. Dorling poses the choice between discouraging hoarding and increasing supply in oppositional terms, but short of forced redistribution, which is politically beyond the fanciful, incentive measures to discourage hoarding, such as capital gains taxes on housing, are unlikely to be sufficient. What is needed is a housebuilding programme to boost supply in high-pressure areas and erode house prices over the longer term, coupled with tax incentives to discourage hoarding and achieve a more equitable and rational use of the (current and new) housing stock.

The view that Britain needs to increase its housing supply is not radical. On the contrary, it has been subscribed to by successive UK governments. What is at issue is how to go about it. Hitherto, policy has focused on inducing increases in supply by subsidising demand and liberalising the planning system. The SoP approach, by urging us to look at the entire chain of provision, shows that planning

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6 See also the comments of the 88 economists consulted by the FT on house supply given in the link above.
This project has received funding from the European Union’s Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

reform and demand subsidies will be inadequate unless accompanied by policies to address Britain’s dependence on speculative housebuilders for the overwhelming majority of its supply. Land is an important source of profit for speculative housebuilders, who capture any change in land values between the price they pay for it and the price they sell it for with housing built out. This gives speculative housebuilders an incentive to stagger output in order to maximise land uplift, and makes them cautious about fluctuations in land prices, and reluctant to over-expose themselves in case of a downturn in land values. All this means that housebuilders tend to place upper limits on the volumes at which they are willing to build. Indeed, Britain’s large house builders, which account for roughly half of overall supply, openly admit that the Government’s target housing supply increases are not going to come from them (Payne, 2015).

Increasing UK housing supply is going to require more drastic measures to change housing supply structures. In the following two sections we consider two options: inducing large-scale institutional investment in the PRS, in order to create a new source of purpose-built privately rented housing, and reviving large-scale state production of housing for social rental. A third option, which is by no means incompatible with the first two, is to make it easier for SME housebuilders to enter and operate in the housing market. Over the last two decades, Britain’s housebuilding industry has become increasingly concentrated, with a few large housebuilding firms accounting for a growing share of total supply. Increasing the role of SMEs would provide a way to bypass the upper volume limits imposed by large housebuilders, and would require improved access to credit, and making the planning system more affordable and amenable to smaller housebuilders.

Emphasising the role of housebuilders in limiting housing supply is not to deny the role of the planning system. The UK planning system rations land through imposition of absolute limits on the amount of land that can be built on, and imposing burdensome legal and administrative constraints on planning permission (Roberston, 2015a). Although the imperatives confronting speculative housebuilders mean that planning reform alone is unlikely to significantly boost supply, it nonetheless has an important role to play in a portfolio of policies. This is both because the current cost and complexity of the planning system often precludes SME builders from accessing land, and because freeing more land for use and facilitating licensing for the construction of new dwellings could help curb the escalation of the price of land, and thereby diminish its speculative use by housebuilders, reducing their incentive to delay build-out and sale. A related, but often neglected, aspect of the UK housing SoP is landownership. Landownership in Britain is among the most concentrated and opaque in the world. Land reform would also help to improve access to land and lower its value.
The situation in Portugal is very different. Portugal has an oversupply of housing, with an extraordinary proportion of vacant housing units (12.5% in 2011, INE 2012). In Portugal, in contrast to the UK, lax land regulation, associated with high incentives for local municipalities to approve construction, favoured an expansive model of land use that evolved in tandem with the expansion of mortgage markets, synchronising house supply of new homes with housing demand (Santos et al., 2015). This curtailed the evolution of house prices, which has been milder in Portugal. But from this it does not follow that housing costs have been stable. They have too risen; but this rise is by and large due to reforms in the private rental market. For example, while between 2001 and 2011 the monthly value of acquired homes rose 36%, the monthly cost of rented accommodation rose 91% (INE, 2012).

The rise of housing costs is acknowledged as a policy concern by the public institute responsible for implementing housing policy in Portugal, the Instituto da Habitação e da Reabilitação Urbana (Institute for Housing and Urban Rehabilitation), noting the paradoxical situation of the Portuguese housing sector, with the co-existence “[o]n the one hand [a] high number of empty homes, [and] on the other difficulties experienced by families in finding housing that is adequate to their means and needs” (IHRU, 2015a: 6). It is also acknowledged that the housing problem in Portugal results from the “[t]he politics of promoting and financing the acquisition of private housing”, which “ended up having a perverse effect in price increases and contributed to the accumulation of very high levels of debt by the State, the banking sector, companies and households”. The overall assessment of a public policy devoted to the promotion of homeownership is that “[r]elated public and private investment … neither contributed nor enabled familial access to housing” (IHRU, 2015a: 11). These politics promoted instead “the expansion of urban peripheries, in many cases segregated and in poor conditions, they generated vast surfaces of ‘artificial land’, added home-to-work commutes and exponentially increased energy consumption for transportation. In the case of historic centres, these policies increased local costs, promoting only very costly building rehabilitation solutions” (IHRU, 2015a: 11). Thus, notwithstanding the more stable evolution of housing prices in Portugal, ensuring housing affordability is also acknowledged as a relevant policy goal. And similar to the UK, the housing affordability problem was also caused by “[t]he politics of promoting and financing the acquisition of private housing”.

