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Financialisation of the built environment in
Stockholm and Copenhagen

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Financialisation of the built environment in Stockholm and Copenhagen

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Abstract: This paper investigates financialisation of built environments in Stockholm and Copenhagen, especially within the sphere of housing. It presents empirical analyses of processes of financialisation of built environments in the two cities, and how these processes relate to urban politics and governance. The case studies include analyses of how financialisation of built environments and associated shifts in urban politics have impacted on the social geographies of these two capital cities. The Stockholm and Copenhagen cases are presented as individual case studies. A comparative analysis including broader conclusions from these studies and a related case study (of Ankara, in a separate working paper) will be the subject of a sequel working paper.

Key words: financialisation, built environment, housing, urban governance, social geography

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1 Introduction

This paper investigates the housing markets in Stockholm and Copenhagen as concrete cases of the relationships between financialisation and the built environment. This takes place within the wider context of developments in and beyond Sweden and Denmark themselves. Built environment is here understood as a “physical environment designed, built and maintained by people” and “necessarily connected with the wider natural environment, sometimes in complementary, sometimes in contradictory ways” (Castree et al. 2013, 43). Financialisation, meanwhile, is understood in general terms and approached as “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein 2005, 3). Financialisation of the built environment thus involves the integration of financial logics into processes of planning, constructing, and managing the spaces of human activity.

Housing is, of course, just one element of the built environment. But in comparison with, for example, commercial property and infrastructure, housing provides a focused context within which to analyse processes of financialisation in relation to changing (urban) policies and effects on social geographies and wider issues of sustainability. Moreover, housing is undoubtedly the sector within the built environment that directly affects the greatest number of people. Because the financial system and impacts of the financial crisis are addressed elsewhere in the FESSUD project (e.g. Stenfors 2014; 2014b), the present paper will briefly address the wider financial system only when this is necessary for analysing financialisation of the built environment, specifically housing.

While many developments must be discussed on the scale of Sweden or Denmark (or beyond), we will throughout the paper pay particular attention to these two countries' largest cities, Stockholm and Copenhagen. It should in this respect be noted that these cities are often at the extreme ends of their respective national

financialisation trends, yet their extremity helps distil key facets of the present and may point toward more general developments to come.

The Stockholm and Copenhagen cases are presented individually, thereby allowing them to function at once as standalone studies and as complementary analyses that invite comparison. It is thus that the paper begins by considering Stockholm (Section 2). Section 2.1 draws the contours of what increasingly appears to be a financialising Swedish housing system. We do not argue that this system is necessarily thoroughly financialised, only that developments in key factors such as residential property prices and housing indebtedness suggest that substantial changes have occurred in the Swedish housing system over the past decades. As a result, the section offers a general introduction to the housing structures of Sweden as a whole and Stockholm in particular. The aim is in this respect to specify the character and development of tenure structures, which, combined with the outlined financial developments, provide a context for the ensuing analysis. On this basis, Section 2.2 investigates urban policies that have facilitated financialisations of Swedish housing since the early 1970s. Section 2.3 then discusses some significant social-geographic implications of housing policies and processes of financialisation.

The paper then proceeds to consider Copenhagen (Section 3). Section 3.1 presents an overview of financialisation of the built environment in Copenhagen, while Section 3.2 considers how urban policies and the political effort to establish Copenhagen as an 'engine for growth' have contributed to changes in the housing market. Section 3.3 examines the effects of this financialisation on social geographies, exacerbating inequalities.

A comparative analysis including broader conclusions from these studies will be the subject of a sequel working paper.

2 Stockholm

2.1 Financialisation of the built environment in Stockholm

Built environment in the form of housing plays a central role in the story of modern Sweden. It is no coincidence, for instance, that one magisterial account of the history of Sweden includes a substantial section on housing (Hirdman et al. 2012, 526-561). Borrowing from Stråth (2000), it could be said that housing – as an essential element of the welfare state – is pivotal to the country's "modern foundational myth". Indeed, Chapter 1(2) of the constitution (Regeringsformen) recognises that "public institutions shall secure the right to employment, housing and education" (Sveriges Riksdag, n.d.). Faced with a severe housing shortage, so the story goes, in the late 1930s there began to emerge a 'Swedish model', in which labour, capital, and the state cooperated to develop a housing market centred upon public-rental tenure. The emblematic culmination of this process was the so-called Million Homes Programme (Miljonprogrammet), which from 1965 to 1974 saw the construction of around one million new housing units (Figure 2.1; Hall and Vidén 2005). Yet if Sweden by the 1970s seemed a model for housing within a social democratic welfare state tradition, this image has – according to both critical (e.g. Clark and Johnson 2009) and mainstream (e.g. Lind and Lindström 2007) analysts – been flipped: "In the last twenty-five years," Hedin et al. (2012, 460) conclude, "the housing sector in Sweden went from being one of the most regulated in Europe to the most liberal market-governed" (cf. Christophers 2013; Lind 2015).

To set the stage, Section 2.2 draws the contours of what increasingly appears to be a financialising Swedish housing system. We do not argue that this system is necessarily thoroughly financialised, only that developments in key factors such as residential property prices and housing indebtedness suggest that manifest changes have occurred in the Swedish housing system over the past decades. As a result, the section offers a general introduction to the housing structures of Sweden as a whole

and Stockholm in particular. The aim is in this respect to specify the character and development of tenure structures, which, combined with the outlined financial developments, provide a context for the ensuing analysis. On this basis, Section 2.3 investigates urban policies that have facilitated financialisation of Swedish housing since the early 1970s. Finally, in Section 2.4, we discuss some significant social-geographic implications of housing policies and processes of financialisation. While many developments must be discussed at the scale of Sweden (or beyond), we will throughout the paper pay particular attention to Stockholm. It should in this respect be noted that Stockholm often represents a Swedish extreme, though an extreme that distils key facets of the present and may point toward more general developments to come.

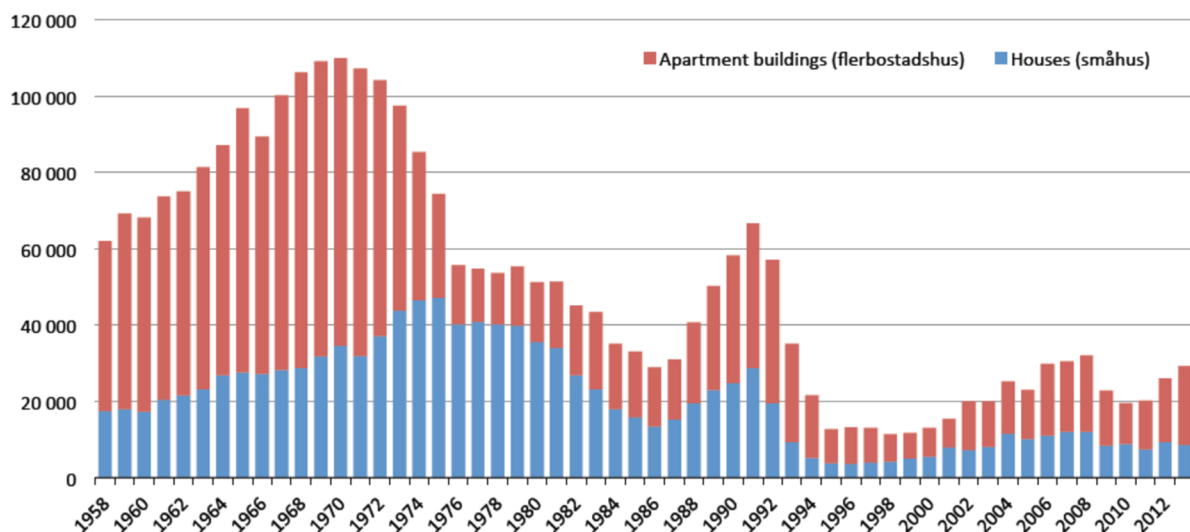


Figure 2.1: Production of new housing units, Sweden 1958-2013. Source: Statistics Sweden (2014a)

“Housing has become the defining economic issue of our time,” according to Dorling (2014, 15), “because housing finance is at the heart of the current economic crisis.” While Dorling is primarily concerned with the UK and although Sweden so far seems to have avoided a housing-driven crisis comparable to those of several other countries, his point also rings true in a Swedish context. Moreover, there are clear



indications that Swedish housing has become an object of financialisation or, to use a somewhat different terminology, that Swedish housing is increasingly becoming a matter of exchange value (or investor-focused investments) rather than use value (or object-focused investments) (Sayer 2015; Clark et al. 2015). In the general formulation of Harvey (2014, 22):

Housing provision under capitalism has moved ... from a situation in which the pursuit of use value dominated to one where exchange values moved to the fore. In a weird reversal, the use value of housing increasingly became, first, a means of saving and, second, an instrument of speculation for consumers as well as producers, financiers and all the others (real estate brokers, loan officers, lawyers, insurance agents etc.) who stood to gain from boom conditions in housing markets. The provision of adequate housing use value (in the conventional consumption sense) for the mass of the population has increasingly been held hostage to these ever-deepening exchange value consideration.

This is a dramatic development, not least because Swedish housing politics during the welfare state's heyday had in important respects come to incorporate provisions for safeguarding use value (bruksvärde). Returning to Harvey's general formulation, "The consequences for the provision of adequate and affordable housing for an increasing segment of the population have been disastrous" (Harvey 2014, 22).

Contours of a financialising housing system

As highlighted by Rutland (2010), it seems neither necessary to emphasise the significance of finance in relation to the built environment nor particularly novel to stress such relationships. After all, urban development has long relied on banks and other investors to get off the ground, and it is by now long ago that Harvey (1978) emphasised the role of a "financial form of capitalism" in urban environments. Indeed, if we look at the more particular concern of this study, housing in most capitalist societies have long been seen as 'commodities' on a 'market', to which the state (at



best) provides correctives (Bengtsson 2001). It could, however, be argued that processes of financialisation have for some decades been growing increasingly striking in relation to built environments, not least when it comes to housing. By way of introduction, we will in this section outline some key developments that point toward a financialisation of Swedish housing, especially in the capital city of Stockholm. Several of these developments will be further analysed and discussed in the subsequent sections.

