

# **FESSUD**

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE  
DEVELOPMENT

## **Working Paper Series**

**No 14**

Housing Provision, Finance, and Well-Being in Europe

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## Housing provision, Finance, and Well-Being in Europe

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### **Abstract**

This paper explores the role of housing in households' increasing financial activities. First, I build on quantitative work on the growth of housing related debt across Europe carried out under WP5 by presenting data on rates of homeownership, levels and types of mortgage debt, and house prices (and, by implication, housing wealth). I find that, although there is a general tendency for all to increase, differences in the structures of housing provision across countries lead to significant variation in both the data, and what can be drawn from it, across countries. Second, I consider accounts of households' growing financial activities that attribute a central role to housing, including Lapavistas and Dos Santos's 'financial expropriation' thesis, and a growing body of literature that sees Europe as moving towards a housing asset-based welfare model. I argue that both, in different ways, are insufficiently attentive to the way in which housing provision, the role of finance within it, and the relationship of both to the reproduction of labour power more generally, are all uniquely and distinctly structured in different countries. I also show that even in the UK, where the role of finance in housing and welfare provision is thought to be most advanced, the restructuring of housing and welfare in favour of finance remains limited and contradictory. Finally, I outline some preliminary findings on the impact that a growing tendency to treat one's home as an asset has had on well-being.

**Keywords:** financialisation; housing; house prices; mortgage markets; systems of provision; well-being; asset-based welfare; financial expropriation; mortgage equity withdrawal.

**Journal of Economic Literature classification:** B59, D69, G10, G20, H31, H39, I31, I38, P16, P52, R21

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**Acknowledgments:**

Many thanks to Ben Fine and Nuno Teles for comments on earlier drafts of this paper; all errors are mine. The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800.

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## 1. Introduction

European households' growing involvement with the financial sector, in terms of holdings of both financial assets and financial liabilities, is well-documented (Santos and Teles 2013; Lapavitsas 2013). The place of housing within this transformation of households' financial behaviour is of particular interest for two reasons. The first is the quantitative importance of housing in households' financial activities. The liberalisation of financial flows since the 1980s, along with low interest rates, led to a boom in mortgage lending across Europe such that Santos and Teles (2013) find that housing debt constitutes the bulk of household indebtedness in Europe. They look only at financial assets and liabilities and so do not include housing assets in their study but, as I show below, housing assets are also important among European households. This importance of housing assets and liabilities was true of the period before the crisis (ECB 2009) and has continued to be true in the period following it, during which household debt has continued to grow in most European countries and housing debt has remained the largest component of it (OECD 2013). In purely quantitative terms, then, housing is important for understanding the households' increasing involvement with financial markets because it accounts for a large portion of households' financial activities.

The second reason that housing is particularly important to understanding households' financial behaviour concerns its role – or alleged role – in the restructuring of welfare provision, and its association more generally with households' other financial activities. Housing has historically been seen as the 'wobbly pillar' of the welfare state, less commodified than other vital services such as health and education. Perhaps because of this, housing has been at the forefront of welfare restructuring through privatisation and commodification and, as already mentioned, housing-related activities account for a large part of households' financial activities. But the significance of housing to changing patterns of welfare provision goes beyond its being the part of the welfare state furthest



down the line in terms of reform. Because housing is most households' largest asset, homeownership has also been seen as the lynchpin of the emergent asset-based welfare system (Malpass 2008), with housing wealth the most important means through which households meet a growing portion of their welfare needs.

In this way, housing is placed centre-stage in various accounts of why and how households have become more involved in financial markets. A growing literature sees European households as being increasingly expected to meet their own welfare needs through accumulating and managing assets and, because of this, to be increasingly embroiled in the financial system (Lapavitsas 2009 2013, Dos Santos 2009a, 2009b; Doling and Ronald 2010a, 2010b; Malpass 2008). Such accounts vary on precise detail but share in common the view that households have engaged with finance in an attempt to shore up consumption, usually of necessities, against either the state's retreat from universal welfare provision or stagnating real wages or some combination of the two (often with appeal to sustaining or rising consumption norms set against stagnating real wages and secure employment opportunities).

In this paper, I investigate the importance of housing in households' financial activities, while at the same time providing an overview of housing and mortgage markets in Europe and how they relate to household financialisation and well-being. I first elaborate the account of the importance of housing liabilities given by Santos and Teles (2013) by stressing, in addition, the importance of housing as an asset and by looking in more detail at trends in homeownership, mortgage indebtedness, and house prices across Europe. In doing so I argue that a general trend of expanding homeownership and mortgage-lending conceals significant inter- and intra-country variation. This is true not only in terms of rates of homeownership and mortgage lending and associated variables such as house prices, but also of how the two relate to each other structurally.

I then go on to consider the role of housing in households' broader welfare strategies and how this relates to households' participation in the financial sector. First, I reject the argument that households' relations with the financial sector are exploitative and driven by their being compelled to engage with finance in order to shore up stagnating incomes and decreasing welfare provision, as this is incompatible with the evidence. Second, I consider arguments that the accumulation of housing wealth has facilitated welfare reforms that have driven households closer to financial markets. Here the literature again cautions against generalisation. The relationships between housing, welfare and households' financial activities vary significantly from country to country, reflecting differences in forms and structures of housing provision as well as those of broader welfare provision and financial services. What does emerge is that in a number of European countries, housing does play a role in systems of asset-based welfare, but this is not new whereas any association between asset-based welfare and finance is both new and contingent. Asset-based welfare in Southern Europe has traditionally depended on familial solidarity and support rather than access to financial markets with, for example, low levels of mortgage debt despite high levels of owner-occupation. It is in countries that have or are transitioning from collective to more individualised forms of welfare, such as the UK, the Netherlands, and Sweden, that finance is most important to the accumulation and use of housing wealth, giving rise to new models of asset-based welfare (Toussaint and Elsinger 2009).

Third, even in the UK, the European country in which the interdependence of housing, welfare and finance is most established, the development of asset-based welfare and the use of finance within it are partial at best. While more households are spending housing equity on welfare, it remains the exception rather than the rule and a number of goods continue to be universally provided. Furthermore, the norms and meanings associated with homeownership are complex and often conditioned by the contradictory interaction of cultural and material factors (Fine 2013). While the asset role of housing has become

more important over the last decade, it is in tension with, and constrained by, housing's role as a home and form of shelter.

I end the paper by discussing the relationship between the finance, housing, and well-being, with a view to suggesting issues what could be investigated through the household survey. One issue concerns households' exposure to risk and the extent to which they experience owner-occupation as burdensome. While for some people owner-occupation is a means of reducing housing costs and accumulating wealth in the long run, others may struggle with mortgage costs or paying for the upkeep of the property. The experience of owner-occupation is heterogeneous both within and between countries. A related issue concerns the impact of the developments discussed in the rest of the paper on inequality. Home-ownership and the growth in important of housing finance are associated with a growing divide between the "haves" (on the housing ladder; higher income; older households) and "have nots" (not on the housing ladder; lower income; younger households). Far from being the (exploitative) means by which poor households seek to maintain their living standards, mortgage borrowing is more prevalent among higher-income households and tends to be a means through which they strengthen their relative advantage and corresponding inequalities are reproduced and consolidated. A final issue concerns how the use of housing wealth to boost consumption effects well-being.

In the next section I provide an overview of housing and finance in Europe, demonstrating variegation by both country and sector. That is, I show how the relationship between housing and finance, and the role of housing in households' financial activities, vary across countries, not just with level of development of financial sector in each country as pointed out by Santos and Teles (2013), but also with features of each housing system in particular. In the third section I discuss versions of the view that housing equity has come to play a central role in maintaining welfare and consumption. I again stress the extensive variegation in how housing, welfare and finance interact both across and within countries

and argue that trends towards the financialisation of housing and welfare is evident in some countries but, as yet, still remains limited. In section four I discuss various issues that arise in relation to welfare, stressing, in particular, that the interaction of housing and financial markets has exacerbated certain inequalities. The final section concludes with a summary of the paper.

## 2. Housing and finance in Europe

Over the last fifteen years there has been a general trend in Europe for both owner-occupation and mortgage lending to expand. The owner-occupancy rate increased in most EU countries (Housing Europe Review 2012). Residential mortgage debt to GDP ratio for the EU27 increased from 35.7% in 2000 to 51.7% in 2011, or per capita from 6.85% to 13.1% (EMF hypostat 2011). These trends are usually attributed to the privatisation of social housing and liberalisation of mortgage markets, respectively, see, for example, (Pittini and Laino 2011; Aalbers 2009b; Santos and Teles 2013; Karacimen 2013), as well as being interrelated in virtue of the high cost of housing relative to income and consequent (presumed) inability of most households to purchase a house without a loan. In combination these trends are taken to suggest a convergence towards a model in which housing provision is dominated by owner-occupation and, for most people, conditional on taking out a mortgage. However, beneath this picture of macro-level convergence lie important micro-level divergences (Norris and Winston 2012), not only in relation to levels and rates of change of homeownership and mortgage lending, but also to how the two interact. The expansion of funds available for mortgage lending since the 1980s has led to finance playing an increasingly important role in housing provision across Europe, but the character and extent of this role differs significantly across countries as a result of their differing histories and structures of housing provision.

Turning first to homeownership, the rate of owner-occupation for the EU-28 as whole in 2011 was 70.8%, though on a country level it ranged from 43.8% in Switzerland (non-EU) and 53.4% in Germany to 82.7% in Spain and 96.6% in Romania (Eurostat 2013). The expansion of owner-occupation is closely related to developments in other tenures and, in particular, the commodification of social housing. Owner-occupation has expanded most in countries where there has been a concerted effort to cut back or commodify social housing provision (for example, the UK, the Netherlands, or former Eastern Bloc countries following the collapse of the Soviet Union) and, conversely, has grown least in countries with a large and functional private rented sector (for example, Germany). While rates of owner-occupancy have grown in almost all European countries, they have done so at different rates and from very different bases. Table 1 below is useful for capturing both aspects, despite including non-European OECD countries.