5. De-financialising housing II: regulating the private rental market

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7 This gap has risen due to demographic decline and the wave of immigration in the aftermath of the crisis.
In both countries housing affordability requires intervening in the private-rented and social housing sectors. In these countries, the growth of housing demand, fuelling house price increases, together with private rented market deregulation, that allowed rented market prices to be more freely settled by tenants and landlords, led to the rise of the prices of rents while weakening tenants’ rights. And since these reforms were applied to new contracts, the new deregulated contracts will become ever more prevalent as these replace regulated tenancies of elderly private tenants, making rented housing ever more unfordable (See Santos et al. 2015, for Portugal; and Kemp 2015, for the UK).

In the UK this upward rise of rents was further magnified by the incentives given for the purchase of houses to rent (i.e., ‘Buy to Let’ mortgage products). This has turned rental housing into an attractive investment for households with enough equity, increasingly perceiving rented accommodation as an attractive investment and more secure than stock market or personal private pensions, for both investment and safety reasons. This may even have intensified recently, as house prices have continued to recover in a context of low interest rates and lack of alternative investments given the low yields on government bonds, bank deposits and pension annuities. Moreover, the rental market seems ripe as the more difficult access to housing loans contributes to the rise in the number of households needing to rent privately for the long term (Kemp, 2015).

But ‘Buy to Let’ incentives are not expected to have a significant effect on housing affordability. While favouring the purchase of housing by older and wealthier households for rental, this is simply a form of tenure switching rather than new supply, and thus not likely to exercise a downward pressure on rents. It has been a long-term aspiration to attract institutional investment to build new housing for private rental. Such purpose-built rented housing would add to the net housing stock, rather than merely transferring housing from one tenure to another. However, the ratio of capital to income return on such housing has proved prohibitively high for institutional investors. Such initiatives also flounder on the ongoing costs of managing rental properties. Buy-to-let landlords rely on ‘sweat equity’ to cover their responsibilities as landlords – that is, management costs are not factored into overall returns. But for institutional investors, such costs must be monetised, which can make such projects unprofitable. It must also be borne in mind that, even if such initiatives were to succeed, the private rented sector is far from meeting needs, mostly due to low levels of regulation of private landlords and agents that create imbalances in the bargaining power between landlord and tenant. A most critical issue in the UK is the extremely low level of tenant security, whereby new tenancies have no rights of tenure beyond 6/12 months (Kemp, 2015; Robertson, 2015a).
Nor is improving housing affordability best achieved through demand-side subsidies paid to low-income social and private renters. First of all, these subsidies do not address the problem of supply, which is pivotal in the UK housing system of provision. Secondly, it does not address the problem of rent inflation either; it may even exacerbate it by improving the purchasing power of the low income groups, as mentioned above. Thirdly, these subsidies tend to merge the boundaries between social and private rented housing, allowing social landlords to let properties on more flexible terms and extending private renting to social tenants, jeopardizing the principle of social housing as an alternative to the market (Ferrari, 2015).

Rather than fostering the private rental market by making it a more attractive investment for wealthy households, or subsidising the rents of the low income groups, housing policy should target a more effective regulation of the sector so that it more effectively meets housing needs. In the UK, this would require providing more certainty for both landlords and renters, allowing longer-term tenancies for those who need them; to improve safety and property standards to make this form of tenure more attractive; and expand the sector’s contribution to housing more low-income households by establishing rent controls. These are relatively efficient and effective ways to intervene in the housing market as they are not as costly or as long-term as building new homes, thus having an almost immediate impact. Moreover, the present situation seems particularly favourable given the higher demand of younger low-income households exercising pressure on the reform of the tenancy framework (Kemp, 2015: 615):

A number of pressure groups—the most vocal of which is in fact called Generation Rent—have campaigned for better conditions for private tenants including longer-term tenancies and the re-introduction of rent controls. The latter appears to have significant support among the public: an opinion poll conducted in May 2014 by the survey firm YouGov found that 56 per cent of respondents were in favour of the Government introducing rent controls (33 per cent disagreed and 11 per cent did not know).