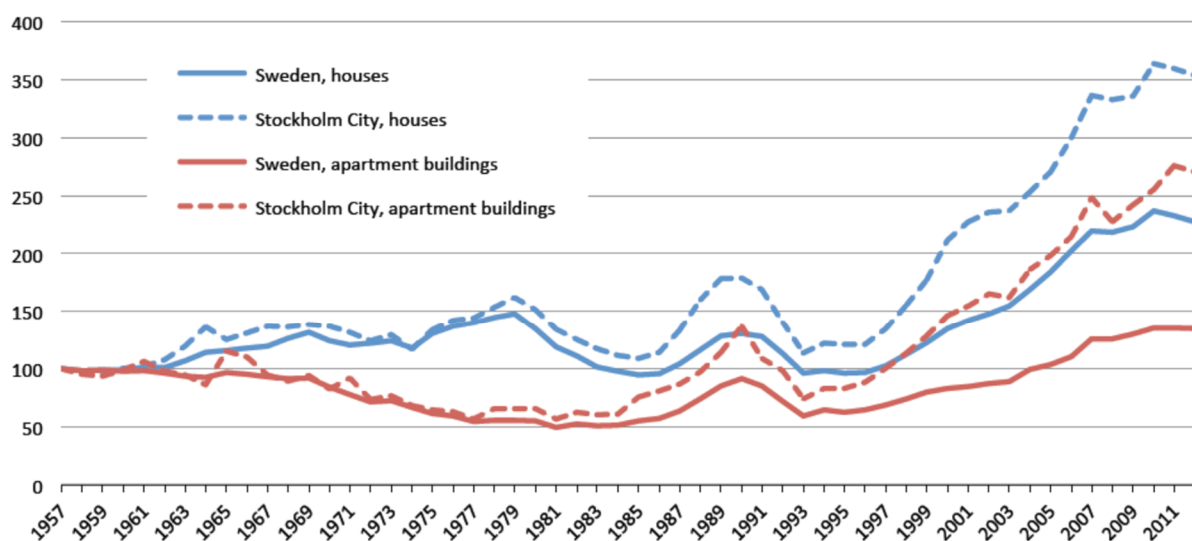


Figure 2.2: Price indices for houses and apartment buildings deflated by Consumer Price Index, Stockholm City and Sweden 1957-2012 (1957=100). Source: Söderberg et al. (2014: data annex)

Sweden has over the past two decades experienced a steep rise in residential property prices (Figure 2.2), which, according to Stenfors (2014b, 36), entails that “Swedish households have become increasingly exposed to a housing market that has not seen a major price correction in over 20 years.” Although not a commodity that attracts many households, it is notable that property prices for apartment buildings declined until the early 1980s. This is related to the mechanisms for rent regulation that were introduced and developed as an integral feature of the welfare state project. Because this system has “held rents down compared to a free market,” Söderberg et al. (2014, 68) find that the index for houses “probably best reflects the market price.”

The rent regulation system – and its ongoing undoing – will be addressed later in this study. With some parallels to the present, it is also notable that Sweden in the late 1980s experienced a financial ‘bubble’ driven by a rapid increase in lending and significantly anchored in real estate. The boom ended around 1990 when an international slowdown, combined with a domestic restructuring of the tax system emphasising low inflation, caused the bubble to burst and produced the worst crisis in the Swedish economy since the 1930s (Stenfors 2014a). Of particular importance for this study, however, is the means by which the residential property market has ‘recovered’ and prices have rapidly inflated since roundabout 1995. Moreover, whereas commercial property prices also boomed during the late 1980s, the recent price hike has mainly been in relation to residential property (Sveriges Riksbank 2014a, 57). The current financial crisis has affected this development, if not to the same extent as in neighbouring Denmark (Sørensen 2013). Söderberg et al. (2014, 74) conclude that the growth in residential property prices over the past 20 years is “unique from a historical perspective.” It is more difficult to measure price developments in tenant ownership (bostadsrätt), which in Sweden has assumed the role of owner-occupied flats (or condominiums) (see below). Nonetheless, the available data suggests that prices of tenant-owned flats have increased significantly as well (Figure 2.3). This is, as we will see below, especially the case in the major conurbations, notably Stockholm.

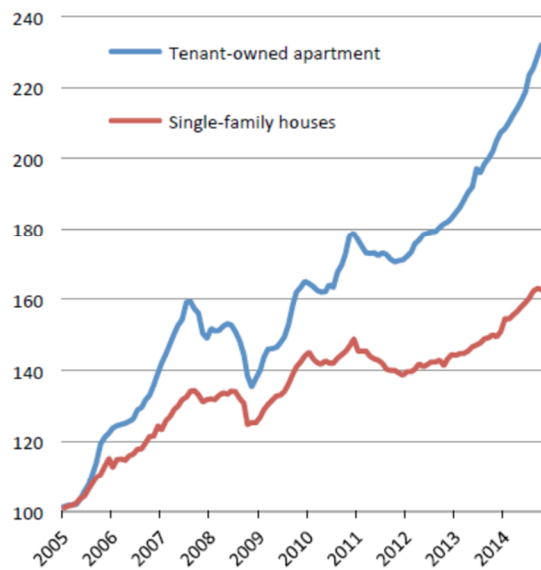


Figure 2.3: Prices of houses and tenant-owned apartments, Sweden 2005-2014 (2005=100). Source: Sveriges Riksbank (2014b: data annex)

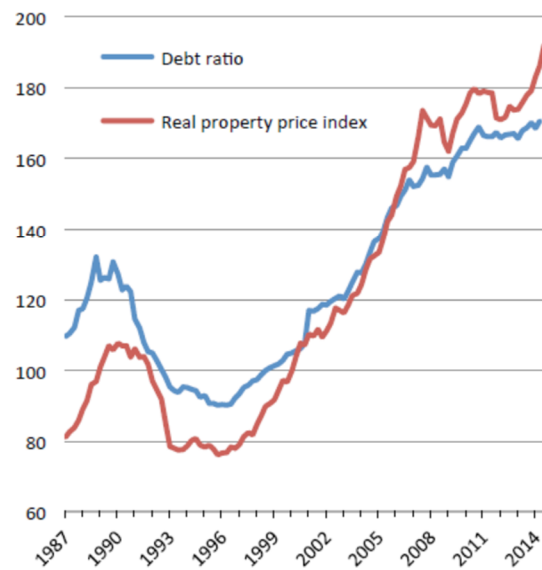


Figure 2.4: Real property price index (2000 Q1=100) and household debt ratio, Sweden 1987-2014. Source: Sveriges Riksbank (2014b: data annex)

As one would expect, the current inflation of residential property prices (like the price inflation of the late 1980s) is paralleled by increased household indebtedness (Figure 2.4). In the fourth quarter of 2013, the aggregate household debt ratio thus reached a historic high of 174 percent (Figure 2.5) while the average debt-to-income ratio for households with mortgages in July 2013 was 313 percent (Winstrand and Ölcer 2014). Not all Swedish debts relate to housing of course. But according to an extensive survey of the Riksbank, Sweden's central bank, mortgages in July 2013 made up 95 percent of the surveyed loan volume (Winstrand and Ölcer 2014). Moreover, debt ratios have increased significantly since the end of the crisis in the 1990s. The Riksbank analysis does not include historical data on mortgage share in aggregated household debt, but according to an analysis by the IMF (2011), mortgage debt as a share of disposable household income has increased from 73 percent in 1996 to 145 percent in 2010, while other debt has risen from 15 percent to some 20 percent over the same period.



Figure 2.5: Aggregate household debt as percentage of total household income, Sweden 1970-2013. Source: Winstrand and Ölcer (2014: data annex)

There are also significant geographical variations in this indebtedness. While the average debt-to-income ratio for households with mortgages had by July 2014 reached 315 percent, the conurbations around Stockholm, Gothenburg, and Malmö possessed significantly higher ratios (Figure 2.6). With a debt-to-income ratio of 455 percent, Stockholm City dwarfs the Swedish average, but several neighbouring municipalities in the prosperous suburbs reach ratios slightly above 500 percent. Nonetheless, the debt-to-income ratio for households with mortgages is highest among the lowest income groups (Winstrand and Ölcer 2014). As Stenfors (2014b, 36) cautiously concludes, “despite being an export-led mercantilist regime, the Swedish household also displays some symptoms of a debt-led consumption boom.”

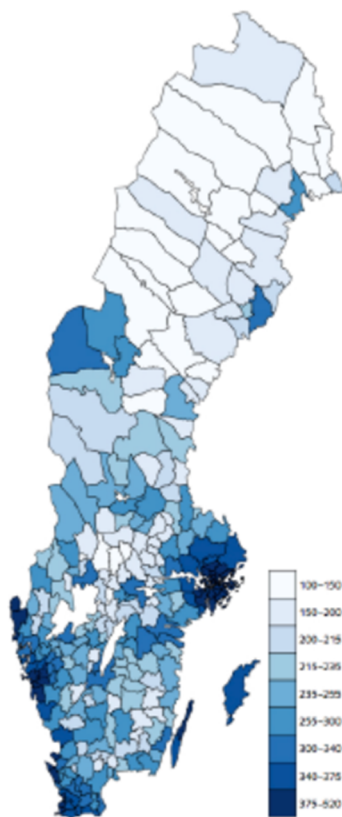


Figure 2.6: Average debt-to-income ratio for households with mortgages by municipality, 2014 (per cent). Source: Aijet and Winstrand (2015)

Housing structure

As already suggested in relation to tenant ownership, finance and housing in Sweden are characterised by a particular structure. A distinction between owners and renters may be a fundamental tenure structure in capitalist societies. Beyond this, however, different historical-geographical trajectories have produced very different tenure structures in different countries, so different, in fact, that Ruonavaara (1993) suggests that we should distinguish between different 'forms' rather than 'types' of tenure. In this study, for example, we will see how the tenure structures in Denmark and Sweden – which seem so similar at first glance – actually harbour notable differences and interact with processes of financialisation as a result. With this in mind, we will thus briefly summarise the basics of the Swedish housing structure.

As far as housing is concerned, Sweden today has four principal forms of tenure: (1) owner occupied (äganderätt), (2) tenant owned (bostadsrätt) and rented housing as

respectively, (3) private rental (*privat hyresrätt*), and (4) public rental (*allmännyttig hyresrätt*) (Table 2.1). The distinction between private and public rental is important, but the two types of rental housing are often addressed as a single category. The relative prevalences of the tenure forms differ notably when applied to multi-dwelling buildings (*flerbostadshus*) and self-contained one- or two-dwelling buildings (*småhus*) respectively. In this study, these two categories will simply be termed ‘apartment buildings’ and ‘houses’. Owner occupation is thus the dominant form of tenure in houses, accounting for somewhere between 90-93 percent of all units over the past two decades while apartment buildings are totally dominated by rented and tenant-owned tenure (Statistics Sweden 2014b). The relative distribution between these tenure forms has – with the notable exception of owner-occupied housing – shifted significantly in the post-war era (Table 2.1). These shifts relate to the post-war rise of the ‘Swedish model’ as well as its emerging antipode. However, before analysing the latter in particular, it is useful to briefly outline the key characteristics of the Swedish tenure forms. Several of the developments mentioned in this respect will be further analysed later in the study.