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Similarly, households' debt for house purchase as a percentage of GDP has increased in most European countries over the last ten years (EMF hypostat 2011) and represents households' largest liability category at 75% of total household debt in the euro area (Santos and Teles 2013). This figure reflects a mortgage lending boom that was the product of structural changes in financial markets and banking across Europe since the 1980s. Most notable were the liberalisation of financial flows and decreasing interest rates, which together enabled banks to access international capital markets in order to fund their domestic lending, and the Basel agreements of the late eighties, which promoted mortgage lending as a way to "save" capital. The EU played a crucial legal and political role in these processes.

Arising from this mortgage market liberalisation have been some common trends in mortgage characteristics across the euro area: loan-to-value (LTV) ratios have increased, maturities for loans for house purchase have been lengthened, and more flexibility in repayment schedules has been introduced (ECB 2009). In the USA, such innovations have been associated with others, such as securitisation and the 'originate to distribute' (OTD)<sup>1</sup> model of lending. However, these developments have had less impact in Europe:

'the differences between housing finance in the United States and that in the euro area remain considerable, in spite of the common boom in lending activity over the last few years and despite the diffusion of the OTD model across the Atlantic. The UK system remains in a somewhat intermediate position, sharing features of both systems' (ECB 2009 p73).

While the share of securitised mortgage loans in the USA is approximately 50% of total mortgages outstanding, in the EU it is just 7% (ECB 2009). Relatedly, depository institutions continue to play a dominant role in the provision and retention of mortgages in the EU, along with mortgage covered bonds whereas in the USA and, to some degree in the UK, the lending boom was fuelled by specialised non-depository institutions deploying the OTD model. Europe also resisted subprime lending, except for a small amount in the UK where, unlike in the USA, it was not predatory and did not involve deception (Wainwright 2009).

Not only has mortgage market restructuring not gone as far in Europe as it did in the USA, there has also been considerable diversity within Europe. For example, the residential mortgage debt-to-GDP ratio in 2011 was 5.5% in Romania, 22.9% in Italy, and 106% in the Netherlands (EMF hypostat 2011). In 2007 the average LTV ratio in the euro area was 79%, though country ratios ranged between 63% in Malta and 101% in the Netherlands, while the share of variable rate contracts ranged between 10% and 99% in 2007 (ECB 2009). European mortgage markets remained distinct from the USA's, and differentiated at

national level despite globalisation forces (Dymski 2009), even in relation to adoption and implementation of something as seemingly locationless and homogenising as securitisation:

‘despite travelling across the globe, this financial innovation has maintained a spatial sensitivity since the idea of securitisation has been embodied and (re)interpreted in specific places to comply with local economic, political, and social institutions’ (Wainwright 2009 p372).

Differences in mortgage markets and product variety are interesting not least because they reflect differences in the level of mortgage and financial market development across countries, and this in turn has implications for the extent of household debt (Santos and Teles 2013).<sup>2</sup> For example, Aalbers (2009b) argues that there is a correlation between LTV and loan-to-income (LTI) ratios and average size of mortgage debt, suggesting that the more ‘complete’ are a country’s mortgage markets, the higher the level of borrowing.

A more fundamental type of cross-country difference concerns the relationship between owner-occupation and mortgage lending. It is often assumed that expanding owner-occupation goes hand-in-hand with a growth in mortgage lending, the latter being a condition for the former given the high cost of housing relative to income (see, for example, Pittini and Laino 2011). But, in fact, the extent to which home-ownership is tied up with mortgaging lending varies significantly from country to country. This is evident in table 2 below, which shows a broad range in the balance between home-owners with and without mortgages. At one extreme, in Sweden only 3.7% of households own a house with no mortgage or housing loan outstanding, whereas at the other extreme in Romania only 0.3% of households are owner-occupiers with a mortgage or loan.

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This range reflects differences in the history and institutions of housing provision in each country. Of course, each country's experience and characteristics are unique, but one can usefully approximate three distinct groups.<sup>3</sup> The Eastern European countries, such as Romania, Bulgaria and Croatia, tend to have high rates of owner-occupation and low levels of mortgage-lending reflecting, respectively, rapid privatisation of state housing in the transition period and relative underdevelopment of their financial sector. The Southern European countries, such as Greece, Italy, and, until recently, Spain and Portugal also have high owner-occupancy rates and limited mortgage lending, reflecting a 'Mediterranean culture' of debt-free ownership through intergenerational transfer of property and equity, self-promotion and self-provision (Aalbers 2009b). They have higher levels of mortgage lending than the Eastern European countries, reflecting a more developed financial sector. Levels of mortgage lending are also growing, reflecting, arguably, a tendency for mortgage market expansion to squeeze out other means of accessing home-ownership (Angelini et al 2013). Angelini et al suggest that the use of mortgage lending to access homeownership can serve to push up house prices, which in turns put pressure on traditional means of accessing homeownership (such as familial support) and creates further dependence on mortgage lending. This seems a helpful characterisation of the experience of some Mediterranean countries, particularly Spain, in recent years.

Finally, in Northern European countries, which includes the Scandinavian countries as well as Britain, Germany and France, widespread owner-occupation is relatively new and, as a result, smaller and more dependent on the mortgage market. The mortgage market in turn tends to be relatively large in Northern European countries, reflecting both the growing dependence of accessing a home on getting a mortgage and the well-developed



financial sectors, including ease of accessing international capital markets, in those countries. Notwithstanding the shock privatisation in Eastern Europe in the early 1990s, owner-occupation and mortgage lending have grown most rapidly in Northern European countries in recent years.

At a European level, therefore, the association of the owner-occupancy rate with mortgage lending is non-essential and relatively new. Homeownership in Northern European countries has long depended on mortgage-lending, but neither the shock housing privatisations in the former Soviet countries, nor (until recently) traditions of homeownership in Mediterranean countries, were dependent on mortgages. The growth of mortgage lending reflects, first, the growth of owner-occupation in Northern European countries and, second, the increasing intervention of finance in countries in the Mediterranean group that had traditionally depended on familial support to access homeownership. Reflecting this, although mortgage debt constitutes the largest portion of household indebtedness in Europe as a whole, its incidence is unevenly distributed even in relation to owner-occupation rates. Table 3 below provides a clear illustration of this. Looking at the table, one can say (roughly, as there are some countries that do not fit neatly into any group) that per capita mortgage debt ranges from under 1000 euros for Eastern European group countries, to 1000 – 10,000 euros for Southern European countries and 10,000 to over 30,000 euros for Northern European countries.

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The point of all this is to show that household indebtedness depends not just on the level of development of the financial system and the rate of owner-occupation, but also on the history and institutions of housing provision in each country. Mortgage debt is greatest in

countries such as the Netherlands, the UK and Denmark, where high levels of owner-occupation is a relatively new phenomenon. This is not, of course, to say that owner-occupation is new in these countries; on the contrary, owner-occupation has been present in significant numbers in these countries for most of the twentieth century. It is rather that, until recently, owner-occupation was one among several tenure forms, whereas since (the 1980s for the UK, later for the Netherlands and Denmark) it has expanded – mostly at the expense of social housing – to become the dominant tenure form. High levels of mortgage debt in these countries reflects both a recent diminution of social housing or tenants' rights and that financial markets in these countries are relatively liberalised.

A third generally observed trend concerning housing finance in Europe, in addition but related to increasing rates of owner-occupation and mortgage lending, is house price increases in the period leading into the financial crisis. In the euro area as a whole, residential property prices grew by 6.1% between 1999 and 2007. Once again, this conceals considerable variation, ranging from slow growth or even declines in Austria, Germany and Portugal, and double-digit growth in some other countries such as Spain, Ireland, and the Netherlands (ECB 2009). Both aspects of house price behaviour – increases and variation – are demonstrated in table 4 below. Further divergence emerged following the onset of crisis. Although initially house prices across Europe were negatively hit by the crisis, subsequent recovery in some countries have not been replicated elsewhere. Thus, Europe-wide house prices rose 0.7% in 2013, but continued to fall in Greece, Italy and Spain, no doubt reflecting the distinct and ongoing impact of the crisis in these countries and, in particular, constraints on their abilities to access financial markets in the midst of sovereign debt crises.<sup>4</sup> House prices are relevant to a discussion of housing and finance in two ways. First is because of the role of mortgage lending in pushing up house prices and, second is because house price behaviour determines the value of people's housing assets. I discuss these two aspects in turn.

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Turning first to house price behaviour and how it is determined, Hilbers et al (2008) argue that:

‘European countries can be classified into three broad groups on the basis of their real house price appreciation. The first group—the “fast lane”—consists of countries that have seen their average (real) house prices during 2005-07 more than double since 1985. This group includes Spain, Belgium, Ireland, the United Kingdom, the Netherlands, and France. The second group—the “average performers”—consists of countries with still substantial real house price increases (about 50–100 percent) since the mid-1980s, and comprises the Nordic countries, Italy and Greece ... The third group—the “slow movers”—includes Germany, Austria, Switzerland, and Portugal, where real house prices have remained largely flat or have even come down over the past two decades.’ (p12).

It is then argued that fast lane countries tend to have more complete mortgage markets, measured by an index combining LTV ratios, extent of mortgage equity withdrawal, maturity of loans and reliance on securitisation.

On the one hand, this seems to support Aalbers’s (2009a) claim that mortgage lending fuels house price increases: ‘mortgage and housing markets fuelled one another, but it is crucial to understand that the driving force here is the mortgage market’ (Aalbers 2009a p286). On the other hand, Hilbers et al (2008) go on to suggest that, although financial sector lending for housing was greater in fast lane countries, the difference is not large enough to account for the price differentials, suggesting that house price increases were

not purely or directly reducible simply to a credit phenomenon. Both claims are problematic as they stand: Aalbers's because his attribution of house price increases to mortgage lending fails to consider the ways in which housing systems are differentially structured and how this shapes how they respond to and interact with finance; Hilbers et al because, even if the direct effects of finance do not account for the house price premium in fast lane countries, they do not consider whether finance nonetheless sets in motion indirect effects which help to account for house price differentials.