Rent controls should indeed be considered as a short-term measure to alleviate housing costs in pressure areas, though risk discouraging private investment over the long-term, and hence needing to be accompanied by alternative measures to boost investment.

Moreover, private rental can never succeed in meeting social goals as non-commodified forms of housing can, such as broader issues of community development, social and economic support and the fostering of a sense of community within built developments (Ferrari, 2015). Thus, within the UK
context, housing needs are best guaranteed by “publicly-managed housing production, wholly or mainly of non-commodity dwellings, including wide diversity of collective ownership and managed forms, to meet general needs and also a wide variety of needs for supported collective living” (Edwards, 2016: 35). These are long-term measures as increased production of housing is slow to materialize, requiring in the meantime measures with immediate impact, such as stopping the sale of Council and Housing Association dwellings, and changes in the private rental market as discussed above.

In Portugal, one of the most severely hit EU countries by the financial crisis, the rental market has become the only viable alternative for those unable to own a home. Fiscal incentives to promote private homeownership through mortgages are no longer a possibility for the highly-indebted Portuguese state. Public debt reaching record highs, a shaky banking sector requiring constant assistance from public authorities, and an impoverished middle-class, together dictate the end of a housing policy based on loans for homeownership. Under the new circumstances, house rental has become the main alternative for both families looking for a home and for promoters who need to sell their properties. Again, this is bluntly recognised by public entities with responsibility for housing policy such as IHRU (2015a: 20):

House rental is the alternative to the acquisition of own housing in a context of decreased banking financing capabilities, contraction of household disposable income and the need for debt reduction, emerging as the main route to develop affordable housing and meeting the new family mobility requirements.

The new policy must then focus on “urban rental reform measures, providing the market with risk mitigation instruments aimed at making it more dynamic, increasing the supply of homes for rental and consequently reducing rents” (IHRU, 2015a: 22). The policy proposals, as ratified by the Resolution of Council of Ministers nº48/2015 include, among others, measures to improve dispute resolution and the promotion of market confidence; the review of tax rules, in order to favour rental over privately owned housing; the rehabilitation of buildings for housing rentals based on the controlled rent system; and the creation of proprietary entities and major landlords with greater financial and investment capacity in the rental market (IHRU, 2015: 37-46). With a new left-leaning government in office, the focus on the rental market has been maintained, with similar measures already underway.
The creation of a national fund for the rehabilitation of constructed buildings (FNRE, Fundo Nacional de Reabilitação do Edificado) is one of the first housing policy measures announced by the new Government. FNRE is a real estate investment fund for housing rentals that is to be created with the two-fold goal of funding projects of rehabilitation of buildings and stimulate the rental market, aimed specifically at urban regeneration and to bring the middle classes back into the urban centres. The central idea of the programme is that, on the one hand, proprietors of buildings in need of significant repair work transfer the property to the fund in exchange for participation units, while, on the other hand, the state transfers 1400 million euro to renovate those buildings and place them in the rental market. The FNRE is to be managed by a public pension funds management society and will be regulated by the Portuguese Securities Market Commission Supervisory Authority, (CMVM, Comissão do Mercado de Valores Imobiliários). The idea is that 60% of rehabilitated area is used for renting, and upon conditions affordable for the middle-income classes, implying rents below market prices but above social rents. The remaining housing generated is to be used for traditional trade and other forms of tenure. The returns obtained from the new rental market will then remunerate the participation units of the proprietors. The general philosophy of the programme was already present in the national strategy for housing of the previous government (IHRU, 2015a). The originality of the FNRE, and highly contested, is that the capital of the fund that is to finance renovation work comes from the social security emergency fund (FEFSS, Fundo de Estabilização Financeira da Segurança Social) that has been constituted as a guarantee to ensure the payment of pensions for a two-year period (Fernandes, 2016).