Table 2.1: Tenure structure, Sweden 1945-2011 (percentage)

	Owner occupied (<i>äganderätt</i>)	Tenant owned (<i>bostadsrätt</i>)	Private rental (<i>privat hyresrätt</i>)	Public rental (<i>allmännyttig hyresrätt</i>)
1945	38	4	52	6
1960	34	9	43	14
1970	34	13	30	23
1980	41	14	21	24
1990	40	15	20	25
2000	39	17	21	23
2005	39	17	21	22
2011	41	22	19	18

Source: Bengtsson (2013: 122)

Most distinctive from an international perspective is the high proportion of tenant-owned housing. This tenure is a form of cooperative ownership in which tenants buy

usage rights while the building itself is owned by a cooperative association (bostadsrättsförening). Today, around 26,000 such associations are registered in Sweden, of which some 22,000 are active (Bostadsrättsföreningsregistret, n.d.). Many of these are organised into larger associations, with the largest being HSB (formerly Hyresgästernas sparkasse- och byggnadsförening), composed of with around 3,900 associations and the partly union-owned Riksbyggen, with 1,550 member associations. HSB is likewise historically linked to the labour movement, and while both organisations are formally independent from political parties, both have historical links to the Social Democratic Party. Tenant-owned housing stems from early 20th-Century attempts to establish an alternative to private ownership and private rental housing. Transactions of usage rights were originally regulated and could not be sold on the market, but legislative changes have meant that tenant-owned housing has increasingly come to resemble owner-occupied tenure since the early 1970s (see below).

Table 2.2: Tenure structure, Sweden and major conurbations 2012 (units and percentage)

	Houses			Apartment buildings		
	Rented	Tenant owned	Owner occupied	Rented	Tenant owned	Owner occupied
Sweden	64,630 (1.4)	78,811 (1.7)	1,870,953 (41.1)	1,588,717 (34.9)	947,102 (20.8)	566 (0.0)
Greater Stockholm	5,604 (0.6)	15,155 (1.6)	245,271 (25.1)	342,470 (35.1)	367,471 (37.7)	4 (0.0)
Greater Malmö	4,825 (1.6)	8,266 (2.7)	101,693 (32.8)	108,748 (35.1)	86,048 (27.8)	42 (0.0)
Greater Gothenburg	4,449 (1.0)	8,099 (1.9)	152,700 (35.1)	179,288 (41.2)	90,201 (20,7)	55 (0.0)

Source: Statistics Sweden (2014c)

Actual owner-occupied tenure was until recently limited to self-contained houses in one- or two-dwelling dwellings, but 2009 legislative changes have extended this form of tenure to multi-dwelling buildings (Regeringen 2008). With only a 0.02 percent (566 units) share of dwellings in apartment buildings in 2012, such condominiums



(ägarlägenheter) are still very rare in the overall tenure structure (Table 2.2). Most obviously, this is explained by the recentness of the introduction of condominiums, but the expansion of this tenure form may also be impeded by the fact that current legislation does not allow for the conversion of existing rental housing into condominiums. From a somewhat longer perspective, however, the introduction of condominiums can have substantial implications for the Swedish housing structure – as well as for processes of financialisation.

Finally, it should be noted that rental housing in Sweden comes in two distinct forms: traditional private rental (privat hyresrätt) and the more distinctively (if not exclusively) Swedish public rental (allmännyttig hyresrätt). Although it has deeper historical roots, the current form of public-rental housing emerged in the 1930s and evolved into a cornerstone of the welfare state. This is a major explanation for the decline of private-rental housing in the post-war period (Table 2.1). The sector is almost entirely municipally owned through municipal housing companies and is distinguished by being open to everyone rather than being targeted at specific groups (as in social housing), hence the Swedish term allmännytta, which can be translated as 'for the benefit of everyone'. The sector was in its most evolved welfare state form also characterised by operating on a non-profit basis, with its rents functioning as the norm for all rental housing (Hedman 2008; Ramberg 2000). As we shall see below, these latter features have in recent years become targets for reform.

Even when compared with Sweden's other major conurbations, Greater Gothenburg and Greater Malmö, the tenure structure of Greater Stockholm (corresponding to the area covered by Stockholm County) has a low share of one- or two-dwelling houses and a high portion of tenant-owned housing in apartment buildings (Table 2.2). This situation is even more striking if we zoom in on the centre of the Stockholm conurbation, the municipality of Stockholm City (Stockholms stad), where dwellings in houses only account for around 10 percent of the municipal total, compared with tenant ownership, which accounts for around half (Figure 2.7). Given that Stockholm is an urbanised area, this predominance of dwellings in apartment

buildings is unsurprising. But the proportion – and rapid growth – of tenant-owned housing is noteworthy. As we will analyse below, this development relates to changing housing policies and, in recent years, possible processes of financialisation. The growth of tenant-owned housing at the expense of ‘other’ (i.e. private) rental housing can thus be linked to the liberalisation of tenant ownership in the early 1970s, while the more recent expansion also relates to changing policies on public rental housing.

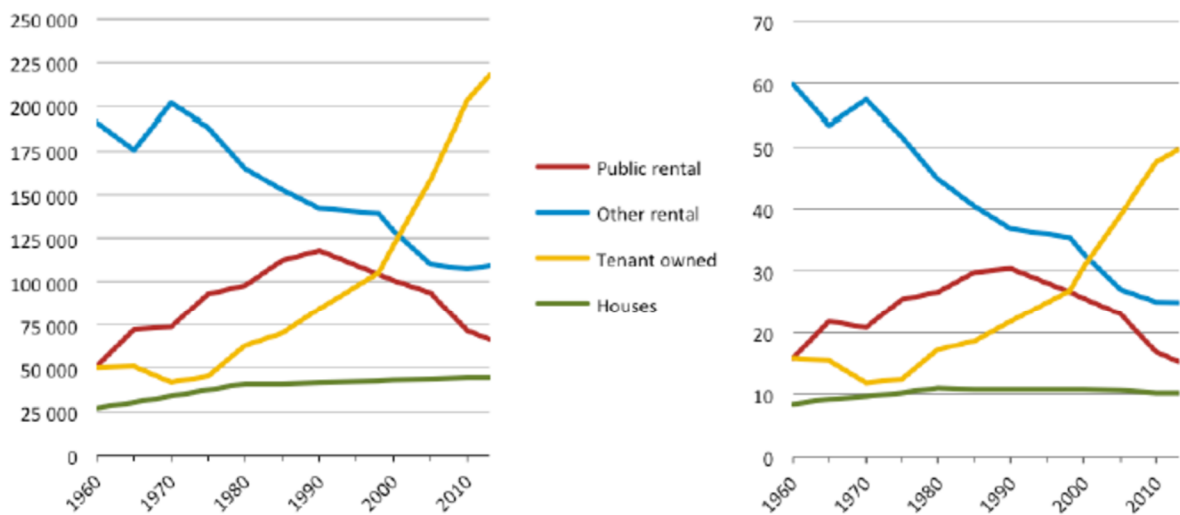


Figure 2.7: Tenure structure of Stockholm City, 1960-2013. Number of units (left) and percentage of all units (right).
 Sources: Stockholms stad (n.d.; 2014a; 2014b)

2.2 Relationships to urban politics

In his overview of the historical-institutional trajectory of Swedish housing politics, Bengtsson (2013, 120) identifies four key characteristics of Sweden's housing system. Firstly, the system is based on general (rather than selective) housing politics, in which public rental housing controlled by municipalities plays a central role. More specifically, this implies that access to public rental housing is general rather than based on individual means testing. Therefore, as is also the case for dwellings provided by Danish non-profit housing associations (Chapter 3), public rental is not 'social housing'. Secondly, the rents are integrated in the sense that there are clear connections between rent levels in public and private rental housing, the 'use value system' (bruksvärdessystemet). This system emerged in the late 1960s as a successor to the rent regulation introduced during World War II. The system's linchpin is that the rent of an apartment must not significantly exceed rents for equivalent apartments in terms of use value. Use value is in this respect determined by factors such as the property's conditions and amenities but not its value and age, and rents in the local public rental sector were – until January 2011 – the primary standard of reference. Thirdly, this includes a corporative system for rent negotiation based on a strong and centralised tenants' movement, which according to Bengtsson (2013, 121) is the only element that "is wholly unique for Sweden." Finally, Bengtsson recognises a possible fourth characteristic of the Swedish housing system: the strong position of cooperative associations and the absence (until 2009) of owner-occupied flats (condominiums) in apartment buildings. This is "undoubtedly striking from a comparative international perspective" Bengtsson (2013, 120) notes, but he adds that "tenant ownership, the dominant cooperative tenure form, has not played a pronounced housing-political role for a long time."

All elements of this system are in play in the momentous changes to Swedish housing politics that have unfolded over the past two decades. We began this study by



noting that the right to housing figures prominently in the Swedish constitution. In the dominant political discourse, however, housing is increasingly spoken of – and acted upon – as a commodity on a market. Even in the late 1990s, at a time when the social democrats were in government, the general housing policy was still formulated in terms of rights: “Housing is a social right, and housing politics shall create the condition for living in good dwellings at fair costs and in a stimulating and safe environment” (SOU 1997, 98 quoted in Mukhtar-Landgren and Almestad 2013, 10). Ten years later, the new liberal-conservative Reinfeldt government (2006-2014) formulated its housing politics in very different terms: “The aim is ... well-functioning housing markets in which consumers’ demands encounter a supply of dwellings that meets the demands” (quoted in Sahlin 2013, 61). The next section addresses key policies that have facilitated this shift from social rights to markets in Swedish housing politics.

Commodifying tenant-owned housing

Deregulation of the Swedish housing market is often dated to the ‘system switch’ of the early 1990s, when the liberal-conservative Bildt government (1991-94) assumed power and reversed the longstanding trend toward more equal and improved housing conditions (see below). As Christophers (2013, 889) notes, however, tenant-owned housing was “the first component of the Swedish housing system to be deregulated and marketised” (for a critical assessment of this argument, see Lind 2015). This occurred in the years around 1970, and we will first consider this early deregulation of tenant-owned housing, which has contemporary ramifications and parallels to the Danish case (Chapter 3) before moving on to consider more recent political changes affecting the financialisation of built environments.

Although with roots in developments of the early 20th Century, tenant-owned housing was institutionalised with the 1930 Tenant Ownership Act (bostadsrättslagen) and, in particular, the 1942 Tenant Ownership Control Act (bostadsrättskontrollagen). The latter introduced regulations, which in practice meant that “the pricing of tenant-



ownership rights were regulated so that the sellers were not able to reap any opportunity gains from the market situation,” and this “fixed tenant-ownership firmly as a non-commodified form of housing” (Ruonavaara 2005, 221). Although originally introduced as temporary measures, these regulations were only repealed in the late 1960s, and in 1971 a revised Tenant Ownership Act was passed, coming into force on 1 July 1972. In the assessment of Svensson (1998), this legislation strengthened the position of individual tenant owners relative to the cooperative, especially with regard to the freedom of disposal, by making subletting easier, prohibiting cooperative repurchase clauses, and significantly, permitting occupancy rights to be used as collateral. This implied important changes in the allocation of property rights: In effect, “the conclusion must inevitably be that the individual aspect of the tenure was strengthened, i.e. that it gravitated increasingly towards home ownership, rather than towards tenancy” (Svensson 1998, 54).