House prices are the product of multiple, complex determinants. At the level of individual houses, price determination has an irreducibly localised component. In contrast with the secondary mortgage market, households buying a house are investing in an asset that is spatially fixed and whose price is determined in a market that is essentially local. The value of any particular house – and households do invest in particular houses rather than in more liquid housing assets such as RMBSs<sup>5</sup> – depend on features of the local market and even on features that differentiate that house from others within the local market. These depend on local accumulation processes. First, the spatial fixity of housing means that any increase in housing supply must occur in a particular location. Processes of price determination through the interaction of supply and demand are necessarily localised, having a complex and differentiated relationship with the system as a whole. Second, as Hilber (2011) helpfully points out, house prices also reflect the capitalisation of value invested in surrounding land (to the extent that this value is not eroded by additional supply in the area or replication elsewhere) through what are again necessarily local processes of accumulation. Part of what is reflected in the general price level is the aggregation of large numbers of these unconnected and highly differentiated processes of accumulation through which local house prices are determined.

However, Aalbers's suggestion that mortgage markets drove housing markets (by which he means house prices rather than house building) implies an assertion that in addition to

these localised and differentiated processes of accumulation, there are also general determinants of house prices and that, consequently, house prices display systemic properties. For Aalbers, the availability of mortgage credit is one such systemic determinant (albeit with local variation) and elsewhere (Aalbers 2009b) he acknowledges that two other important ones are demand (for mortgages and for houses) and supply (of houses, in addition to the supply of mortgages that Aalbers (2009a) emphasises). A brief survey of house price behaviour in Europe in the lead-in to the financial crisis supports Aalbers's view that system-level properties can help us to understand house price behaviour.

First, 'fast-lane' countries that experienced the highest house price increases tended to be those that had the highest mortgage debt-to-GDP ratios, irrespective of the behaviour of housing supply in those countries. In the lead-in to the financial crisis, the UK, Spain and Ireland all had house price booms but, whereas the latter two also had construction booms, the UK did not. Indeed, Spain and Ireland had more in common with Germany as far as housing supply was concerned, insofar as all three countries had relatively liberal planning systems and high outputs (Monk et al 2013). That Spain and Ireland had both high output and high house prices supports the idea that their house price booms were credit-fuelled bubbles and that expanded credit availability was an important systemic determinant of house price increases.

Second, however, the influence of supply on house prices reasserted itself after the crash, when house prices fell far more, and for longer, in countries that had also had a building boom than they did in the UK, where a structural deficit in housing supply had accumulated over several years.<sup>6</sup> This suggests that while house prices may exhibit bubble-like behaviour, in the longer run supply continues to be important as a systemic determinant of house prices, as well as for understanding house price differentiation at a local level.

The importance of supply in post-crash house price behaviour needs to be weighed against the arguably deeper effects of the financial crisis on the banking sectors (and therefore mortgage markets) in Spain and Ireland compared to the UK, and extensive state support for the mortgage market in the latter. This notwithstanding, that supply has a role serves as a reminder that mortgage lending is a form of credit that is attached to houses, which are the product of a structured chain of provision of which finance is just one aspect. Rather than assuming that mortgage lending is always and everywhere the cause of house price booms, we should ask how mortgage lending intervenes in, and interacts with, other components of the housing system, and how the chain of provision as a whole shapes the extent to which, and ways in which, housing functions as an asset as well as a form of shelter. More specifically, the relationship between mortgage credit and the housing system concerns more than whether the stimulus provided by credit-fuelled demand feeds into house price and/or supply. It also concerns how the way in which the housing system, understood as the integrated and unique chain of agents involved in providing housing, is structured to respond to and interact with easy credit. For example, I have argued elsewhere in relation to the UK that, because of the dominance of speculative housebuilders in the UK housebuilding industry and because of the UK's restrictive planning system, easy credit exacerbated certain supply-limiting behaviours of the UK housing system (Robertson 2014). Rather than making a general claim that mortgage markets drive house prices, we should investigate how finance intervenes in and restructures particular housing systems.

Finally, house price increases also depended on there being sufficient demand for mortgage products. This depended on there being a demand for owner-occupation and a need for mortgage lending to meet that demand, which in turn depended on the kinds of social housing reforms and varieties of models of owner-occupation discussed above. Consider, by way of contrast, the examples of two countries that had relatively low house price increases, Germany and Italy. In Germany the cheap and reliable rental system kept

demand for owner-occupation low, while in Italy familial support for house purchase kept demand for mortgages low.

I now turn to the role of house prices in people's use of housing as an asset. House price behaviour matters to households for whom their house is their major asset because house price increases or falls indicate capital gains or losses, which impact on household wealth. As mentioned at the start, the importance of housing as an asset and form of wealth has grown. The primary residence represents 56% of net wealth for the fifteen Eurozone countries, according to HFCS data (Bezrukovs 2013), but is more than 60% of household wealth in countries such as Finland, Germany, the UK and Italy, and up to 75% in other countries such as Spain (CEPI 2012). To the extent that homeowners have to live in their home, it could be argued that housing wealth is only notional – because in cashing in their housing wealth homeowners would at the same time have to incur costs in finding a new form of accommodation. However, the growing importance of housing wealth is important in three respects. First, vehicles for mortgage equity withdrawal are making housing wealth more immediately accessible and, even for those who do not take advantage of such vehicles, the large capital gains to be obtained through homeownership in some markets have made housing an attractive investment for those seeking security in old age or something to pass on to their children. Second, irrespective of whether housing wealth is being accessed immediately or not, house price increases represent a redistribution of wealth towards homeowners because non-homeowners do not appropriate any capital gains but rather have their housing costs increased. Finally, the growing importance of housing wealth and of housing as an asset may impact on the functioning of the housing system.

Any action or event that pushes up house prices in a generalised way, such as expanding mortgage credit, also increases housing wealth. This is not, however, to advocate credit expansion as a way of increasing household wealth. Two caveats in particular should be

mentioned. First is the issue of volatility. Countries with the largest house price increases over the last fifteen years seem also to have had higher house price volatility (Engsted and Pedersen 2013), which means housing wealth is prone to large losses as well as gains. This chimes with the finding of Santos and Teles (2013) that households' assets are more volatile the more exposed they are to financial markets. Second, and as already mentioned, changes in housing wealth have strong redistributive effects. Any increase in housing wealth simultaneously makes housing less affordable and thus increases inequality between those who are and are not on the housing ladder. As van Gent captures, any increase in the value of housing assets and the wealth of home-owners is liable at the same time to make those assets less affordable for those not yet on the housing ladder:

'there seems to be an inherent tension in housing policies that seek to simultaneously sustain an asset-based system while simultaneously striving for social inclusion by keeping the housing market affordable and accessible' (van Gent 2010 p749).

The character of this tension depends on the dynamic that develops within a particular housing system. If supply does not increase in proportion to credit-fuelled demand, then getting on the housing ladder becomes more challenging and absorbs more income, which in turn underpins the increasing value of housing. Even if supply does increase, housing being treated as an asset makes it more prone to bubbles and cyclical behaviour, which puts homeowners at risk of going into negative equity and suffering capital losses as well as gains. This discussion of the role of housing as an asset and its distributional implications raises a number of issues concerning housing, welfare, and well-being. These are the subject of the next two sections.

### 3. Housing and Welfare



In the previous section I elaborated trends associated with households' increasing involvement in financial markets in relation to housing and the rise of housing as a form of wealth and debt, showing how they have been differently manifest across European countries. The trends considered included increases in owner-occupation and mortgage borrowing, and rising house prices. In this section I turn to the question of *why* and *how* households have become more involved in financial markets. This question has been debated extensively, including in this work package (Santos and teles 2013; Karacimen 2013; Fine 2013). I raise it again here because in the course of these debates various arguments have been made that place housing at the centre of household financial behaviour, or even see housing as driving it forward. It is therefore worth investigating the role of housing in households financial activities in more detail.

Housing-centred explanations of households' growing financial activity have taken various forms, ranging from Lapavitsas and Dos Santos's 'financial expropriation' thesis (Lapavitsas 2009, 2013; Dos Santos 2009a, 2009b) to assorted accounts of the emergence of asset-based welfare systems and the role of housing and finance within them (Malpass 2008; Doling and Ronald 2010; Elsinger et al 2007, 2010). In this section, I consider these arguments in turn. More specifically, I reject Lapavitsas and Dos Santos's claim that household financial activity has been driven by general cuts in welfare and/or stagnant wages. It is incompatible with evidence showing that it is higher income households that tend to be more embroiled in financial markets and it generalises excessively across sectors and countries. I then consider an alternative view that changes in housing provision have acted as a lever for broader welfare reform, which has in turn driven households to become more involved in financial markets. Here I argue that there are important links between housing and welfare in many European countries, but that the character of these links varies significantly. Most notably, given present purposes, it is only in certain Northern European countries that homeownership having a broader welfare role is tied up with finance. Finally, I argue that even in the UK, where the nexus

between housing, welfare and finance is most established, the extent to which households use financial markets to access housing equity for spending on welfare or other needs is limited.

### *The Lapavitsas-Dos Santos thesis*

In a series of papers Lapavitsas (2009, 2013) and Dos Santos (2009a; 2009b) have argued that households have been driven to becoming more involved in financial markets by stagnating real income and the privatisation of welfare provision. They allege that household borrowing is primarily concerned with satisfaction of qualitative consumption needs for households' own reproduction and contains an 'element of social compulsion' (Dos Santos 2009a p19) arising from wage stagnation, rising inequality, and the cutting back and privatisation of various forms of social support:<sup>7</sup>

Private provision of education, housing, and health make access to money a growing requirement for present and future consumption. Against a setting of stagnant real wages and rising income-inequality, this has pushed wage earners onto financial markets as an integral part of their basic reproduction. (Dos Santos 2009b)

The subprime mortgage market, through which households among America's poorest took on excessive levels of housing debt at often predatory rates, is seen as an extreme manifestation of these processes.

Lapavitsas and Dos Santos's analysis hones in on a distinctive feature of the era of financialisation, namely, that through an expansion of certain types of debt products, a growing stream of household income is being transferred from households to banks. Beyond this, however, there are three problems with the Lapavitsas-Dos Santos account. The first is that this capture of household income by banks does not necessarily imply that household real incomes are falling. Greater interest payments by households could reflect a change in the way that surplus value is appropriated rather than a new source of surplus value (see Brown 2013).