A second example of recent housing policy targeted to the rental market belongs to the Lisbon Municipality. On the same day the Government announced the creation of the FNRE, on April 6, 2016, the Municipality of Lisbon announced the Programme of Affordable Rent (PRA, Programa Renda Acessível). The goal is the same as the FNRE: to make the private rental market more affordable for the middle-classes that have no access to the mortgage or the private rental market in urban central areas. The target is to attract five to seven thousand families to the city centre, to compensate for the recent exodus, setting a limit for the rents of around 60 per cent of the values of the private rental rate. The general idea of the programme is that, on the one hand, the Municipality provides land or

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9 This is certainly no coincidence, given the close relation between the current Mayor of Lisbon Municipality, Fernando Medina, and the Prime Minister, António Costa, as the former was his vice-president of the Presidency of the Lisbon Municipality before Costa became the Prime Minister on November 25, 2015.
buildings, and funds basic infrastructure and social equipment such as schools, and that, on the other hand, private concessionaires build the new housing or renovate the buildings in need of repair work. Similar to the FNRE programme, the private concessionaires will receive the revenue obtained with the sale of the portion of housings made available for that purpose and the rents. The municipality will remain proprietor of the land and will recover the houses when the concession contracts ends, set to last for 35 years. The municipality expects to allocate 270 million euros for land and buildings, and an overall investment by the private concessionaires of about 681 million euros (CML, 2016).10

Whilst the outcome of both these programmes is uncertain at the moment, experience with public-private partnerships of this kind is notorious (Sarmento and Renneboog, 2014). Nonetheless, these examples illustrate well the difficulties governments and local authorities face to conduct housing policy in the aftermath of the financial crisis and the setting up of austerity as a permanent condition, either by conviction or more or less externally driven. This has required ever more ingenious ways on the part of public authorities to secure finance and attract the private sector. The challenge is particularly daunting in the rental market since, as mentioned above, this has not been an area of interest for institutional investors with greater financial and investment capacity. Thus, like any investment, these policy solutions are based on the expectation that real estate investment is a profitable enterprise capable of generating yields to compensate private investors; and they rely on commodified forms of housing provision, even if supported by public subsidies, in kind and otherwise, to control rent prices. Finally, and relatedly, the requirement of profitability means that these policies cannot target the most destitute but only those capable of participating in the newly created markets.

Before moving to social housing, two remarks are in order, one concerning regional differentiation and the other the role of international pressures. Housing policy must take into account regional disparities as access to housing varies considerably within a given country, being a far more pressing issue in most populated urban centres. In the UK, housing shortages are not equally felt across the country, being most severe in the Southeast, which has had the most amazing house price raises. Nor is oversupply of housing uniformly distributed in Portugal. There are even house shortages in some urban areas, most notably in and around Lisbon and Porto.

Indeed, regional imbalances have been another consequence of financialised housing. In the UK, as Figure 2 shows, this has been manifest in the growing divergence of London and the South-East of

England from the rest of the country. This is taken to render the UK housing problem “substantially a regional problem” (Edwards, 2016: 36). The UK housing market is characterised by, on the one hand, regions more vulnerable to global and systemic pressures (London and the South-East of England), and on the other hand, regions marked by economic decay, resulting in a tension between new approaches and more traditional policies focused on housing and community development. “In the former case, investment and policy attention would ‘follow the jobs’ by flowing disproportionately into the South of England; in the latter case, investment would target lagging regions as part of a social and economic development strategy” (Ferrari, 2015: 518). Overcoming these disparities would imply diverting infrastructure spending and high-level civil service, university, cultural and other services from the former to the latter regions to foster agglomeration benefits therein (Edwards, 2016: 36).

Figure 2. Regional house prices increases: difference from UK average 1969-2009 (Source: Ferrari & Rae, 2013)

Similar trends have occurred in Portugal, as illustrated in Figure 3, with a higher pressure on the urban coastal regions vis-à-vis the rural mainland parts of the country, facing population decline. Effectively taking into account regional differences would call for local housing policies attentive to local specificities, better able to deal with problems of spatial fragmentation and promote social cohesion and community development through measures such as local co-production and
cooperative ownership and management in the rural parts of the country; and, on the other hand, more aggressive measures to deal with urban pressures of a global and systemic nature.

Figure 3. Average value of urban buildings sold (Euro), Portugal 2014

(Sources/Entities: DGPJ/MJ, PORDATA)\textsuperscript{11}

The pressure in big urban centres, namely in capital cities, reveal systemic forces at play. In the context of savings glut searching for yield, real estate has become a more attractive destination for foreign capital looking for both safety and high yields. That is, the GFC has rendered urban space an ever more attractive destination for investment, contributing to the escalation of house prices in capital cities, further pushing the transmutation of housing into a financial asset, furthering and creating new social and spatial fragmentation. This is visible in both the Portuguese and UK capitals.