Moreover, the revision of the 1930 Tenant Ownership Act ended legislation on transfer sums. As an aspect of efforts to prevent housing speculation, the 1942 Tenant Owner Control Act had regulated the price of tenant-owned dwellings. But following advice from an official commission of enquiry on tenant-owned housing, these restrictions were lifted and, with effect from 1 January 1969, the 1942 act was repealed. According to Svensson (1998), the official public expectation seemed to have been that prices might increase somewhat due to inflationary pressure but that cooperatives and their associations would deal with the problems that might arise. As Svensson (1998, 53) perceptively adds, however, “The expectation that individuals would show idealistic self-restraint, and housing co-operatives enforce self-regulation, contrary to the liberalisation which the state had legislated on, seems naive, to say the least.” Neither individual tenant owners nor their associations had an interest in keeping down transfer prices as “any profit (or loss) is made at the expense of an outsider” (Svensson 1998, 54). In effect, tenant-owned dwellings were completely marketised.

The deregulations from around 1970 facilitated the rise of tenant-owned housing as a significant tenure form (Table 2.1), particularly in the urban conurbations, with Greater Stockholm and Stockholm City at the extreme end of the spectrum (Table 2.2; Figure 2.7). Importantly, however, the deregulations also “put in place the necessary conditions for two subsequent phases of runaway price escalation” (Christophers 2013, 890). Facilitated by the deregulation of Sweden’s credit market during the same period, the average price of tenant-owned dwellings thus increased by 80 percent in real terms from 1983 to 1990 (Turner 1997). Summarising what essentially amounted to a first ‘bubble’ in what now could increasingly be termed a tenant ownership ‘market’, Svensson (1998, 57) writes:

The development was dynamic and self-reinforcing: increasing prices made it easier to pledge tenant-ownership, and acceptance of tenant-ownership as collateral meant that more people got access to (borrowed) capital, which meant harder competition for tenant-ownership dwellings, resulting in increasing prices. And the more prices increased, the higher the values represented by the pledged tenant-ownership, and the greater the sum you could loan – as long as the market kept expanding.

As was also the case for regular owner-occupied housing, the ‘bubble’ of the late 1980s in tenant-ownership dwellings did not last. The crisis of the early 1990s also affected prices of tenant-owned dwellings, which in real terms fell by 35 percent between 1990 and 1993 (Turner 1997). This slump and the relatively modest increases from 1993 to 2000 were followed by a second price hike, during which average prices of tenant-owned dwellings increased substantially (Figure 2.3; also Christophers 2013). Since the data collected by Statistics Sweden pertains to purchased flats rather than to a comparable measure such as price per square metre, the data on regional differences is not ideal. The available data nevertheless suggests that prices of tenant-owned housing particularly have soared in Stockholm (Figure 2.8).



Already by the early 1980s, tenant ownership had been thoroughly commodified in this manner, paving the way for runaway price inflations and – at least in the late 1980s, if not today – a ‘bubble’ economy. In short, tenant ownership has shifted from being an issue of use value to one of exchange value. As we shall see in Section 2.4, this has important implications for the social geographies of Swedish cities, particularly Stockholm.

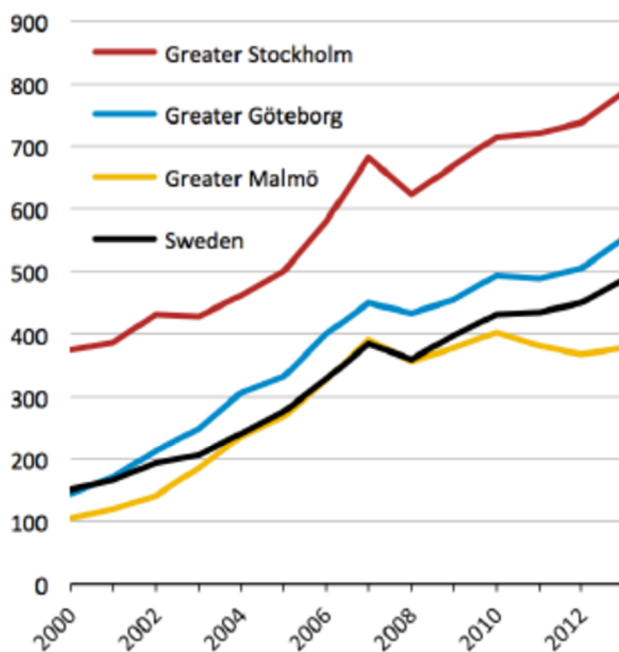


Figure 2.8: Average purchase price of tenant-owned flats deflated by Consumer Price Index, Sweden and major conurbations 2000-2013 (1980=100). Source: Statistics Sweden (database)

The systems switch: Round one

Whether we look to critical analyses (e.g. Clark and Johnson 2009) or to more official accounts (e.g. Hedenmo and van Planet 2007), there is broad agreement that the early 1990s marked a decisive shift in Swedish housing politics: ‘The Turbulent 1990s’ is, for example, the telling heading for this period in the report by an official commission of



enquiry later in the decade (SOU 1999, 29). For Lindbom (2001, 503), the policy initiated by the liberal-conservative Bildt government (1991-94) represented a “radical change, resulting in big savings for the state budget and dramatic increased housing costs for citizens.” Moreover, Lindbom suggests that these reforms met with little resistance because, compared with cutbacks in other welfare programmes such as health, housing policy is difficult for citizens to understand. We will proceed by outlining the main housing-political elements of the so-called ‘systems switch’ of the early 1990s, which has influenced Swedish housing policy up until the present.

“The wind-up phase in Swedish housing politics got a flying start,” as Bengtsson (2013, 160) succinctly put it. Not only did the Bildt government abolish the Department of Housing (Bostadsdepartementet), which had been a key node in Swedish housing politics since 1974; the new government also eliminated significant parts of existing housing policies. The latter included the nullification of highly symbolic legislation such as the Housing Provision Law (Bostadsförsörjningslagen), which established a municipal responsibility for housing provision; the Housing Assignment Law (Bostadsanvisningslagen), which under certain conditions gave municipalities the right to assign a household an apartment with a landlord; and the Housing Sanitation Law (Bostadssaneringslagen), which gave tenant organisations some influence on the renovation of apartment buildings (Bengtsson 2013; Clark and Johnson 2009). In addition, as we shall discuss in the next sub-section, the Bildt government facilitated the sell-off of public-rental housing owned by municipal housing companies.

Most momentously perhaps was the phasing-out of state interest subsidies for the construction of apartment buildings. In addition, a range of changes to financial and tax regulations meant that public-rental housing companies no longer had a preferential position when it came to financing. Expenses to subsidies had in the period of 1977-1994 reached close to 300 billion Swedish kroner (SEK), and Bengtsson (2013, 162) suggests that this phasing-out possibly was de facto uncontroversial “as long as the Social Democratic Party did not have to do it.” It is in this respect significant that, during its ensuing 12 years (1994-2006) in government, the Social Democratic Party

did not seek to return to the pre-1991 subvention and finance system. Nor did it re-establish the Department of Housing or return to the preferential treatment of public-rental housing. In fact, if housing in the late 1980s had been an annual net burden on state finances of SEK 25-35 billion, the sector by 1999 provided a net income of somewhat over SEK 30 billion (SOU 1999). This represented a major redistribution of national income. Moreover, the tax reform introduced by the Bildt government entailed a rapid rise in rents. Statistics Sweden (2014d) estimates that rental apartment rents have increased sixteen-fold in current prices between 1969 and 2013 while consumer prices over the same period have increased eightfold. In constant prices, rental apartment rents have doubled between 1969 and 2013, but some 30 percent of this increase occurred in 1991. This was in large part because the tax reform was underfinanced, and as the hoped-for dynamic effects did not materialise, “the housing sector in practice came to finance a significant part of this deficit” (SOU 1999, 31).

Seen as a whole, the ‘systems switch’ thus represented a concerted move toward a marketisation of Swedish housing politics, in which housing was to be indistinguishable from any other commodity market. The only significant aspect of established policy that remained reasonably intact was the use-value system of rent regulation. In this important respect, the Bildt government settled for the largely symbolic adjustment that individual tenants could opt out of the collective rent negotiation system and that other associations than those of the established tenants’ movement should have an actual possibility to negotiate rents (Bengtsson 2013).

Sale of public rental housing

We should at this point pause to consider a concrete aspect of the wider changes in Swedish housing politics over the recent decades: sales of public-rental properties owned by municipal housing companies. In what Bengtsson (2013, 172) describes as “its most lasting housing-political reform,” the possibility for such sales was introduced by the liberal-conservative Fälldin government in 1982. Actual conversions were further facilitated when the liberal-conservative parties returned to government

in 1991. As has been variously indicated throughout this study, public rental housing has since the 1940s played a special role in Swedish housing policy. This does not mean that the social democratic governments that advanced these policies aimed for complete state control; rather, as a typically Swedish (if not Scandinavian) example of compromise between socialist (or state-oriented) and liberalist (or market-oriented) aspirations, public rental housing was aimed to help moderate market forces. Sale of municipal housing is, therefore, a very tangible manifestation of wider changes in Swedish housing politics. Moreover, this phenomenon amplifies the financialising tendencies in tenant-owned housing and has furthered Swedish cities' social-geographical segregation.

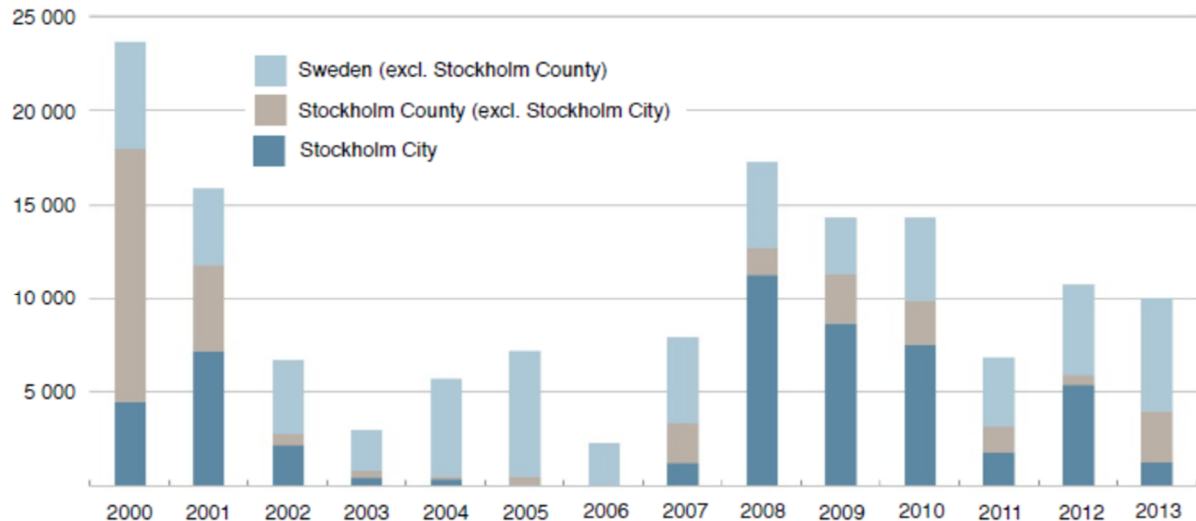


Figure 2.9: Sold public-rental dwellings, 2000-2013 (number of units). Source: Boverket (2014)

According to the data collected by Boverket (Swedish National Board of Housing, Building and Planning) in its annual questionnaire to the municipalities, sales of public rental housing have varied considerably over the past 15 years (Figure 2.9). The marked drop in sales between 2002 and 2007 is here explained by the so-called Stop



Law (Stopplagen), which from April 2002 required municipalities to seek permission from the country for a sale. At least in principle, this was designed to ensure sufficient public rental housing in a locality by carrying out use-value assessments of rents. However, according to an early assessment by Boverket (2004, 9), "It appears that the county administrative boards in many cases have acted pragmatically and placed more emphasis on the reasons for sale than on the need for comparative apartments for use-value assessments and rental negotiations." This requirement, which virtually eliminated sales in Greater Stockholm but did not outright stop conversions of public rental housing, had been introduced by the social democratic Persson government (1996-2006). In July 2007, the newly elected liberal-conservative Reinfeldt government cancelled this law as part of the second round of the housing-political systems switch (see below). Boverket (2012, 66) states that a total of 180,607 rental dwellings in Sweden have been converted in the period from 1991-2011.