The second is that it does not chime with the evidence about household borrowing patterns within or between countries. As I discuss in more detail below, borrowing to spend on welfare and necessities may be becoming more common but it is far from the norm, even in the UK. Furthermore, according to the data that are available, better-off households consume more out of housing equity than less well-off households. Indeed, the Lapavitsas-Dos Santos view ignores the way in which the expansion of owner-occupation and housing-related lending has advantaged debtor households relative to those unable to obtain credit. Contrary to the view that mortgage lending is usurious or exploitative, it is well-established that higher rates of household indebtedness are found in more wealthy countries and that mortgage debt tends to be concentrated in higher income brackets:

'participation in the mortgage market is highest for high income households ... and the percentage of households with mortgage debt in the lowest income quartiles is generally limited' (ECB 2009 p19).

Santos and Teles (2013) find that in their sample of European countries, only 7% of households in the lowest income quartile have mortgages while 43% of households in the upper income quartile do. They attribute this to higher income households having greater ease of access to financial markets and conclude that:

‘household intensifying relationships with the financial markets seems to accentuate inequality, between those who have and have not been able to accumulate material and financial wealth’ (Santos and Teles 2013 p49).

This differentiated access to credit is also reflected in different debt costs.

In light of this evidence, the US subprime market appears as an exception to the rule rather than an extreme manifestation of it – it is an unmerited extrapolation from the US subprime experience rather than subprime being an extreme illustration of more general processes. Financial market involvement is in general a characteristic of relatively advantaged households, rather than the fate of the most disadvantaged, and it is a characteristic that has given them an advantage in accumulating wealth and thus has tended to exacerbate inequality. Less well-off households have been disadvantaged by their inability to access financial markets. For example, in the UK the ability to get on the housing ladder has become a major social conduit to economic advantage, as those unable to obtain a sufficient mortgage to purchase a house are excluded from profiting from the large capital gains that have accumulated to housing in recent years and condemned to an expensive and deteriorating rented sector. Of course, the precise consequences of differentiated financial involvement across households for inequality will depend on the trajectories of asset values and interest rates and, because of this, on developments in financial markets – wealth can be lost as well as accumulated and homeowners in Ireland or Spain have not been so lucky. But the financial exploitation thesis is not about the vagaries of developing an asset portfolio, but rather about who enters into the credit relationship and why. Here the norm, at least in Europe, is that credit tends to be used most, and often advantageously, by better off households.

The third problem with the Lapvitsas-Dos Santos view is one identified by Fine (see, for example, Fine 2010) and concerns the determination of the “value of labour power”. Brown (2013) captures the point succinctly:

‘Fine argues that the determination of the value of labour-power (of wages and salaries) is a complex process that is variegated across different groups of workers and different products and services – across what Fine analytically elaborates as different ‘systems of provision’ entailing different ‘norms of consumption’. Fine argues that, within this complexity and variegation then the data to which Lapavitsas and others refer could in fact be due to a series of very different processes rather than one single process’ (Brown 2013 p4).

Fine argues that the value of labour power is differentially determined across different systems of provision (sops) and that the role played by finance will differ from sop to sop. The implication is that households’ turn towards financial markets, rather than being a uniform response to stagnating real wages, is the product of differentiated forms of financial intervention in distinct sops: . ‘The (shifting) role of credit-relations in serving working-class consumption will be differentiated from one item of consumption to the next both in terms of its level and the way in which it is present’ (Fine 2010 p105).

Taking distinct sops as the focus of one’s analyses does not preclude recognition that certain phenomenon, such as international financial liberalisation, had general efficacy. But the impact of such general processes must be acknowledged to take not just specific national configurations, but also sector-specific ones. Thus where Lapavitsas lumps the various items of essential working class consumption together in order to identify common trends - ‘Household financialisation is associated with rising income inequality but also with the retreat of public provision across a range of services, including housing, pensions, education, health, transport, and so on’ (Lapavitsas 2013 p39) – Fine argues that the processes of provision underpinning housing, pensions, education, health and transport – and the role of finance within these processes – are highly differentiated, reflecting both the distinct material structures involved in provisioning in each and the material culture they generate in particular contexts. Consequently, ‘it is at least as

important to differentiate the impact of credit upon what is provided, how and to whom, rather than confining it to a generalised deduction from wages' (Fine 2010 p101).

The upshot of Fine's critique is that, in order to understand what has driven households involvement in financial markets, it is necessary 'to empirically investigate many distinct system of provision, with correspondingly distinct respective norms of consumption, in order to develop a detailed comprehension of the variegated determination of the value of labour-power across the economy' (Brown 2013 p14) and the similarly variegated role played by finance within different sops. The Lapavitsas-Dos Santos view, by seeing household's turn to finance as a response to the trajectory of the overall level of wages, pays insufficient attention to the different processes through which households involvement in financial markets is determined. There is, however, a body of literature that is more sensitive to the specific and concrete structures attached to housing, welfare and finance, and their interaction, in investigating the processes that have driven household financialisation. It is to this body of literature that I now turn.

### *Housing asset-based welfare*

This alternative account of why households' financial activities have increased to the Lapavitsas-Dos Santos thesis focuses on the extent to which an increase in housing wealth (through the expansion of owner-occupation and rising house prices, as discussed in the previous section) has facilitated broader welfare reform in such a way that has required households to provide for a growing portion of their own welfare needs through financial markets. The argument, in a nutshell, is that over the last thirty years states have retreated from direct provision and attempted to shift from a model of universal welfare to an individualised asset-based model in which individuals or households bear the risk and responsibility for their own welfare by accumulating assets and borrowing against them.

The growth of owner-occupancy is said to be pivotal to such reform because it provides households with a large asset that they can use to accumulate wealth and borrow against, which:

‘allows governments to pursue restructuring programmes that downsize other welfare services, notably social care and pensions, or allocate them to a local level. Housing then serves as a tool or lever for governments to institute welfare reform’ (Van Gent 2010 p376).

Van Gent starts with changes in housing provision that led owner-occupation to expand and house prices to rise. The next step in Van Gent’s argument is not that changes in housing provision *caused* other welfare reform, but rather that they *allowed* it by providing households with a means of accumulating wealth. The story requires, in addition, an account of why governments have felt pressured to restructure welfare in the first place. The term ‘welfare’ is not very clearly defined in this respect. The majority of this literature singles out pensions and social security as most important as far as welfare reform is concerned, and accounts for pressure on them in terms of an ageing population and fiscal difficulties (see, for example, Van Gent 2010). Others seem to employ a broader notion of welfare, taking it to mean any necessities for the reproduction of labour power that the state has played a role in providing (for example, Lowe et al 2010).<sup>8</sup>

The restructuring of mortgage markets is often included in the story:

‘The restructuring – or, in some countries, retreat – of the welfare state is coupled to the restructuring of the mortgage market. The financialisation of home forces more and more households to see acquiring a house not just as a home, as a place to live, but as an investment, as something to put equity into and take equity from’ (Aalbers 2008 p151-2).

However, the different ways in which finance may enter this story need to be unpicked. First, and as discussed in the previous section, the mortgage market may expand access to owner-occupation and drive up house prices, thus increasing the amount of housing wealth that could potentially be used to cover future welfare costs. Second, the mortgage market can play a direct role by facilitating injections and withdrawals of housing equity in a way that allows households to use housing wealth to manage their welfare spending over time. Third, and less tangibly, it may be that governments have restructured welfare on the back of changes in housing provision, and that this has driven households to become more involved in financial markets, but not in ways that depend on mortgage markets or involve the use of housing wealth. The first two of these imply what has been referred to as ‘housing asset-based welfare’<sup>9</sup> whereby households use (mostly housing) assets to cover the costs of their welfare.

The use of housing as an asset, and the role of housing in welfare reform, have been discussed and investigated extensively (Malpass 2008; Finlayson 2009; Crouch 2009; Watson 2008, 2009). Two EU-funded projects are particularly illuminating with regard to whether and how these two things are associated with financialisation, despite not having finance as their focus. These are: the OSIS (Origins of Security and Insecurity) project, which investigated the extent to which housing was a source of security and risk to households, and the DEMHOW (standing for Demographic Change and Housing Wealth) project, a comparative study of housing asset-based welfare in the EU and the role of housing equity in households’ safety net strategies (Elsinger et al 2007, 2010; Horseywood and Neuteboom 2006; Kees and Neuteboom 2009; Lauridsen and Skak 2009; Doling and Ronald 2010a, 2010b). Both projects combine cross-country comparative qualitative and quantitative research on the relationship between housing, welfare (by which they usually mean social security and pensions) and finance to investigate the changing role of housing in household security and, in particular, the extent to which Sherraden’s (1991) vision for asset-based welfare has been realised. I now use work generated by these two projects,



along with other literature, to investigate whether there is a relationship between housing and welfare reform, and the extent to which it sheds light on the growing importance of finance to housing and households in Europe.

The main result of the OSIS and DEMHOW research for these questions is that few, if any, general conclusions can be drawn. The relationship between housing, markets and welfare is complex and 'demonstrates significant path dependency and local contingency' (Doling and Ronald 2010a p169). There is not a uniform relation or even types of relation between housing, welfare and finance across countries, but rather the configuration in each country is unique, reflecting distinct institutions and histories. More specifically, Doling and Ronald identify two main dimensions across which countries differ:

'First is the interaction between housing, pensions, employment and welfare institutions and practices, which manifest and combine distinctively in different contexts. These combinations shape not only the effectiveness of housing-asset-based welfare but also the scale and directions in which the overall system can be developed. Second are the differences in home ownership systems, including housing markets, housing stock, housing finance and equity release, home building and purchase practices. Differences in these dimensions may inhibit or enhance the potential of housing as an asset.' (Doling and Ronald 2010a p172).

The possible examples of ways in which housing, welfare and markets and their interaction differ across countries are potentially infinite, so I here limit myself to a focus on the role played by finance.

The use of housing wealth to provide security is widespread, but such practices are not new. Doling and Ronald (2010a) express concern that a focus by researchers on Anglo-American contexts has 'perpetuated an assumption that asset-based welfare is relatively innovative and an association between its advancement and advanced liberal regimes'

whereas 'a more international perspective reveals that aspects of asset-based welfare are evident in a variety of contexts and that home ownership is already well developed in many countries as an explicit means to supplement or substitute public welfare provision' (p169). In other words, we should not let the fact that a lot of the literature on housing asset-based welfare has arisen in response to developments in Anglo-American countries obscure the longer history of the use of housing as an asset in other European countries.