\textsuperscript{11} http://www.pordata.pt/en/Municipalities/Average+value+of+buildings+sold+total++urban+and+rustic-89-397 (consulted April 8 2016)
The policies conducted to deal with the financial crisis, namely the large scale programme of quantitative easing carried out by the central banks (the ECB and the BoE) to ensure that interest rates remained at very low levels, has had the effect of reducing yields on government bonds, bank deposits and pension annuities, raising the relative attractiveness of investment in housing, and in residential lettings in particular. This has been the case in many capital cities, and most acutely in central London that has since received a substantial amount of overseas investment, reflecting the role of housing as a ‘safe haven’ from continuing financial turbulence and political uncertainties and turmoil elsewhere in the world (Kemp, 2015).

Rental property in capital cities has attracted foreign investors, including wealthy individuals and institutional investors, such as pension funds and insurance companies. This is a trend likely to continue in the present low-interest rate environment and the financial and political turbulence in many parts of the world. It is also likely that it will continue to attract small domestic investors due to a more acute aversion to risky investments in the aftermath of the crisis and exposure of bankruptcies and scandals across the economy, as well as the generally low rates of the relatively safer bank deposits and pension annuities, in addition to reforms to the state pension system that have served to highlight the potential attractions of rental housing as a form of pension saving. That is, housing, either for living or renting, has become a more tangible element of an asset-based welfare society, even if restricted to the better-off (Toussaint and Elsinga, 2009; Doling and Ronald, 2010; Van Gent, 2010; Lowe et al., 2011, Montgomerie and Büdenbender, 2015).

That real estate has also become an attractive investment for foreign idle capital looking for both safety and yield is somewhat novel. However, the transformation of the real estate into a financial asset has the opposite effect of making housing more vulnerable to speculative pressures, jeopardizing the goal of safety that motivated investment in the real estate in the first place. The qualitative transformation entailed by the gradual substitution of domestic small-scale ‘bets on the houses’ by international millionaire bets on the real estate of capital cities is thus another consequence of financialised housing with potential dramatic economic, spatial and social impacts.

6. Definancialising housing III: social housing

Not only has financialised housing increased the cost of family dwellings, it has also been a mechanism of social exclusion. For a significant part of the lower strata, financialisation has meant marginalisation as it has promoted and reinforced private and commodified forms of provision,
helping to legitimate the gradual retreat of the central and/or local governments from this domain even if in differentiated ways.

In the UK, social housing has long been the responsibility of local governments. What has changed is that local governments have increasingly had their hands tied with respect to what they are allowed to do – restrictions on building new council housing, heavy pressure to transfer existing council housing stocks to third sector organisations, etc. – and are increasingly under-funded, due to cuts imposed from central government. This together with the partial privatisation of the council housing stock (through the Right to Buy) increased shortages of council housing and pushed demand into owner-occupation (Roberston, 2015a). This has meant that a growing number of low-income households has entered the private rented market as it has been expelled from social rented housing in the course of its long-term decline. In England, between 1981 and 2014, the proportion of households living in social housing has reduced by half, becoming 17% of total households (Kemp, 2015).

In Portugal, housing policy has always been marginal in the context of the Portuguese welfare system. At the central level, the direct promotion of housing has been marked by short-term and small-scaled programmes, in terms of funding, scope and supportive institutional structures. This has meant that the direct promotion of social housing has been reduced, irregular and restricted to situations concerning the most urgent housing needs of major urban centres (Santos et al., 2015). Even so, the central government has transferred responsibilities and powers to local councils, who have become increasingly responsible for responding to the needs of low-income families without the necessary means to address them. In 2011, social housing dwellings represented 3% of total housing stock of permanent residences, one of the lowest percentages in the EU (IHRU, 2015a; Matos, 2012).

Notwithstanding the extremely low levels of social housing, in Portugal there has been too a transfer of social housing stock to sitting tenants, increasing homeownership among lower income households. This has accentuated what was already a model of spatial segmentation. As the most attractive units in better neighbourhoods were the first to be sold and to the better-off households, the low income and more vulnerable households become ever more concentrated in dense

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12 This does not mean that the state has been absent in the sector, only that it had different priorities. Between 1987 and 2011, 73% of the government budget devoted to housing was spent on subsidies associated with loans for permanent homeownership, 14% was used on rehousing programmes, 8% was used on rent subsidies, and only 2% was spent on direct promotion of housing (IHRU, 2015b). Recent major investment in social housing in the country is attributed to The Special Re-housing Programme (PER, Programa Especial de Realojamento), but this was concentrated in the two major Portuguese urban centres, Porto and Lisbon, and between 1994 and 2005 (Santos et al., 2015).
neighbourhoods, lacking equipment and infrastructure (Pinto and Guerra, 2013). The transfer of property to low-income home-owners generated new problems; for example, the transfer of housing property to sitting tenants reduced council authority to carry out maintenance and improvement works on these buildings, while low-income homeowners were unable to do this for themselves (IHRU, 2015a). Subsequent physical and social degradation and urban decline have then resulted in an over-representation of low-income families in these neighbourhoods that further exacerbated problems of social stigmatization (Pinto and Guerra, 2013).