With the exception of the 2002-2007 hiatus, sale of public rental housing has particularly been a (Greater) Stockholm phenomenon. This is in large part explained by the party-political inclination of Stockholm City Council, as the conversion of public rental housing to market-based tenant ownership has been actively promoted during a period when the liberal-conservative parties have been in a majority (Andersson and Turner 2014). Nonetheless, from 2008, the municipality began restricting conversions and has more recently introduced a 2011-2014 halt on the conversion of public rental housing in the inner city, while still permitting such conversions to occur in districts that lack "an even distribution of tenure forms" (Stockholms Stadshus AB 2010). This helps to explain the slowdown in Stockholm City sales in recent years (Figure 2.10). Still, with an eye on Stockholm City, Andersson and Turner (2014, 4) caution that "Despite the fact that the liberal reforms clearly have been launched on ideological grounds, it has nevertheless proven difficult to roll back such reforms even during periods when there are social democratic majorities in central and local governments."

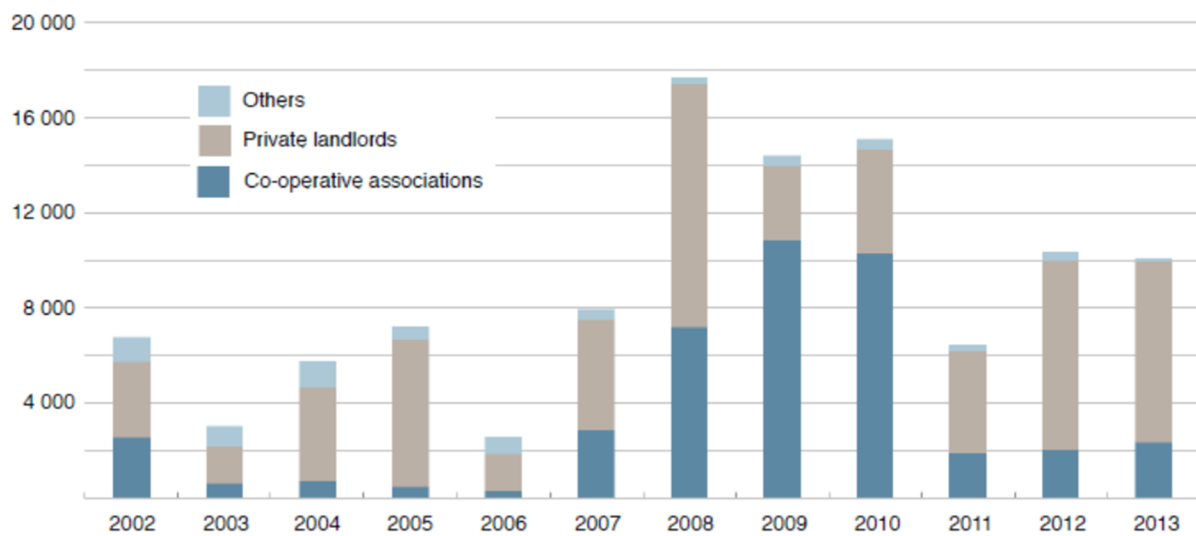


Figure 2.10: Buyers of public-rental dwellings, 2002-2013 (number of units). Source: Boverket (2014)

Public rental properties are sold in two ways (Figure 2.10). Firstly, a property can be sold to a private landlord. A notorious example of this is Acta, a Norwegian financial group, which in 2003 brought properties in Million Home Programme neighbourhoods in Malmö, which it sold again in 2010 at a profit of SEK 214 million. “Earning money on run-down real estate is a tried and tested business concept,” a news report tersely described this process: “Buy rental properties in cities with a housing shortage. Collect the rents. Do as little as possible. Sell after five, six years – when the value has increased and before the authorities have caught up with expensive demands for improvements” (Pedersen 2012, C5). Similar schemes have been run in Million Home Programme areas like Tensta (Stockholm) and Hammarkullen (Gothenburg). Secondly, a property can be sold to a cooperative association and become (market-based) tenant-owned housing. This option, inspired by the Thatcher government’s right-to-buy scheme in the UK, was facilitated by the housing-political ‘systems switch’ of the early 1990s (see above). If the municipality permits it, tenants in the Swedish variant of right-to-buy can purchase their dwellings as tenant ownership, provided that at least 50 percent – from 1994 to 2006, 75 percent per cent – of tenants in the property are in favour of buying (Andersson and Turner 2014). Some public rental tenants have made significant earnings by becoming tenant-owners. An awkward example that hit



the press involved a liberal-conservative minister buying his public rental Stockholm flat in Hammarby sjöstad for SEK 2.8 million. The next year, a similar flat in the same house was sold as tenant-owned housing for SEK 5.2 million (Röstlund 2011). More generally, Flovén (2010) estimates that the initial purchase prices in Stockholm have generally have been 40-60 percent below market price for existing tenant-owned dwellings in the period of 2000-2009, and he points out that this has entailed a cumulative transfer of more than SEK 50 billion – on average, SEK 1.7 million per flat – to a little over 8 percent of Stockholm's inhabitants (also Flores and Bondesson 2010). Even if the details of this estimate can be discussed, a transfer of essentially public wealth approaching this magnitude must qualify as accumulation by dispossession: that is, in following Harvey (2003), the centralisation of wealth and power in the hands of a few through the dispossession of the public of its wealth or land. (Apart from the two main types of sell-off, a municipal housing company may also sell public rental housing for individual ownership to other municipal housing companies or for conversion into non-housing. But these 'other' sales are a very small fraction of the total.)

In Stockholm City, public rental housing has been converted into tenant-owned housing in particular. In 2013, for example, all 1,250 public rental units sold in Stockholm City were for conversions into tenant-owned housing (cooperative associations). In Greater Stockholm, however, 55 percent of the units sold were converted into tenant ownership, and 44 percent were sold to private landlords. Following the Stockholm-driven mass conversions into tenant-owned housing in 2007-2010, however, most public rental housing outside of Stockholm City has in recent years been sold to private landlords for private rental (Figure 2.10). It should in this respect be noted that some public-rental housing is still being built or created through purchase. However, this does not alter the general picture of a shift from rental apartments (public as well as private) to tenant ownership, particularly in Stockholm. Conversion of public rental housing is not the only driver of this development of course. New tenant-owned housing has been built, and private rental housing has been

converted. But sale of public rental housing is a vivid illustration of wider shifts towards exchange value (rather than use value) as a guiding motivation in Swedish housing politics, and conversions are an important factor in the ongoing socioeconomic segregation and gentrification of Stockholm (Section 2.4).

The systems switch: Round two

As we have seen with respect to sell-offs of public rental housing, the social democratic governments in power between 1994 and 2006 sought in some respects to moderate the policies enacted during the 'systems switch' of the early 1990s. Nevertheless, remarkably little was done to reconstruct housing legislation and policy associated with the 'Swedish model', causing Clark and Johnson (2009, 181) to observe that "Neoliberalism now came in shades of Social Democracy, Liberal and Conservative." Still, as was also suggested at the opening of Section 2.3, the return of a liberal-conservative government in 2006 intensified the ongoing housing-political shift toward market logics. We can identify four elements in what can be termed 'round two' of the 'systems switch'.

Firstly, when the Reinfeldt government assumed power in 2006, it decided that what remained of state interest subsidies should be phased out over the period of 2007-2012. In other words, the subsidy reform introduced by the Bildt government was to be carried through to its conclusion. As a result, from 2012, there was virtually no direct state support for housing production. This has, combined with other changes detailed below, caused problems for the public rental sector.

Secondly, as addressed above, round two of the housing-political 'systems switch' saw the Reinfeldt government remove restrictions imposed by the social democratic governments on the sell-off of public rental housing.

Thirdly, since May 2009, it has been legal to establish owner-occupied flats (ägarlägenheter) – or condominiums – in apartment buildings (Regeringen 2008). This tenure form, which exists in neighbouring Denmark (since 1966) and Norway (since 1983), had been the subject of public enquiries in the mid-1990s and early 2000s. On

both occasions, the liberal-conservative parties argued for the introduction of condominiums in Sweden, but this was consistently rejected by the social democratic governments and their supporting parties in parliament (Bengtsson 2013). This changed when the liberal-conservative parties again came to power. For the time being, condominiums can only be established in newly built properties or in commercial properties that have not been used for housing for eight years, while existing rental and tenant-owned housing cannot be converted into condominiums (Justitiedepartementet 2013). This, combined with unfamiliarity with the tenure form among the market actors, explains the very small share of condominiums in the Swedish housing structure (Table 2.2). This may change, as suggested by a public commission of enquiry commissioned by the Reinfeldt government (SOU 2014), particularly if the liberal-conservative parties return to government. Regardless, in 2012, Sweden saw the introduction of an as-yet-embryonic new tenure form, which could circumvent the current prohibition on converting existing housing into condominiums: the 'share-owner method' (andelsägarmetoden). This 'method' allows for schemes in which tenants in rental housing can buy a share in the property and retain the usage rights to their flats. This can be seen as a hybrid between tenant-owned housing, where the entire property is converted, and actual owner-occupied condominiums. As such, the share-owner method may add a 'flexible' facet to existing right-to-buy schemes. The share-owner method is currently being tested at two properties owned by Botkyrkabyggen, a housing company owned by Botkyrka Municipality in Greater Stockholm, which in 2014 reported that 43 tenants (approximately 20 percent of the two properties) had concluded such agreements (Botkyrkabyggen 2011 and 2014; Länsstyrelsen Stockholm 2013).