Thus, housing is widely used as an asset and to cover welfare costs in Europe, but not necessarily in a way that involves the financial sector, either in the accumulation of housing wealth or in accessing it. The role of finance in the accumulation of housing wealth concerns the extent to which households increase their involvement in financial markets as a direct result of their need to access housing. As I mentioned in the previous section, financial deregulation has helped increase housing wealth by boosting both homeownership and house prices. However, owner-occupation does not necessarily depend on mortgage borrowing. In both Southern and Eastern Europe homeownership has not historically been dependent on mortgage borrowing in the way that it is in Northern Europe. In Eastern Europe, high rates of owner-occupation are the result of "shock" privatisation following the collapse of the Soviet Union and the mortgage market remains underdeveloped. In Southern Europe, an older tradition of home-ownership and familial support structures have also meant that homeownership is high without households having accumulated high levels of mortgage debt. As a result, Hungary and Portugal (Touissant and Elsinga 2009) and Spain (Van Gent 2010) are all said to conform to housing asset-based welfare without a strong role for finance because they have relatively high levels of homeownership, low levels of state and income security, and housing is part of the family wealth pool that provides security to be used as last resort. Housing wealth is important but historically finance has not played a big role in its accumulation. It should, however, be emphasised that this is changing in Southern Europe where access to homeownership is increasingly dependent on prior access to a mortgage, not least

because the entry of finance serves to drive up prices and cement itself as a condition of access.

Furthermore, although housing wealth is used to provide social security in these countries, it does not occur in a way that involves the drawing down of housing equity over the course of the lifetime through the use of mortgage equity withdrawal (MEW) products. This brings me to the role of finance in accessing and using housing wealth. Regarding this:

‘The studies showed that, overall, homeownership respondents ‘used’ housing equity in the financial planning in four ways: (1) by lowering their housing expenses on becoming outright owners; (2) by selling their home; (3) by bequeathing housing wealth; and (4) by withdrawing housing equity with a mortgage product. The first three were fairly common ‘uses’ of homeownership, whereas mortgage equity withdrawal was less common’ (Toussaint and Elsinger 2009 p682).

Housing equity can be withdrawn through a number of channels, which depend on finance to differing degrees. For example, housing wealth can be used to lower housing costs (owners who have paid off their mortgage do not need to pay regular housing costs) or to support offspring through bequests, neither of which depend on finance. In addition, selling or trading down (moving to a cheaper property) release equity. Here, the financial sector may support such withdrawals through aiding selling and trading, but its role is not integral. Toussaint and Elsinger find that these methods for withdrawing housing equity were ‘fairly common’. Even here there is some variation as, reflecting Germany’s distinct housing culture, which has in part been shaped by its healthy private rented sector, German households do not commonly utilise option two: ‘The German respondents perceived buying a house as a once-in-a-lifetime event and did not see selling the house

as a usual option' (p684). More importantly, however, striking differences emerge in relation to the fourth method, namely, MEW. Whereas a range of means of accessing and using housing wealth are well-established across Europe, the use of the financial sector to do so was far less common: '[o]nly in the Netherlands, Sweden and the UK, countries where house prices have risen considerably, was [MEW] a commonly used option' (p685).

Because of the variation in how housing wealth is accumulated and used, Touissaint and Elsinga (2009) distinguish between traditional and new housing asset-based welfare, with the former referring to the use of housing as nest egg in old age and the latter to the drawing down of housing resources in the present with the aid of financial markets. One of the points captured by this distinction between traditional and new asset-based welfare is that the relationship between housing asset-based welfare and financialisation is contingent rather than necessary. Neither the expansion of housing wealth nor the use of housing as an asset to provide households with welfare security need entail growing financial participation, and a number of countries have strong traditions of housing asset-based welfare in which the financial sector plays a limited or even no role. This is confirmed by Finlayson when he says (in relation to the UK) 'that asset-based welfare has been effectively co-opted into a programme of financialisation is not an outcome intrinsic to it' (Finlayson 2009 p416). Indeed, it is only the UK that is suggested to have a 'new' housing asset-based welfare system, in the sense that the mortgage market has aided the accumulation of housing wealth and that the extraction of housing equity for current spending purposes is normalised: 'As far as the distinction between 'new' and 'traditional' housing asset-based welfare is concerned, then, it is only in the UK that we can speak about 'new' housing asset-based welfare' (Touissaint and Elsinga 2009 p689). Even here there is room for debate, with some questioning the extent to which Britain actually conforms to a new housing asset-based welfare model, for example: 'It would be going too far to suggest that Britain is already a housing-based welfare state, but it appears to be moving in that direction' (Malpass 2008 p9).

I return to the question of whether Britain provides an example of a 'new' housing asset-based welfare model below. Before doing so, I turn briefly to the third way in which I suggested that welfare reform encouraged by the accumulation of housing wealth might induce the households to become more involved in financial markets. Recall that the suggestion here was that governments may use increases in housing wealth to restructure welfare and that this may lead households to engage in financial markets in ways that do not directly involve mortgage markets or their housing wealth. For example, housing wealth may, as Van Gent (2010) suggests, act as a lever for pension reform and this reform drive households into greater reliance on financial markets for access to a pension.<sup>10</sup> Another channel might occur if the housing sector serves to inculcate a general culture of asset accumulation as suggested, for example, in Payne (2012). In this case, housing is tied to welfare reform and households' financial activities, but in ways that are less tangible than using housing wealth directly for welfare needs.

It is difficult to identify what would count as evidence for such linkages, intangible as they are. And indeed, the literature finds little evidence of generalisable patterns in the relationship between welfare or pension provision and the accumulation of housing wealth:

'Looking at the relationship between levels of welfare and homeownership rates, based simply on the key indicators, it appears that these relationships are not straightforward. Spending on social provision as a general indicator of welfare does not necessarily correspond with the level of pensions, and homeownership rates do not consistently follow one or another welfare indicator' (Toussaint and Elsinger 2009 p681).

Rather than attempting to make such generalisations, we must conclude that in each country the relations between housing, welfare and finance are uniquely and complexly structured, reflecting distinct histories of social, economic and institutional development.

How housing wealth has influenced welfare reform can be garnered only through more detailed investigation of the structures of housing and welfare provision, the role of finance within them, and the relationship between them, in each country.

To sum up the discussion in this subsection, my concern in this section is with the role that housing plays in European households' financial activities. Literature generated by the OSIS and DEMHOW projects looks at whether households have been encouraged to participate more in financial markets by welfare reforms that have shifted risk onto individuals and households, with these welfare reforms in turn facilitated by the accumulation of housing wealth. The results caution against any generalisations about the relationship between housing, welfare and finance in Europe as there is no consistent relationship between the three. Perhaps, and despite their usefulness, the OSIS and DEMHOW projects' endeavour to identify the character of a three-way determination between the components housing, welfare and markets is misconceived as all three, and their interaction, are shaped not just by additional factors but by a much more complex set of structures and determinations that underlie and side-step the three-way processes.

This notwithstanding, the research is very useful for my current purposes for highlighting the contingency of the role of finance in asset-based welfare models. Even in countries with high levels of housing wealth and in which households bear large amounts of responsibility for their own welfare, the use of this housing wealth does not necessarily depend on the financial sector. Thus, the individualisation of welfare is not necessarily financialised. Financialisation may in some places have contributed to housing's growing importance as asset, by increasing homeownership and house prices, but the use of housing wealth not yet heavily dependent on finance. Only in the UK, the Netherlands, and Sweden was housing wealth accessed through the use of MEW and only in the UK was this found to be in any way a normalised practice. Though even here, I think there is a need for

caution in assessing the extent to which finance plays a role in individualised welfare provision in the UK. It is to this question that I now turn.

### *MEW and financialised housing asset-based welfare in the UK*

In the previous subsection investigating the role of housing in households' financial activities, I found that this role varied significantly, ranging from countries in which finance played a limited role in both accessing housing and using housing wealth, to countries in which finance was involved in both. Only in the UK, however, was the use of financial products to extract housing equity for current spending considered a normalised practice. However, even in relation to the UK I think that the extent to which housing has been financialised in this way is sometimes exaggerated.

The UK has been the inspiration for a significant portion of the literature on housing asset-based welfare (Van Gent 2010; Malpass 2008; Finlayson 2009; Crouch 2009; Watson 2008, 2009) and is seen as having the most developed form of financialised housing asset-based welfare in Europe (Toussaint and Elsinger 2009). However, a lot of the literature on housing and finance in the UK takes as its subject matter the policy agendas of successive governments and how they have been presented, rather than the extent to which these agendas have been realised.

For example, Van Gent focuses his analysis on ideology and policy constructs and takes as his subject matter policy debates and discourses. He defends his approach thus:

'Through neo-liberal ideological constructions the relationships between households, markets and state are restructured in two ways. First, higher owner-occupancy rates facilitate the spread of neo-liberal ownership ideologies, which emphasise the role of markets and the opportunities for households to make

capital gains from their assets. Second, the ideology undermines expectations of universal citizenship rights to welfare goods and services by promising individuals gains through markets and resisting the 'moral hazard' of collective provision and the inefficiency and taxes of public spending' (Van Gent 2010 p740).

Without wishing to deny that ideological constructs and policy discourses have some causal efficacy (see, for example, Bayliss et al (2013) for an elaboration of the view that they do), Van Gent's analysis does not extend to an investigation of the extent to which neo-liberal restructurings of the relationships between households, markets and state actually occurred. This is problematic because, as Fine (2013) points out, behaviour is not a straightforward response to ideology or policy, but rather the result of the combination of, and relationship between, material conditions and how they are perceived. Van Gent recognises this as an issue, saying 'whether housing market gains are indeed sufficient to allow people to freely choose welfare or whether people are actually willing to trade down their homes for extra income is a separate debate in housing literature' (van Gent 2010 p736).