The harmful impacts in particular loci of the sell-off of social housing stock points once again to the relevance of the interplay between housing tenure and particular socio-spatial contexts. While the sale of council housing allows councils to realise property values and access substantial resources in the short run that can be used to fund more, smaller, cheaper units or rehabilitate degraded areas (particularly when it is property on high value land that is sold off), in the longer run, sell-offs erode councils’ asset base, privatise future rental streams, and lead to the displacement of lower income households from high value land. It also entails economic and social costs, such as “costs of resourcing policing, education and that array of social services that would be increasingly demanded to support a more fragmented society”, and those associated with the exclusion of “low-income households (and therefore low cost labour) from areas of high economic productivity” (Ferrari, 2015: 526).

Financialised housing is not only a matter of household embroilment with finance, or central government for that matter, it also extends to local authorities and housing associations, which have become increasingly responsible for housing without the necessary means. Edwards aptly synthesises this process:

The financial sector has pumped money into mortgage lending, amplifying the purchasing power of those able to borrow and accounting for much of the escalation of prices. Financial relationships have become ever more dominant, not just in the ways households manage their housing and saving strategies but in the pressure on local authorities and housing associations to think of their land and social housing as ‘assets’, not as use values, and to manage their rent policies and allocation of tenancies to meet the imperatives of securing finance - squirming to minimise the dreadful impact of ‘austerity’. Financialisation has powerful cultural expressions too …and creates strong imperatives on the work of built environment professionals whose products increasingly have to satisfy investors’ criteria. The entire urban ensemble and the practices of participants have become …both a product
of financialised accumulation and a primary instrument enabling that accumulation to take place (Edwards, 2016: 28, emphasis in original).

This exposes financialisation’s dysfunctions and resulting vulnerabilities that push further the disadvantaged groups into the margins, and a shift in approaches to social policy (Fine, 2014; Bayliss et al., 2015b). The growing reliance on owner-occupation, with access secured through incorporation of households into mortgage markets, is part and parcel of the same process of residualisation of social housing in providing a safety net for the market excluded. This is because, on the one hand, housing provision has become increasingly a domain left to private provision, and on the other, housing is a basic good that compels states to intervene at least at the margins. But this is far from a redistributive housing policy. Bayliss et al. (2015b: 117) underline:

Social housing is residualised in the sense that it is treated as the exception not the norm, and is not part of a broader commitment to collective housing provision. On the contrary, its provision is couched in a narrative of personal responsibility, which takes material form in under-resourcing of social housing. The result is that social housing tends to be of poor quality and in short supply, and hence does not reduce inequality beyond ensuring a minimum standard.

The dominant norm is instead homeownership to which most would like to conform, having become ever more associated with financial security and decent living, allowing people to avoid the stigmatisation of social housing and the uncertainty of private renting due to escalating rents. The privilege of homeownership also extends to ‘owners’ with mortgages given the low levels of interest rates, and the more flexible contractual terms between lenders and borrowers, allowing, for example, altering maturities to reduce monthly payments in case of need. Private tenants instead face very unfavourable contracts and the impending threat of having to leave due to rising rents, while social tenants live in more segregated neighbourhoods and risk being pushed into the private rental market. Those excluded from both mortgage and private rented markets are dealt with at the margins in a more or less ad hoc way, often with costly market solutions, for example, through rent subsidies, which provide only temporary fixes to more structural problems. In the UK, for example, the implication of this has been “an escalating housing benefit bill and increased spending on short-life housing, which tends to be significantly more expensive than state-run dwellings” (Robertson, 2015b: 17).

Council housing first emerged in the UK in the 1920s as a response to gross under-investment in the PRS. We are now in an era in which the inability of the private sector to adequately house the entire
population is again being starkly exposed, suggesting that conditions are ripe for a second state housing revolution. It looks increasingly unlikely that the private sector is going to provide either the investment or the redistribution that is required to resolve housing crises in the UK and Portugal, suggesting that their resolution will require heavy state intervention. In advocating such intervention, it is crucial to avoid simply harking back to a bygone era and romanticising past histories of state housing provision. Council housing in Britain certainly had its problems, for example, with respect to design, control, autonomy, and quality. Any future investment programme will need to learn from the lessons of the past. Furthermore, while we have argued elsewhere (Robertson, 2016) that the widespread desire for homeownership is manufactured rather than innate, it is nonetheless now deeply rooted, such that it may be necessary to consider state-subsidised owner-occupation as a way of garnering support for state-built housing. One of the insights of the SoP approach is that housing outcomes depend not merely on tenure form but on the operation of the entire chain of provision. This suggests that homeownership can be separated from its currently pernicious results. For example, coupling homeownership with large-scale land nationalisation would detach homeownership from access to capital gains and, with it, detach owner-occupation from the speculation that has become the paradigmatic and destructive feature of financialised housing provision.