Fourthly, in a move that comes close to eradicating what is left of the once-celebrated 'Swedish model' for housing, the Reinfeldt government carried out a radical reform of the law governing municipal housing companies (Lagen om allmännyttiga kommunala bostadsaktiebolag, or 'nya Allbolagen'). This law emerged out of a 2002 appeal to European Commission by the Swedish Property Federation



(Fastighetsägarna Sverige) via the European Property Federation, which claimed that municipal support for the public rental sector and the sector's leading role in the use-value system of rent regulation constituted a violation of European competition law. The Commission never ruled on the appeal by the property owners' association (which withdrew the appeal once it had achieved its goal). But the appeal engendered vigorous domestic debate and eventually a public commission of enquiry. The enquiry concluded that Sweden could either introduce 'business-like' municipal housing companies (affärsmässiga kommunala bostadsaktiebolag), which should essentially work on market terms, or could seek to obtain an opt-out from EU legislation (SOU 2008). Eventually, in 2010, a compromise was reached that leaned toward the first of these solutions. On the one hand, this (notionally) maintains corporatist rent regulation and the use-value system; on the other hand, the compromise also entails that the public rental housing companies must function according to 'business-like principles' (affärsmässiga principer) (SFS 2010). The threat of what the European Commission might or might not rule had, as Bengtsson (2013, 178) puts it, "functioned as an effective weapon in the hands of the property owners' rather militant campaign to transform the Swedish housing policy regime towards greater market orientation." As the new law came into force, on 1 January 2011, the Swedish Property Federation commissioned a paper from two professors of real estate economics, Lind and Lindström (2011), which essentially concluded that 'business-like' must mean profit maximisation. To this, SABO (2011), the Swedish Association of Public Housing Companies (Sveriges Allmännyttiga Bostadsföretag), retorted that 'business-like' should be regarded as an 'attitude', which does not entail that public housing companies must act as private landlords. Nonetheless, to use Christophers' (2013, 893) apt conclusion on this quandary, "while we know that the new law will mean further marketisation of the Swedish public rental sector, it remains too early to say how *much* further."

2.3 Relationships to social geography

Stockholm is a wealthy city. From 1995 to 2010, the share of relatively wealthy inhabitants in Stockholm City rose from 23 percent to 33 percent, while the share of relatively wealthy inhabitants in Sweden as a whole rose more modestly, from 17 percent to 24 percent (Amcoff et al. 2014). Wealth in Sweden and Stockholm is unevenly distributed. Measured in terms of the Gini coefficient for disposable income of 'consumption units' (approximately households), where 0 expresses perfect equality and 1 maximal inequality, disparities in Sweden have increased noticeably since the 1980s (Figure 2.11). There are significant geographical variations involved. Measured in Gini for net income of adults, for example, we find that Stockholm City is more unequal than the Swedish average. There are substantial variations within Greater Stockholm, where some municipalities come out as significantly less equal than the national average (Figure 2.12). Looking closer at Stockholm City, we similarly find marked geographical differences in relative wealth and poverty (Figure 2.13). In the districts in and around the centre of Stockholm City, relative wealth has increased substantially, whereas the more remote suburbs – with concentrations of housing built during the Million Homes Programme of the 1960s and 1970s – have experienced only modest increases or even declines in relative wealth. While the share of inhabitants in relative poverty in the inner-city districts has decreased, relative poverty has increased in Stockholm City's outer districts. A somewhat similar pattern can be found in the 1995-2010 developments in relative wealth and poverty among the municipalities in Greater Stockholm (Amcoff et al. 2014).

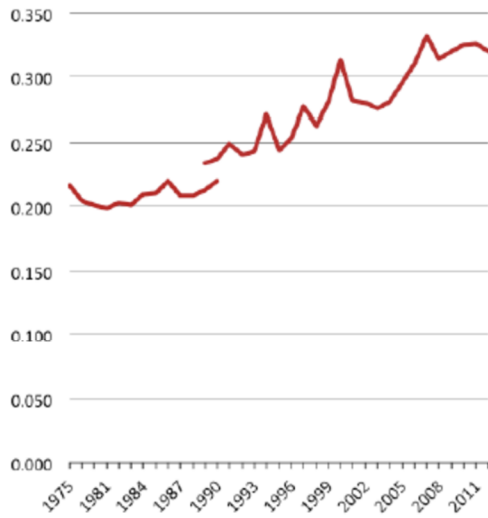


Figure 2.11: Gini coefficients for disposable income of consumption units, Sweden 1975-2012. (The discontinuity is due to the 1990-91 tax reform.) Source: Statistics Sweden (2014e)

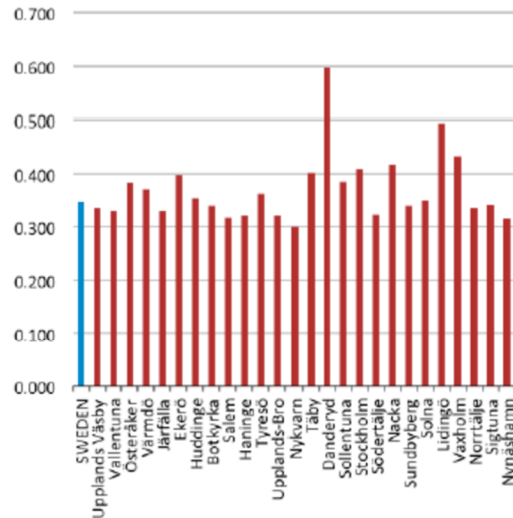


Figure 2.12: Gini coefficients for net income of adults (20 years or older), municipalities in Greater Stockholm 2013. Source: Statistics Sweden (2015)

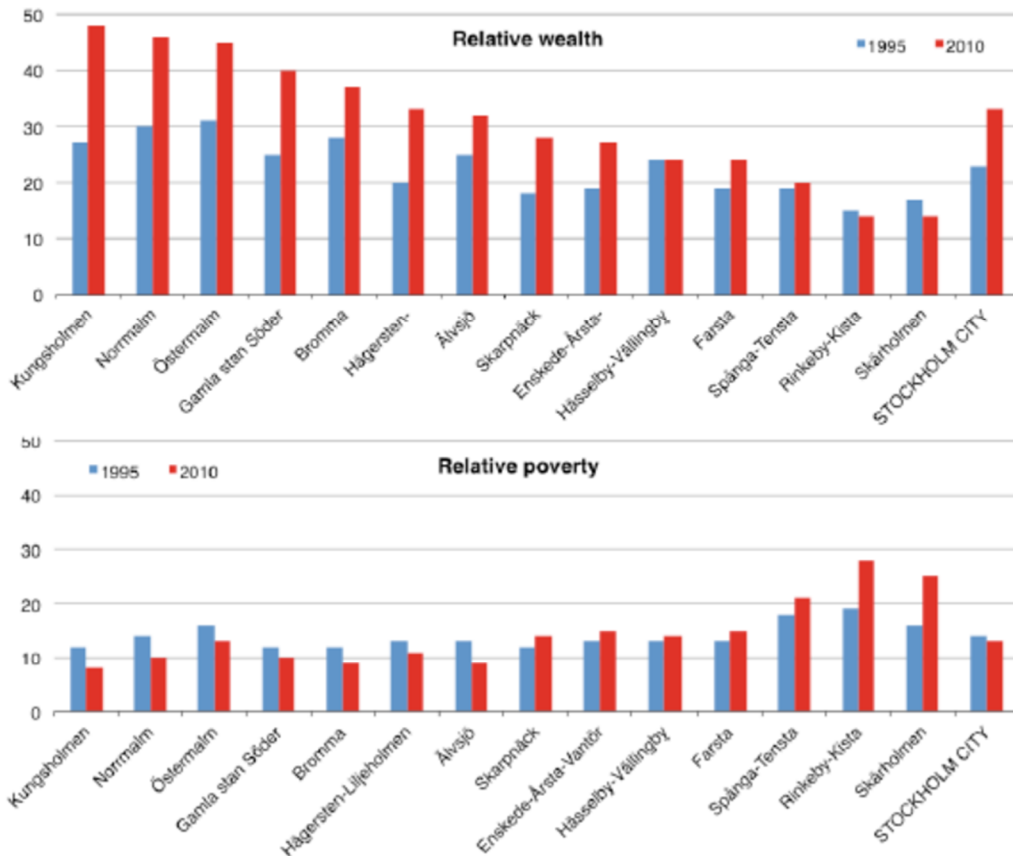


Figure 2.13: Relative wealth and poverty of inhabitants in Stockholm City districts, 1995 and 2010 (percentage). Relative poverty: disposable income less than 60 per cent of the national median income. Relative wealth: disposable income above 140 per cent of the national median. Source: Amcoff et al. (2014)



Wealth and poverty relate to, and interrelate with, many other social categories such as education, occupation, age, and gender. Here we shall merely note that, in Stockholm City, as in many other cities in and beyond Sweden, increasing socio-geographic segregation in relation to wealth is paralleled by ethnic segregation. We can here use the rough but nevertheless illuminating measure of whether inhabitants are born outside of Sweden (Figure 2.14). (Amcoff et al. 2014 also map segregation of 'visible minorities'. This measure shows an even higher degree of segregation, but we prefer not to apply phenotypes.) It readily emerges that Stockholm City districts with many foreign-born inhabitants are the same as those with high ratios of relative poverty.

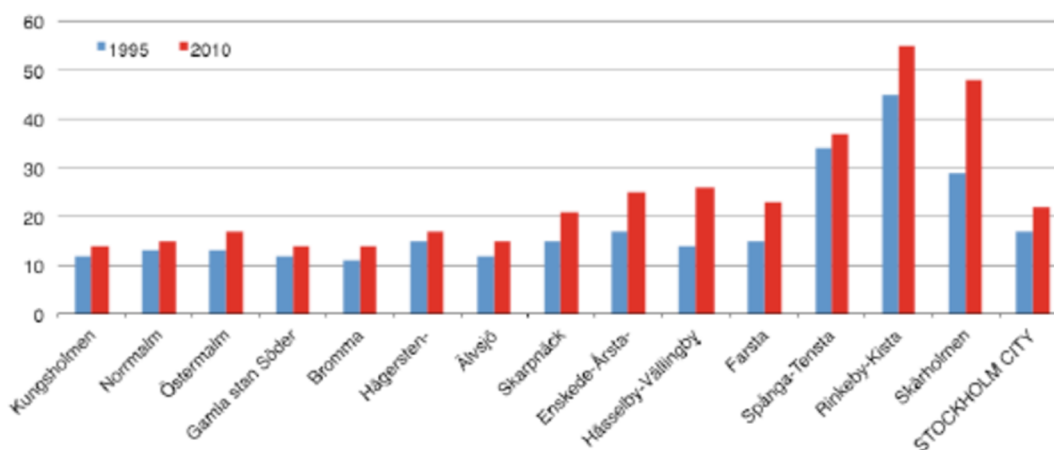


Figure 2.14: Foreign-born inhabitants, Stockholm City districts 1995 and 2010 (percentage). Source: Amcoff et al. (2014)

Based on a quantitative analysis of developments in Stockholm, Andersson (2013) finds clear evidence that native-born Swedes are less inclined to move into “immigrant dense” areas but that ethnicity does not seem to explain why people may leave such areas. Rather than being explained by ethnicity, Andersson (2013, 185) concludes that whether people stay in or move from an area “needs to be understood in relation to tenure structure and other structural features of these neighbourhoods”: “In a tight housing market characterized by high and rising housing costs, it is only those

households who manage well income-wise that do have a real option to 'escape' stigmatized neighbourhoods.”