Similarly, Watson (2008) says 'the *government* has challenged the legitimacy of passive welfare receipts in favour of establishing a welfare system based on incorporating the individual into an active asset-holding society' and that 'the housing market has taken on a new *political* significance as a means for individuals first to acquire assets and then to accumulate wealth on the back of asset ownership' (Watson 2008 p285, my emphases). Watson (2009) assumes rather than demonstrates the extent to which government policy agendas have successfully reconstituted individuals as active saver-investors who accumulate assets in order to fund spending on welfare. Finlayson (2009) explicitly takes government policy, and the way in which it is marketed, as his focus, though he recognises some of the contradictions that arise in the course of implementation. Crouch (2009) argues that privatised Keynesianism as intentional government policy followed rather than



led its emergence, which he attributes to changes in financial markets, but he focuses on consumer credit as a source of aggregate demand in lieu of government spending, rather than on welfare restructuring.

One group of authors who do grapple with the extent to which household behaviour has changed to conform to the ideal of an asset-based welfare system is Beverly Searle, Susan Smith, Stuart Lowe and Nicole Cook (henceforth referred to collectively as 'Searle and Co'). In a series of papers (Searle, Smith and Cook 2009; Smith, Searle and Cook 2008; Lowe, Searle and Smith 2011; Smith and Searle 2008), they argue that the government's pursuit of welfare reform has to a significant extent been achieved. Their argument is based on their claim that, with changes in the financial sector playing a crucial facilitating role, mortgage equity withdrawal (MEW) has grown in size and extent and is increasingly used for welfare spending:

'In the UK, equity stored in owner-occupied property became much more fungible because of the very open/liberal mortgage market. As a result home-owners began to 'bank' on their homes using it not only for consumption but increasingly as a financial safety net, a cushion against adversity and a means for securing access to privately supplied services and supporting their families welfare needs across the life-course' (Lowe et al 2011 p105).

A number of important points are contained in this argument. First, more household debt is spent on consumption than headline figures suggest. Santos and Teles (2013) find that the bulk of household debt is housing debt and that the amount of household debt used to fund consumption is, therefore, relatively low. If Searle and Co are right that some of that housing debt is MEW, then the amount of household debt used for current consumption may be higher than Santos and Teles estimate. Second, the way in which housing is used as an asset has changed over time. Whereas in the past MEW was mainly used to reinvest in the property or purchase consumer durables, Searle and Co argue it is increasingly

used for welfare spending. This implies that the UK is increasingly conforming to the housing asset-based welfare model elaborated in the previous subsection, with welfare defined broadly to include not just social security and pensions but also other necessities of the reproduction of labour power, such as health and education, that the state has played a role in providing. As Searle elaborates:

‘for many years, owner-occupiers (and their offspring) envisaged the family home as an investment vehicle, gradually paid off over the life course to provide a nest egg for retirement and inheritance. This traditional view of housing wealth is, however, changing. The deregulation of the financial sector across many OECD nations over the 1980s-1990s opened up opportunities for new mortgage markets and products ... enabling homeowners ... to access their housing wealth through increasing mortgage debt’ (Searle 2011 p34).

She goes on to say that whereas much of equity borrowed is spent on home improvements, a growing portion is spent on welfare provision, used to meet children’s needs, or used as a financial buffer (Searle 2011).

Searle and Co are arguing that even though the asset-based welfare model with housing as the lynchpin does not fit most countries in Europe, it does hold in the UK, and in terms of substantive household behaviour as well as in terms of government policy agendas. How does their argument stand up? The claim that a significant portion of housing debt is used for current consumption is at odds with analyses by the Bank of England. Benito et al (2006) downplay the role of MEW in fuelling consumption on the grounds that MEW does not go above 10% of disposable income up until early 2000s (when their data end). They further argue that the bulk of this MEW occurred through trading down or final sale, which according to Benito and Power’s (2004) analysis of the 2003 Survey of English Housing, is less likely to be used for immediate spending than in situ MEW:

‘Those who sell a property without purchasing another one and those who trade down are more likely to pay off debt or save withdrawn equity than spend the proceeds. Remortgagors and those who obtain further secured advances are likely to spend the equity, but we estimate that their equity constitutes only about a quarter of total gross withdrawals’ (Benito and Power 2004 p302).

The second part of the quote does not contradict Searle and Co’s analysis in so far as they focus on remortgagers and those obtaining further secured advances, but the relatively small size of such mortgagers in total MEW does undermine the significance of Searle and Co’s claims. If MEW is relatively small relative to total consumption, and it is only a relatively small component of total MEW that is used for immediate spending, this raises doubts about the extent to which it is accurate to say that Britain conforms to the asset-based welfare model. Even more problematically, Benito and Power (2004) also find that, ‘of those who spend equity, financing home improvements rather than purchasing consumer goods appears to be the most important use of funds’ (Benito and Power 2004 p302). This seems to challenge Searle and Co’s claim that equity is increasingly spent on welfare goods and services.

Turning to the evidence provided by Searle and Co to support their arguments, we see that their analysis differs from the Bank of England’s in being qualitative and/or survey-based. Whereas the Bank’s results concern the significance of spending out of MEW at the aggregate level, Searle et al’s claims are based on perceived changes in the behaviour of households with mortgages. For example, they find from the British Household Panel survey that one third of households with mortgages withdraw equity in any one year and conclude from this that in situ MEW has become routine (Lowe et al 2010). This is compatible with the Bank’s finding that MEW is small relative to total consumer spending and that in situ MEW for consumption is small relative to gross MEW.

Searle and Co's claim that MEW is increasingly being spent on welfare is based on the following evidence. First, British Household Panel Survey data show that almost half of the reasons given by households for borrowing were classified as 'other', a category that has grown in the early 2000s (and since the Bank did their analysis), which Searle and Co think that this captures welfare-related spending (Smith and Searle 2008; Lowe et al 2010). Second, the proportion of households saying they borrowed for home improvements fell and the proportion citing spending on consumables was just 10%. Third, from the same survey results Searle and Co found that *in situ* MEW is four times more likely among households in the 25-34 year old age bracket than it is among elderly people, and that it is most common among those who have recently experienced a relationship breakdown, the unemployed, and people with school-age children (Smith and Searle 2008; Lowe et al 2010). This information about the kind of people most likely to withdraw equity from their house is taken as support for their claim that *in situ* MEW is increasingly spent on welfare and essentials.

Searle and Co seem to be aware that this evidence is suggestive rather than conclusive, conceding 'housing equity *per se almost certainly* supports an array of other privately financed welfare options' (Lowe et al 2011 p111, my emphasis). I would go further and say that these somewhat flimsy indications of a shift towards welfare spending out of housing equity should be set against the ongoing strength of universal provision, particularly in health and education. For example, the 2001 census found that only 7.21% of pupils attend fee-paying schools and only 11.7% of the population have private medical insurance.<sup>11</sup> It follows that even if households are spending more on individual welfare provision at the societal level they are only doing so in a limited sense. This reinforces the point made earlier that provision and consumption across different goods is a product of distinct structures, practices and cultures, and we should be careful not to generalise across goods.

Taken as a whole, Searle and Co's findings do suggest that patterns of behaviour concerning how housing equity is used are changing. But their conclusions are relatively modest, both because their focus on in situ equity withdrawal is relatively narrow and because the evidence that equity is increasingly spent on welfare is speculative. We, therefore, need to be cautious in regard to what conclusions can be drawn from their results. Personally, I am not sure that the results are significant enough to declare that a fundamental restructuring of households' welfare strategies in line with the model of asset-based welfare has occurred. But there is no objective measure of when behaviour changes enough to qualify a society as having shifted to an asset-based welfare system and, as a result, it is impossible to come to a definite conclusion. What can be said is that, even in a country like the UK, where it is often assumed that the asset-based welfare model fits unproblematically, the extent to which welfare restructuring is reflected in household behaviour rather than in state policy agendas is partial at best.

There are several senses in which the restructuring of individual or household behaviour with regard to welfare provision is partial. One is that it is more relevant for some welfare goods and services than it is for others. Thus, housing has been commodified and pensions significantly reformed but, for the time being at least, provision of health and education in the UK continue to be largely governed by the principle of universality, (more or less) free at the point of delivery. The restructuring of household behaviour is also partial in the sense that it has affected some people more than others. Only a proportion of the population own their own home, only a proportion of those withdraw equity from it and, as I argued above, an even smaller proportion of them spend this equity on welfare goods.

Finally, it is partial in the sense that even for individuals who have adopted the behaviours and mentalities of saver-investor, their adherence to the tenets of an asset-based welfare system is likely to be only partial and contradictory. This is because there is a contradiction at the heart of the ideology of homeownership itself. This is that

homeownership has been promoted for reasons that are 'economic and tangible and reasons that are emotional and intangible' (Payne quoting Clinton 2012 p155). Owner-occupation has been sold to the public simultaneously as a form of shelter that, compared to other tenures, is particularly equipped to provide comfort and security – or what is sometimes referred to as 'ontological security' (Saunders 1984) – and as an investment vehicle for accumulating wealth and managing spending. While the former implies that people relate to their homes through constancy and attachment, the latter requires that they relate to it in a much more objective and calculating way, valuing financial value and tradeability. As Fine puts it:

'the role of mortgage finance is telling, not least with an appreciating asset serving both as a form of saving and as access to credit for consumption (or even other purposes) whilst also, of course, being a home not a house except for those who suspend the distinction' (Fine 2013 p17)

In this section I have considered accounts of households increasing financial activities that, in different ways give housing a central role. My conclusion is that all such accounts are lacking. Though different, both the Lapavitsas-Dos Santos thesis and the housing asset-based welfare thesis share the problem of making sweeping claims about how housing interacts with welfare provision and finance in the reproduction of labour power. In doing so they are insufficiently sensitive to the distinct forms of provision of the different components of the value of labour power, and to how their interaction and the role of finance differ across countries. This finding supports Fine's (2010) conclusion that the causes and character of households' financial activities are best grasped through investigation of the concrete and unique structures of provision that combine to determine the role of finance in the reproduction of labour power in a particular time and place. I now move on from the question of what role housing plays in households' financial activities to

ask what impact the growing role of finance in relation to housing in particular has had on well-being.

#### 4. The Implications for Well-being

The contradiction between house as asset and house as shelter raises the issue of well-being and the impact that growth in owner-occupation and housing debt has had on it. In this section, I briefly outline some important dimensions of the relationship between the finance and housing for well-being.