7. On definancialising well-being

The impact of financialisation and of the financial crisis on well-being depends on multiple factors and their interactions. It depends on overall levels of economic and financial development, affecting most severely the weakest and financially integrated economies most exposed to financial turmoil. It depends on broader welfare provision and the extent to which it protects or instead pushes the most vulnerable to the margins of welfare models. It depends on the particular ways relevant systems of provision have become increasingly financialised and more prone to reproduction and consolidation of social inequalities, as discussed above for the housing system of provision.

The analysis of the housing sector shows that the resolution of financialisation’s dysfunctions and resulting vulnerabilities does not rest on small fixes of the financial sector, through for example a more prudential selection of borrowers, and even less so on households, as financial education campaigns would lead us to believe. It requires instead definancialising the economy and society, substantially changing the way production and social provision are organised.

The latter requires interventions at various scales, targeting multiple and interacting policy goals. It includes intervening in the conditions of the country’s international insertion in global financialised
worlds, correcting the imbalances between external creditor/export-led and debtor/debt-led countries. It includes macroeconomic policy to foster economic growth and employment, and in ways that do not jeopardise external competitiveness and produce external deficits and debt. It includes redistributive policy to reduce growing inequalities. It includes regional policy to correct territorial imbalances. And it includes sectoral policies in relevant domains, such as housing.

This means that definancialisation implies reversing previous neoliberal policies of privatisation, deregulation and liberalisation of the financial sector, the implementation of demand-side macroeconomic policies that re-prioritise the real sector to foster growth and employment, and policies that restore the role of the public sector in social provision, all of which taken together downsize finance.

Employment and labour relations must be put in the definancialisation agenda too. This is so because unemployment is a crucial vehicle of transmission of the effects of financial and economic crises on individual and household material and subjective well-being, even in the least exposed countries. Labour relations are also relevant because financial and economic crises are often perceived as an opportunity to skew power further away from workers resulting in reductions of wage income, growing job insecurity, and increased work intensity. This is the more relevant in the currently financialised era as the institutional configuration of labour markets are intrinsically and increasingly articulated with welfare provision, determining not only workers’ present material and subjective well-being, but also their living standards were they to be hit by social risks – such as unemployment and sickness, and in old age – which are increasingly transferred to individuals and used to further entangle households in financial markets, as investors and insurers.

Definancialisation requires substantial reform of the fiscal system. The extraordinary concentration of wealth in the financialisation era is to some degree the outcome of fraudulent schemes to evade the payment of taxes, as the current scandal Panama Papers illustrates, which renders fiscal policy as part and parcel of definancialising processes. Fiscal policy should reverse the regressive trends of the neoliberal era, including a greater contribution from capital and property, implying the removal of tax breaks or especial treatment to land holdings and housing, and more adequate taxation of rents derived from valuation of land and buildings.

Regarding the housing sector, in particular, and as we have discussed, definancialisation would require implementing a programme of publicly-managed housing production, wholly or mainly of non-commodity dwellings, ensuring affordable housing for those who need them, and the removal of
This project has received funding from the European Union’s Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

speculative and iniquity elements in housing provision, such as incentives to home-ownership and subsidies to housing loans. This would entail differentiated policies at the regional level, re-orienting public investment in infrastructure and public services, to produce agglomeration benefits and fix population in deprived regions, alleviating pressure on major urban centres. Definancialised housing would be also good for the economy, releasing an important part of capital from speculative to more productive uses and household income to sustain demand.

This all seems common sense. But the brutal fact of the matter is that the present is still dominated by neoliberal policy and the imperatives of finance that prioritise market liberalisation and fiscal austerity instead of collective forms of organising economic and social life and public investment. The prospects for major reform in the housing sector are not bright as this is already a highly commodified good. A reversal of the present situation is very unlikely, whether restoring previous forms of social provision (in the UK), or observing the emergence of much needed non-commodified forms of provision (in the case of Portugal). Indeed, other FESSUD work has cautioned against a simplistic opposition between neoliberalism and Keynesian welfarism, pointing to the ‘deeply rooted transformations in the processes of economic and social reproduction that have been wrought by neoliberalism’ (Bayliss et al, 2015: 9) and the barriers these transformations pose to change. Such an observation is pertinent in relation to housing, where structural changes in the role of housing in social and economic reproduction provide a number of grounds for pessimism about the prospects for reform.