As suggested by Andersson, patterns of socio-geographic segregation are highly dependent on access to housing. Tenure forms, particularly the relative costs of accessing them, in various places and at different times are, in other words, decisive for the evolving social geography of cities. This in turn implies that a financialising housing system (directly or indirectly) produces unequal social geographies. In relation to housing, this is often discussed as gentrification (on financialisation and gentrification, see Clark et al. 2015).

In their study on gentrification in Sweden's three main cities, Hedin et al. (2012) detail the recent history of Stockholm's evolving socio-geographic polarisation by focusing on the extremes: super-gentrification and low-income filtering. Super-gentrification is here understood as occurring in areas within the top 25 percent in initial income levels, while low-income filtering is the opposite of gentrification, essentially a euphemism for slum formation. Thus, if gentrification is associated with increasing status and reinvestment, low-income filtering is associated with decreasing status and disinvestment. Hedin et al. argue that both processes were rather rare in Stockholm and almost non-existent in the inner city in 1986-1991, that is, the period leading up to the housing-political 'systems switch' of the early 1990s. But in the period of the economic recession, 1991-1996, low-income filtering increased significantly in the residential estates to the west and south while super-gentrification simultaneously intensified and spread. Finally, between 1996 and 2001, super-gentrification intensified even more and engulfed central districts, such as Norrmalm and Östermalm, while low-income filtering in this post-recession period decreased somewhat but concentrated in southern and western areas like Skärholmen, Tensta, and Rinkeby (cf. Figure 2.13). Between these extremes, Swedish cities like Stockholm also experience an intensification of “a grey mass of ordinary gentrification in the middle strata” (Hedin et al. 2012, 460). According to Hedin et al. (2012, 458), these patterns of super-gentrification and low-income filtering “reflect the increasing



welfare gap and segmentation of housing between forms of tenure and types of housing.” Moreover, they link these developments to the political reforms over the past decades, which “have radically changed the political economic landscape of housing for both households and agents in structures of housing provision” (Hedin et al. 2012, 444).

Tenant-owned housing provides a concrete example of the intricate relationships between financialisation, urban politics, and social geographies in the built environment, which, as we shall see, has parallels with the Copenhagen case (Chapter 3). We should note that although tenant-owned housing has become the dominant tenure in the whole of Stockholm City (Figure 2.7), there are significant variations between the various city districts (Figure 2.15). The shift in tenure structure from rental housing to market-based tenant ownership is clearly most attractive in the wealthy inner city, yet the southern and western districts, where public rental housing formerly dominated, have also experienced increases in tenant ownership.

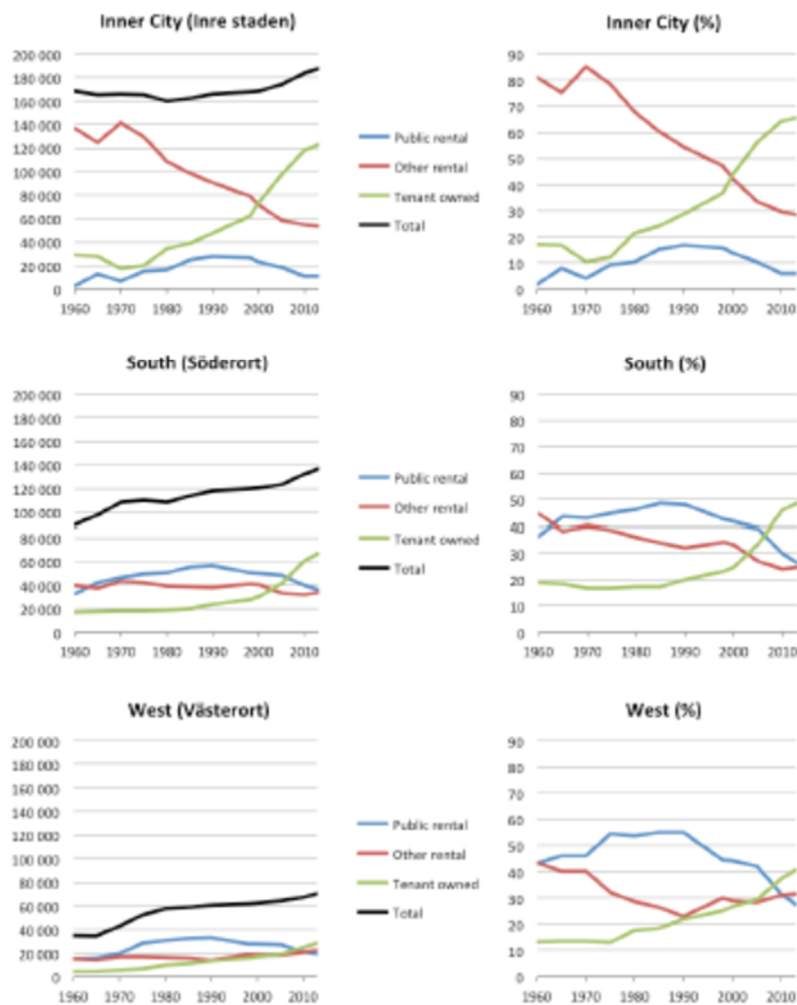


Figure 2.15: Tenure structure of apartment buildings in Stockholm City's main districts, 1960-2013. Actual number of units (left) and percentage of all apartment units (right). Source: Stockholm stad (n.d.; 2014a)

The sell-off of public rental housing has played a significant role in this process, and Andersson and Turner (2014, 26) conclude that conversions into tenant ownership have “speeded up and reinforced the gentrification process in inner city Stockholm.” Moreover, they find “that there is a social polarisation process going on within the public housing sector,” and it is “highly probable that the conversions taking place after the 2006 shift in government have further reinforced this tendency.” There are winners and losers to this Andersson and Turner 2014, 26):

For the sitting tenants, a conversion can generate a substantial profit as the conversion price in attractive locations tends to be set below market price. Unfortunately, the conversion of public housing into cooperative housing also

reduces the public sector, increases segregation, and generates less affordable housing in Stockholm for those who cannot access cooperative or home ownership tenure.

Stated somewhat differently, conversions of rental flats into tenant-owner flats may not primarily result in direct displacement of existing tenants; conversions are probably more likely to cause indirect displacement in the sense that the groups that could usually find housing in the property are excluded (Larsen and Lund Hansen 2015). As we shall see in Chapter 3, this kind of 'stealthy' gentrification is also at work in tenant-owned housing (andelsboliger) in Copenhagen.

"The current housing shortage in the county hits some groups hard," Stockholm County cautiously notes in its recent report on the state of the 'housing market' in Greater Stockholm (Länsstyrelsen Stockholm 2013, 13). Even Lind (2015, 3), who is known for his pro-market approach, concedes that "the options for low income households in Sweden have worsened during the last 15 years. Today it is difficult both to enter the rental market and the owner-occupier market."

3 Copenhagen

3.1 Financialisation of the built environment in Copenhagen

In an earlier study of 'globalisation' of the built environment, we analysed cross-border investments in the Copenhagen commercial property market (Clark and Lund 2000). In this study, we found that foreign direct investment (FDI) in the Copenhagen commercial property market increased in both absolute and relative terms over the period of around 1980 to 2000, though rates of FDI were characterized by considerable volatility. This volatility can at least partially be explained by the 'lumpy' nature of property investment, together with the limited number of investors – the entrance or withdrawal of just a few actors can result in a precipitous increase or decline in aggregate FDI into the sector. In this, Copenhagen and Denmark are not alone: Volatility seems to be a common characteristic of real estate FDI flows (Economist Intelligence Unit 1997). Perhaps the 1990s' consolidation of listed property firms, with fewer listed firms accounting for more trade (Børsens nyhedsmagasin 1997, Erhvervs Ejendom 1998) and the introduction of new financial instruments, such as REITs (just recently introduced to Denmark), can be seen as efforts to reduce this volatility by reducing 'lumpiness' and expanding the base of potential actors in the market (Byens Ejendom 2005; Hansen 2014).

The recent historic links between financialisation and property investment (both commercial and non-commercial) in Copenhagen can be divided into three periods: 1980-2000, 2000-2008, and 2008-2014. Danish institutional investors, pursuing a traditional 'buy and hold' strategy, dominated the first period. There were only few 'international' investors during this period, mainly from Sweden (Hansen 2014; Mehlsen 1998; Winther 1998). These findings suggest that the Copenhagen property market was in a phase of 'rescaling' (Swyngedouw 1997), i.e. expansionary regionalisation, between 1980 and 2000 (Clark and Lund 2000). Sweden's dominance must be understood in the context of accelerating cross-border infrastructural and



economic integration in the Øresund region during this period, accompanied by a shift towards an entrepreneurial urban politics. These initiatives aim to make the region more attractive to international investment, in competition with Stockholm, Hamburg, and Berlin.

The pre-crisis period of 2000 to 2008 was dominated by easy access to credit and excessive optimism in the banking sector. This spurred private investors in particular, but also small and medium-sized local companies, to have a go at investing in the booming property market. Managing Director at Catella Corporate Finance, Jesper Bo Hansen, characterises the attitude and reason for investing in properties: “Because we can...” Joint-venture partnerships were behind most international investments during this period, e.g. CarVal, Carlyle, Doughty Hansson, Benson Elliot, AIG, RREEF, DEKA, and Landic (Hansen 2014).

In 2007-2008, the bubble burst, and access to loans was restricted for low-equity investors. With focus shifting in favour of investors with high equity and investments in properties in prime locations, large Danish and international investors dominated the market (ibid.).

A short history of Denmark's financial system

The 1616 formation of the Danish East Indian Company, a sign of colonial aspirations and thus expanding overseas trade, can be regarded as part of the mercantilist wave that swept Europe in the 16th and 17th Centuries. In order to establish Copenhagen as a commercial centre and metropolis, King Christian IV founded Børsen, the Danish stock exchange, in 1620, drawing inspiration from the Netherlands. In the 17th Century, Børsen was primarily a commodity exchange, but during the 18th Century it also functioned as an insurance, debt, and stock exchange. When Københavns Fondsbørs (Copenhagen Stock Exchange) was established in 1808, Børsen became an exchange for securities alone (‘NASDAQ OMX Copenhagen’ 2007).¹

¹ In 2010 part of NASDAQ OMX Nordic (www.nasdaqomxnordic.com).



Denmark's early aspirations of becoming a trade empire were financed by Øresundstolden (the Sound Toll was a tax on trade traffic in the Øresund sound connecting the Baltic Sea with the Atlantic Sea)² and land rents. After 1536, the Crown was the owner of 50 percent of all land as a result of the Protestant Reformation, when the Crown took possession of all church lands. Due to a major fiscal crisis in the middle of the 17th Century, half of this land was sold off to the nobility and a few commoner estate owners, gradually increasing the landowners' powerbase vis-à-vis the autocratic Crown (Henriksen 2006; Tielhof 2002).