First, in seeking to understand the growing tendency for housing to be used as an asset and to accumulate wealth, there is a risk of neglecting the downsides to homeownership. One is the downside risk attached to house prices and the associated possibility that housing wealth will fall rather than increase. But beyond that, homeownership brings costs in the form of maintaining and managing the property, and some households may struggle with these costs. For example, Hungary has much higher levels of unfit housing among owner-occupiers than does Western Europe, and has a higher incidence of economic hardship (measured across five indicators in Mandic 2010). Both indicate that homeowners in Hungary have difficulty sustaining their housing wealth – something that is exacerbated by limited state support and restrictive access to financial markets - and homeownership is commonly a burden rather than a blessing (Mandic 2010).

Second, and as already mentioned, households' financial activities are differentiated by income, with higher-income households tending to be more financially active. More specifically, in relation to housing it appears that the growing role of finance in the housing sector has accentuated housing and other inequalities. First, access to decent housing has become more and more dependent on being able to access credit, which the better-off are more able to do. Second, the growth in housing finance has driven up house prices,

leading to a redistribution of wealth away from those that do not own a home towards those that do. Third, this process has a generational dynamic as real house prices have tended to rise relative to income over time, accruing to older homeownership households as wealth and making housing less affordable for younger generations. Those who are able to access finance are also at an advantage in both accessing decent housing and accumulating wealth through housing, reinforcing social contours in relation to housing, age and income.

Finally, there is the question of what impact the use of housing as an asset has on well-being. Neo-classical theory would suggest that, to the extent that housing wealth increases consumption, it will have a positive impact on well-being because an increase in consumption is presumed to increase utility. However, there is evidence that this relationship is not so straightforward and that 'there is a tension where well-being is concerned between property as asset and housing as home' (Searle et al 2008 p124). This tension arises because the qualities that are most important to a house as an asset – monetary value and tradeability – can undermine or conflict with the qualities that are important to a house as a home, namely, stability, emotional attachment and security. Searle et al (2008) conduct qualitative research into the relationship between how homeowners relate to their home and their level of reported well-being. They find that those who value housing solely in financial terms or who rely on their homes for financial security report low well-being, while forming non-monetary attachments to home does go hand-in-hand with high well-being. They conclude that:

'prizing or relying on housing assets, especially when these comprise the entire wealth portfolio, may be an effective way to shore up wealth, but it is an insufficient route to high well-being' (Searle et al 2008 p119).



This suggests that the transformation of housing to asset as well as home has had a negative effect on well-being. However, it would be wrong to conclude from this that the impact of the growing role of finance in housing on well-being has been wholly negative. When it comes to extracting housing equity for consumption, 'those most actively spending from housing wealth report extremes of well-being, in contrast to two-thirds of 'mortgage savers' (those more inclined to pay off than extend their borrowings) who sit in the middle of the well-being scale' (Searle et al 2008 p121). In some cases, it seems, having available the tools to accumulate housing wealth and borrow against it enhances well-being and in other cases it damages it.

Searle et al (2008) suggest that which it is will depend on characteristics of the household. Owner-occupying households are heterogeneous in a number of ways that are relevant for well-being. One is with respect to their level of caution and competence in managing their financial activities – for example, people who borrow excessively may suffer from stress and anxiety about paying it back to an extent that outweighs the pleasure of increasing their consumption. Another concerns on what withdrawn equity is spent. For example, households that spend only on care-related goods report higher well-being than those who withdraw equity to purchase consumer goods (Searle et al 2008). Finally, households differ in their relative income and wealth. Higher income groups are more likely to withdraw equity than lower income groups – 'on average, those who withdraw equity have higher incomes (£22,009) than those who do not (£18,741), and this holds true irrespective of [whether the equity is withdrawn in a boom or a recession]' (Searle 2011 p43) – but lower income groups report lower well-being (Searle et al 2008). This may be because those with mortgages in lower income brackets tend to have higher loan-to-income or asset ratios and so are more vulnerable.

Searle and Co's findings are based on qualitative research from a relatively small sample size and rely on subjective reports of well-being, about which a number of serious

concerns have been raised (Boffo et al 2013). The main concern is that studies based on subjective reports of well-being do not investigate the material processes underpinning individuals' responses, or critically evaluate the responses on the basis of these processes. Most importantly, in relation to housing, is that subjective well-being appears to have a strong relative component such that an objective deterioration in housing conditions may be reported as having led to an improvement in well-being if the housing conditions of others have deteriorated more.

The results should therefore be treated tentatively. Nonetheless, they raise a number of issues that merit further research and suggest that the relationship between the financialisation of housing and well-being is more complex than either a simple neo-classical view that welfare increases with consumption and more developed financial markets permit allow households to make better consumption decisions, or than the view that sees all lending to households as predatory and exploitative.

## 5. Conclusion

Financial innovation, new policy agendas, a series of house price bubbles and, ultimately, the financial crisis have conspired to attract great attention to housing and finance in recent years. This attention is justified insofar as both housing and housing finance have undergone significant changes. Housing has become more commodified, mortgage lending both more extensive and more accessible, and the way in which people consume their housing has changed, namely, the asset role of housing has become more important. However, there is a risk that, in trying to understand these developments, we overemphasise the new, both extensively and intensively, and selectively.

Regarding the extensive, in this paper I have argued that there are significant differences in both the extent to which, and the way in which, the expansion of owner-occupation,

restructuring of mortgage markets, and creation of asset-based welfare systems have been realised in different countries across Europe. These differences reflect national differences in the legal and political framework that has shaped the reregulation of mortgage markets, and differences across national housing systems of provision, which encompass the chain of agents and activities through which housing is provided and the material and cultural determinants of how housing is consumed. As Aalbers (2009a) says, while secondary mortgage markets have become international, mortgage markets are national and housing markets are regional or even local.

Differences in the character and extent to which general trends are realised across countries also proved important in trying to understand what role, if any, housing has played in the broader financial activities of households. Here I am critical of both the Lapavitsas-Dos Santos thesis and the housing asset-based welfare thesis. The problem with the former is that it unduly extrapolated from the experience of the subprime mortgage market in the USA to household financialisation in general. Whereas the former involved poor households entering into credit relations extensively and in ways that often involved their being taken advantage of, empirical evidence suggests that the latter has been driven by more well-off households. The housing asset-based welfare system thesis suggests that the accumulation of housing wealth has aided welfare reforms that have driven households into greater involvement with financial markets. The problem with this as a general thesis is that the relationship between housing and welfare, and the role that finance plays within it, are uniquely structured in each country.

In trying to understand changes in housing and housing finance we need to be sensitive to country specificities, asking how finance and housing have interacted and evolved in different countries, and how general trends have been differentially realised as a result. Another way of putting this is to say that the role of finance in housing is variegated by both sector and country. That is to say that the way in which finance intervenes in housing

will be different to the way in which it intervenes in other sectors, reflecting, in the case of housing, particular characteristics including its spatial fixity, high cost relative to incomes, and it being an essential item of reproduction. But the manifestation of these characteristics, their implications for finance and vice versa, will also vary from country to country, reflecting different histories having given rise to different cultures and institutions of provision. Even in the UK, a country that is normally taken as archetypal in the EU of the trends being considered, the depth and extent of welfare restructuring is prone to exaggeration. While there have been significant changes in the way that housing is provided and consumed, reflecting both concerted government policy and developments in the financial sector, these changes have been partial and tension-ridden rather than complete and comprehensive.

These words of caution notwithstanding, there is good reason to think that the growing role of finance in housing is having consequences for household well-being, particularly through its implications for inequality, anxiety/stress, and consumption. These issues need to be investigated further. In doing so, one should pay particular attention to heterogeneities across households with respect to income and wealth, levels of debt and consumption out of debt. Contrary to the view that household financial activity involves them being exploited, we should also be sensitive to the disadvantages accruing to less well-off households that are excluded from financial markets. On the other hand, the consequences of households becoming exposed to greater risks and uncertainties for well-being must also be borne in mind.

## Footnotes

<sup>1</sup> The OTD model of lending involves making loans with the intention of selling them on rather than holding them to maturity, and thus reducing lenders' capital requirements.

<sup>2</sup> Whether the phenomenon of households increasing their financial activities amounts to "the financialisation of households", as opposed to it being the assets and liabilities appropriated by households that are financialised, is debateable. I avoid the phrase "financialisation of households" here because of this possible ambiguity in its meaning.

<sup>3</sup> In addition to being suggested by the data in table 2, this casual grouping is based, on the one hand, on the distinct experience of privatisation by former Soviet Bloc countries discussed in Pittini and Laino (2011): 'in most Central and Eastern European countries it is the mass privatisation of the housing stock following the fall of communism in the region that has led to the rapid increase of home ownership to very high levels' (p12). On the other hand, it is based on accounts of family-centred asset-based welfare systems in Aalbers (2009b) and Van Gent (2010). There is significant overlap with the groupings of 'early financialisers', 'EMU core' and 'latecomers' used in Teles and Santo (2013): namely, the 'latecomers' group is co-extensive with the former Soviet Bloc countries and the Northern European countries are exclusively in the 'early financialisers' group. However, because the two groupings are based, respectively, on structures and history of housing provision and on degree of financial liberalisation/household involvement in financial markets, there is also some incongruence between the two groupings. Most notably, some Northern European countries (for example, France and Germany) are grouped with Mediterranean countries in the 'EMU Core', reflecting the fact that although their housing sectors have historically and institutionally been more similar to Northern European countries than countries in the other groupings, they have financialised less rapidly than other Northern European countries.

<sup>4</sup> <http://www.thisismoney.co.uk/money/mortgageshome/article-2415912/Property-values-Europe-record-annual-growth-2010.html>

<sup>5</sup> Residential Mortgage-Backed Securities.

<sup>6</sup> From their peak in the third quarter of 2007 to a (recent) trough in the first quarter of 2009, UK house prices fell 19%. However, they have since recovered and were just 5% below their pre-crisis peak by the end of 2013 (Nationwide 2013). By contrast, house prices in Ireland fell by double figure percentages for 4 years and, despite some recovery in 2013, were 46.4% below their pre-crisis peak at the end of the first quarter in 2013 ([http://online.wsj.com/news/articles/SB10001424052702304632204579338302505510222?mod=googlenews\\_wsj](http://online.wsj.com/news/articles/SB10001424052702304632204579338302505510222?mod=googlenews_wsj)). Similarly in Spain, house prices have been falling year-on-year since the crash and, in April 2013, were 37.2% below their 2007 peak (Tinsa 2013).