First, we noted above that housing has proved an avenue for the encroachment of finance on social reproduction through privatisation, expansion of credit markets, and securitisation of asset streams. One result is that households are increasingly viewed as borrowers/asset owners rather than workers, and an important source of profit for the financial sector. Considered in conjunction with the growth in both the importance of the financial sector to the economy and the influence of financial interests in policy-making over the last thirty years, there is a concern that the vested interest that some have in maintaining a system in which access to housing depends on taking out a mortgage may act as a barrier to reform. A related issue is that, with the decline of manufacturing in the West, and, with it, the industrial working class, labour market pressures for an adequately housed, mobile workforce have eased, and the asset role of housing has come to exert more influence over the housing market relative to housing’s role as a form of shelter. This too has strengthened those with an interest in maintaining asset prices over those who would benefit from expanding access to housing.
Second are concerns over housing’s linkages with the macroeconomy. Earlier in the 20th century, housing’s macroeconomic role was viewed either through the prism of its role in reproducing the labour force, or in terms of housebuilding stimulating economic activity. As a result of neoliberal reforms, however, the macroeconomic role of housing has shifted focus to the role of house prices in underpinning consumer demand. This is what has been referred to as privatized or house price Keynesianism (Crouch, 2009), according to which house prices fuel the economy by propping up consumption, while “compensating” labour for decades of negligible or even negative real income growth. The more economic growth is, or is perceived to be, dependent on high house prices, the less likely is the adoption of polices to decisively lower them.

The final notable feature of the contemporary role of housing in social and economic reproduction concerns the way in which homeownership serves to ideologically incorporate workers. This idea is not new, on the contrary, it is found in Engels (1872), who argues against working class homeownership on the grounds that it stifles revolutionary spirit by giving workers a stake in the system. Engels proved prescient, as politically placating the working class by giving them a stake in the system was an explicit objective of Thatcher, who sought, through the introduction of the Right to Buy, to create a “property-owning democracy”. In another spatial-historical context, and in a much smaller scale and with far more timid outcomes, the political control of the working class was also envisaged by the Portuguese dictator, Salazar, who already in the 1930s associated homeownership with “the idea of enabling a ‘social evolution’ of the working-class that would avoid revolution” (Castela, 2011: 27). But when Engels wrote of the pacifying effects of homeownership on the working class, or when earlier attempts have been made to produce them, the substantial capital gains of the kind that homeowners in Britain, and to a lesser extent Portugal, have seen in recent decades had not been anticipated. These capital gains, not surprisingly, have compounded the problem, and fear of antagonising homeowners by eroding their housing wealth holds a great deal of political sway.

In sum, although declining house prices could imply increased housing affordability, the mantra that rising house prices are good remains politically entrenched, both due to pressure from the home-owning electorate and to the role of house prices in the broader economy. As a result, successive governments have seemed prepared to do everything in their power to protect price levels.

However, there might be some grounds for optimism as tension escalates in the face of mounting evidence of the failures of financialised housing systems. First, the numbers for whom financialised housing systems work in their favour are diminishing. Increasingly, the victims of the housing crisis
are not limited to those reliant on diminishing social housing provision, but also include young better-off people unable to get on the housing ladder and the growing number of people in the private rented sector with limited rights and protection against unscrupulous landlords. Even the experience of homeowners is more mixed than the story of windfall capital gains implies, due to regional variation, high debt levels, and the threat posed by future interest rate increases. As dissatisfaction with financialised housing provision becomes more widespread, demands for change have grown.

Second, groups mobilising around housing are beginning to attract public attention. In the UK, housing has been the catalyst for some of the most militant, inspiring and, in some cases successful, struggles in years. Ironically, decades of neoliberal restructuring may have heightened the significance and potential of such struggles. Whereas Engels saw housing problems as a reflection of, and subordinate to, the exploitation of labour under capitalist production, there is an argument that struggles over social reproduction are more important in the context of a diminished labour movement and increasingly casualised, precarious labour markets, both of which are themselves products of neoliberalism. ‘Bets on the house’ have started the crisis. It may be on the house where change will either start and/or gather momentum.

References


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Robertson, M. (2016), ‘(De)constructing the Financialised Culture of Owner-Occupation in the UK, with the Aid of the 10Cs’, mimeo.


THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?’
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