<sup>7</sup> Lapavitsas and Dos Santos also argue that household indebtedness is exploitative because financial sector lending to households does not generate value from which it is repaid with interest, but rather both the loan and interest payments are repaid out of future income receipts. This view has been challenged by Fine (2010) and the resulting debate is discussed in Brown (2013).

<sup>8</sup> Note that these approaches differ from that of Lapavitsas and Dos Santos because it sees the accumulation of housing wealth as creating the conditions for welfare reform rather than as a response to some combination of welfare reform, wage stagnation and growing inequality. They consider housing developments in particular and how they have interacted with other factors to shape household financial activities.

<sup>9</sup> This idea is usually attributed to Sherraden (1991).

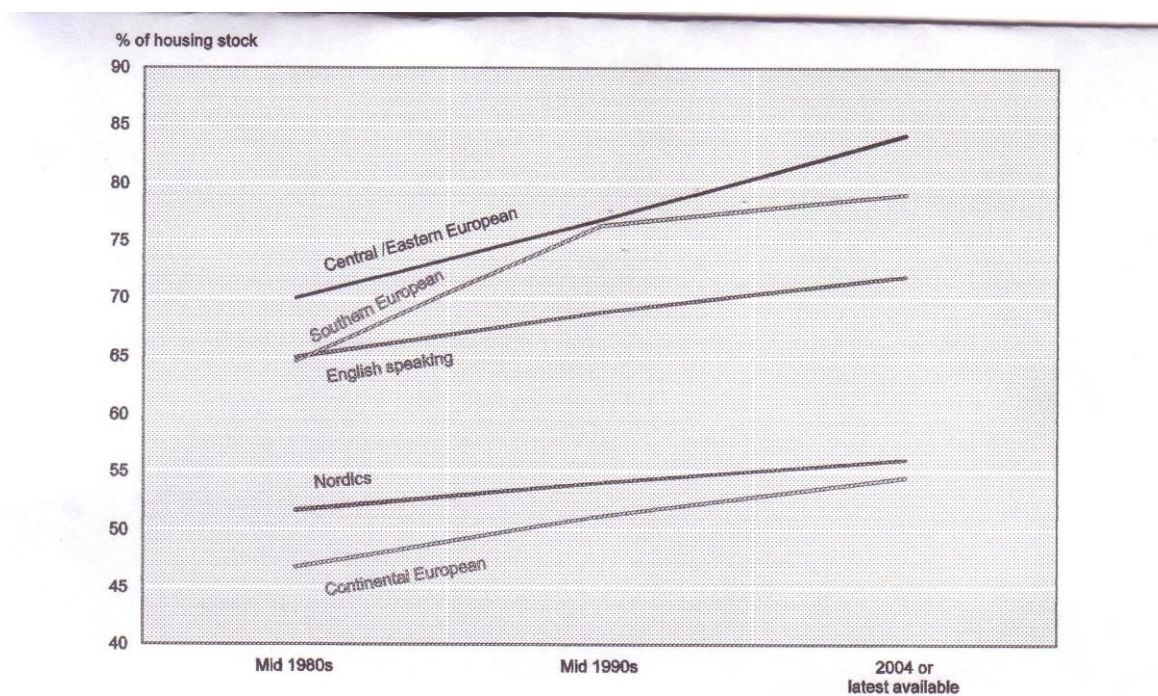
<sup>10</sup> For example, along the lines suggested by Saritas (2013).

<sup>11</sup> <http://www.theguardian.com/society/2010/jul/19/health-insurance-slumps>



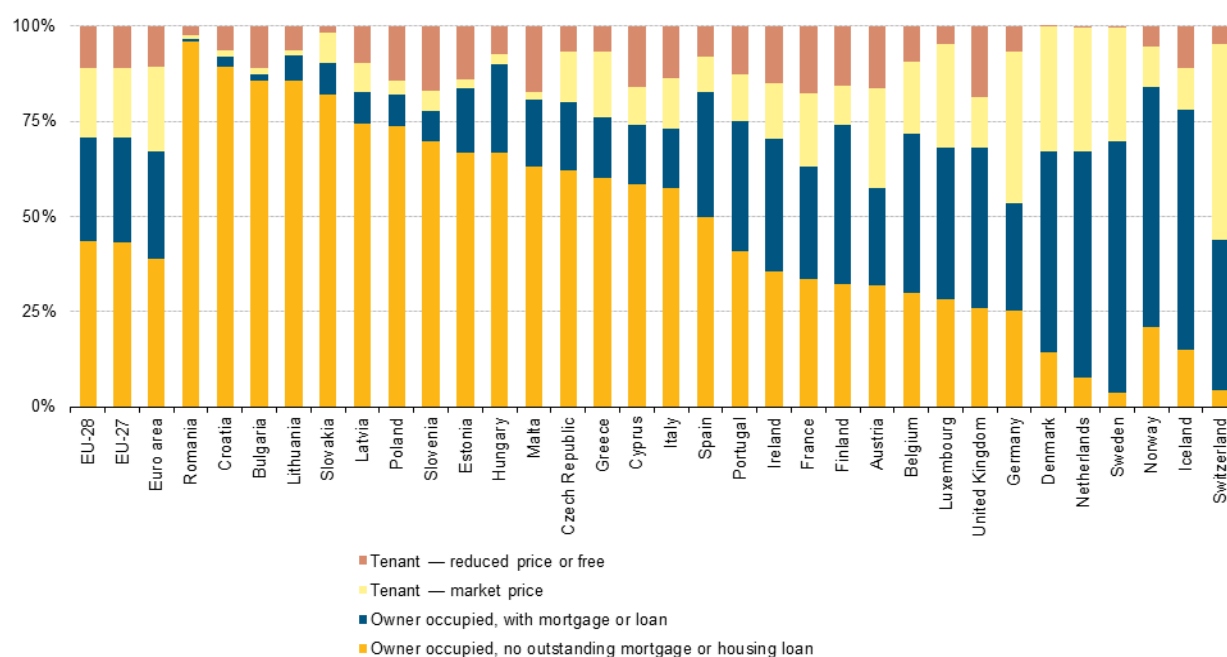
## Tables

Table 1: Homeownership Rates



Source: Andrews et al (2011, p18)

Table 2: tenure rates across Europe



Source: Eurostat (online data code: ilc\_lvh002)

Source: Eurostat Housing Statistics



Table 3: Mortgage debt in the EU and USA, ordered by homeownership rate

Source: Aalbers 2009b p 394

Country	Homeownership rate	Value of mortgage debt (million euros)	Mortgage debt-to-GDP ratio	Per capita mortgage debt in euros
Germany	42	1,157,026	52.4	14,019
Sweden	47	147,163	52.7	16,396
Czech Republic	49	6,576	7.6	644
Poland	50	10,686	5.5	280
Netherlands	53	518,115	111.1	31,868
Denmark	53	174,300	89.7	32,292
France	56	432,300	26.2	7,217
Austria	57	48,064	20.3	5,905
Finland	60	56,522	37.8	10,829
Cyprus	64	2,182	17.6	2,988
Latvia	66	1,273	11.5	549
Portugal	66	70,834	52.5	6,762
Luxembourg	66	8,797	34.3	19,480
UK	70	1,243,261	72.5	20,835
Belgium	72	88,434	31.2	8,506
Malta	74	1,236	28.6	3,090
Ireland	77	77,029	52.7	19,125
Slovakia	80	2,032	6.1	380
Italy	80	196,504	14.5	3,395
Estonia	81	1,500	16.6	1,110
Slovenia	82	387	1.5	194
Greece	83	34,052	20.6	3,084
Lithuania	84	1,258	7.0	365
Spain	85	384,631	45.9	9,083
Hungary	93	7,7767	9.6	768
EU25	68	4,670,736	45.3	10,223

Table 4: Nominal house price indices, 2000 = 100  
Source: EMF Hypostat (2011 p86)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	100.0	103.1	113.0	121.4	128.6	168.2	188.0	204.2	210.9	215.1	224.5	232.8
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	100.0	106.9	132.5	146.7	146.5	148.3	148.4	191.8	217.1	204.4	198.4	n/a
Denmark	100.0	102.7	106.0	113.1	127.3	157.7	182.2	184.0	165.9	161.3	164.5	151.4
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	100.0	99.1	106.5	113.3	121.6	129.0	138.6	146.2	147.1	146.7	159.5	163.7
France	100.0	108.0	118.9	134.0	155.4	178.4	196.1	206.9	198.8	190.5	205.0	213.1
Germany	100.0	101.1	101.1	100.0	100.6	104.2	104.5	104.2	108.7	107.3	108.0	110.2
Greece	100.0	114.4	130.3	137.3	140.5	155.8	176.4	186.9	190.0	183.0	174.4	165.2
Hungary	100.0	117.3	134.5	160.4	173.0	177.2	186.3	195.2	197.3	184.9	174.4	170.8
Ireland	100.0	104.5	118.4	134.4	146.2	159.9	178.7	166.4	151.8	123.7	110.3	91.9
Italy	100.0	105.7	118.4	125.6	133.3	143.2	155.2	164.8	169.6	168.8	169.1	170.1
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	100.0	110.4	121.2	136.0	154.4	172.2	178.2	180.9	185.8	181.9	190.1	197.9
Malta	100.0	104.3	110.6	122.8	153.8	160.3	175.0	171.9	167.3	158.9	160.6	n/a
Netherlands	100.0	111.1	118.3	122.5	127.7	132.7	138.7	144.6	148.8	143.9	141.0	136.2
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	100.0	105.4	106.0	107.2	107.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	100.0	111.1	130.4	154.5	181.1	204.2	222.8	233.5	226.0	211.8	204.4	190.5
Sweden	100.0	108.0	114.8	122.4	134.2	147.1	163.9	181.4	186.7	190.5	204.6	206.1
UK	100.0	108.4	126.8	146.7	164.1	173.1	184.0	204.1	202.1	186.4	199.9	197.9

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Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number : 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

## **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?'

## THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia

8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain

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Published in Leeds, U.K. on behalf of the FESSUD project.