The first actual bank, Kurantbanken, was founded by the Danish state in 1736, operating as a private independent company with the aim of facilitating trade through loans. The establishment of the bank thus became the starting point for the issuing of public credit. In the middle of the century, loans to the Danish state (for instance, to finance wars) began dominating the bank's business, and by 1762, the State was receiving three-quarters of the bank's loans (Hansen and Svendsen 1968). This led to the bank's nationalisation in 1773. The bank was officially closed in 1791, but its banknotes remained in circulation until the monetary reform of 1813 (referred to by some commentators as the 'state bankruptcy'). These events resulted in the establishment of Nationalbanken (the central bank of Denmark) in 1818 (Feldbæk 1993; Hansen and Svendsen 1968). The first mortgage bank, meanwhile, was established in 1797 to rebuild Copenhagen after a huge fire two years earlier. By 1850, the first Danish Mortgage Act was passed, and up until the 1980s deregulation of the sector, most real estate was financed through new specialised mortgage credit institutions, which were constructed as non-profit associations ('realkreditinstitutter') (Gjede 1997; IMF 2007).

Until the mid-1980s, Danish financial institutions were divided by sector (banks, mortgage banks, and insurance companies), but deregulation in the 1980s, 1990s, and 2000s eroded these boundaries, and new financial groups arose, offering a variety of

² The Øresund had major strategic and economic importance in Northern Europe, not least for Holland's supplies of grain and timber from the Baltic area. In the 17th Century, the Sound Toll was one of the main triggers of a series of wars in the region between Denmark and Sweden—also involving European great powers (Tielhof 2002).



financial products. The first financial groups (e.g. Hanfia Invest A/S and Baltica Holding A/S) were initiated by insurance companies and thus focused on insurance, but by the 1990s, banks and mortgage banks were dominating the formation of financial groups (such as the collaboration between Unibank, Nykredit, and Tryk Forsikring), and two new bank-owned mortgage banks were established (Danske Kredit and BG kredit). In 2001, the latter merged into Realkredit Danmark, today the largest mortgage bank in the country. These new institutions are now forging links with the banking sector, so that, for example, the largest Danish bank, Danske Bank, owns the largest mortgage bank, Realkredit Danmark (Abildgren 2010).

As in many other countries, Denmark has witnessed a concentration of banking activities (Jurek 2014). Over the past three decades, the number of banks has decreased from nearly 300 in 1980 to a bit over 100 in 2012 (National Bank of Denmark 2012). The largest bank, Danske Bank, increased its market share from around 13 percent in 1980 to around 33 percent in 2005. The five largest banks increased their market shares from around 53 percent to 72 percent in the same period (Abildgren 2010). Following the financial crisis, Danske Bank shed a large chunk of its (private) costumers, in a deliberate strategy to become a more business-oriented bank. By January 2014, the bank was still the largest, with a market share of 27 percent. The second largest bank in Denmark is Nordea, a partly Swedish-owned Nordic Bank, with 23 percent of the market share (Brinch 2014). By 2005, foreign banks accounted for around 30 percent of the market, of which Nordea held the lion's share (Abilidgren 2010).

Over the past decades, banking and mortgage credit has become dominated by a few large banks, and the built environment – i.e. through mortgage credit – is more closely integrated into the general financial system.

The built environment: A short history of Danish housing politics

Built environments are environments “designed, built and maintained by people” and are “necessarily connected with the wider natural environment” (Castree et. al. 2013,

43). From this perspective, cities should be regarded as products of the wider historical-geographical process of the urbanisation of nature (Swyngedouw et. al. 2006, 5). In this study, we focus on ‘housing’ since this sector played a crucial role in the financial crisis in Denmark. In order to understand financialisation of the Copenhagen housing market, we provide an introductory history of Danish housing politics.

Due to reforms and deregulations, the Danish tenure structure has shifted over the past decades from predominantly rental to owner occupation (see Table 3.1). As in many other countries, housing was a key component of the welfare state in Denmark, which struck roots in the late 1930s and blossomed in the post-war decades. Danish housing politics can be said to follow the ‘association-based model’ of housing on the boundaries of the market and the state, which in turn is among the historical compromises between liberal and socialist forces in Danish welfare politics.

Table 3.1: Tenure structure of Danish housing 1960-2012 (percent of housing units)

	1960	1981	2002	2012
Owner-occupied	46	54	53	51
Private cooperatives	1	2	7	7
Private rental	39	25	20	19
Non-profit associations	10	15	19	22
State and municipal*	5	4	2	-

* State and municipal housing for 2012 is included in the figure for non-profit associations. Source: Jensen (2013, 54)

The structure of modern Danish housing emerged, as in other West European countries, in a context of emerging industrialisation, rapid urbanisation, and profound political change in the second half of the 19th Century. Danish housing was typically based on various types of non-state associations, which usually had a degree of collective ownership but generally did not take the form of public housing (in contrast,

for instance, to Sweden). It thus did not represent a fundamental challenge to the market economy and liberalist state (Bro 2009). This model is known as the 'association-based model' (Jensen 2005) – between the state and market – in the form of non-profit and cooperative associations. It remains the primary alternative to private rental and owner-occupied housing.

The two alternatives to owner-occupied and private rental housing – non-profit housing associations and private cooperatives – both arose from the cooperative movement to form the association-based housing model. The non-profit associations have a collective ownership model, where ownership of the properties rests with the associations. Residents control the associations through a representative democratic system but are 'tenants' of the association. This is not the case for private cooperatives. Here, residents hold shares in the common property and usage rights to their flats. This fundamental difference in ownership structure is critical for understanding commodification and financialisation in the cooperative sector – and the lack of changes in the non-profit sector (see Section Three on relationships to social geographies). These two alternatives to traditional ownership have been influenced differently by recent deregulation and reforms.

In 2001, the newly established liberal-conservative coalition government led by Anders Fogh Rasmussen dismantled the Ministry of Housing, which had since its 1947 establishment been pivotal in the evolving welfare state. Housing was moved under the jurisdiction of the Ministry of Economic and Business Affairs. Non-profit and private rental housing was eventually transferred to the Ministry of Social Affairs. These changes were institutional manifestations of what Nielsen (2010) describes as "change without reform" in Danish housing politics during a decade of right-wing rule. The political objectives were outlined in the government's strategic plan, *More Housing: Growth and Innovation in the Housing Market*, in which the aim was "a long-term effort ... to make the housing market work better under market conditions and to support society's economic growth to a greater extent than today" (Danish Government 2002, 5).



From our perspective, the government's 2002 plan represented a two-pronged attack on the association-based model. Employing the discourse of 'social mixing' (Lees 2008), a key aim of the plan was thus to achieve a "mixing of ownership types by converting non-profit housing associations to owner-occupied or cooperative residences" (Danish Government 2002, 16). Segments of a housing sector at the edge of the market were, in other words, to be pushed into the quasi- or fully-fledged housing markets. At the same time, however, the plan aimed to further the "market-orientation" of the cooperative sector (Danish Government 2002, 19). In short, the plan and its ensuing policies were elements in a strategy to further the commodification of Danish housing, which in turn can be seen as a move towards dismantling housing as a cornerstone of the welfare society. Next, we shall consider how these changes have affected the housing structure and how this has contributed to changing social geographies in Denmark in general and Copenhagen in particular.

*Financialisation of private cooperatives*³

As Mortensen and Seabrooke (2008, 319) note, the “cashing-out or ‘liquidation’ of housing cooperatives signals the abandonment of a view of housing as primarily a social concern for many.” The private cooperative sector has changed decisively over a decade of liberal-conservative policies coupled with a spectacular (and speculative) inflation in property prices. Cooperatives were historically a step towards the formation of non-profit housing associations, and particularly from their revival in the 1970s and 1980s, private cooperatives offered a means of countering speculative landlords and provided individuals with affordable housing. Cooperatives largely became “the housing between” rental and owner-occupied housing (Werborg 1996). Moreover, by way of state and municipal loan assistance and exemptions from real estate taxes, during the 1990s, private cooperatives somewhat paradoxically “developed into the most publicly subsidised form of housing – or, translated to the inhabitants’ perspective: the housing form where they for many years got absolutely most housing for their money” (Andersen 2006, 28). The high degree of formal separation between private cooperatives and the state has not insulated the sector from neo-liberal policies; rather, in the booming property market of the mid-2000s (Erlandsen et. al. 2006), it facilitated, by way of indirect state interventions, the further commodification of private housing cooperatives, which consist of approximately 9,000 associations with some 210,000 residences, slightly less than 8 percent of total housing units (Ministry of Housing, Urban, and Rural Affairs 2012).

The government’s 2002 ‘battle plan’ for the commodification of housing aimed for a “market-orientation” of private cooperatives. On the one hand, this was to involve the gradual reduction and phasing out of state support for the construction of new cooperatives. This was achieved by 2005. On the other hand, and more decisively, despite its apparently mundane nature, the government would “consider whether individual members of a cooperative should gain the possibility of obtaining mortgage-

³ The following section is partly adapted from Larsen and Lund Hansen (2015).

like loans [realkredit(-lignende) lån] with security in their share” (Danish Government 2002, 19). Even in the Danish original, ‘mortgage-like loans’ is an awkward but highly revealing phrase. In a private cooperative, only the association can formally take out a loan with security in the property: Indeed, this is the normal means by which a cooperative purchases its property. A member can, strictly speaking, only take out a loan with security valued in accordance to what the lender expects the member’s share of the cooperative (and usage rights to a flat) carries on the market. This has always been possible in theory, but most private cooperatives have traditionally prohibited their members from ‘mortgaging’ their shares (Träff and Juul-Nyholm 2011). True to its plan, however, the government passed legislation in 2004 that explicitly overrules whatever statutory prohibitions a cooperative may have against members taking out loans with security in their shares (Ministry of Economic and Business Affairs 2004). This was a crucial turn in the process that made flats in cooperatives a private (and ‘mortgageable’) commodity in all but name.

Already before the new law came into force on 1 February 2005, banks began offering loans with security in cooperative shares. As a newspaper article enthusiastically put it, there was a ‘boom’ in such loans, with members seeking to utilise what was then estimated as DKK 26 billion of ‘equity’ in the cooperative sector (Jørgensen 2005). A few months later, the newspapers could report that loans for some DKK 2.5 billion had been registered over the first three months of the new regime (Villesen 2005). This was facilitated by the fact that municipalities simultaneously significantly increased estimates of the taxable value of property. In cooperatives, which are exempt from property taxes, members seemed to have scored a ‘jackpot’ (Skovgaard 2005).

“The market economy overtakes the cooperative ideology” (Thorndland 2008, 4). This was the headline introducing a thematic section on private cooperatives in the March 2008 issue of the association of estate agents’ magazine. The association was not mourning the passing of the vaguely defined notion of solidarity that many had traditionally associated with cooperative housing; rather, inside the magazine, the



deputy director cheerfully informed his members that owners of shares in cooperatives “are forced onto the free market to get their cooperative apartments sold” (quoted in Westphal 2008, 8). Conveniently, just as the bubble in ‘ordinary’ owner-occupied housing was bursting, the estate agents had discovered a new market. The liberal-conservative government had with spectacular success achieved its goal of giving the cooperative sector a ‘market-orientation’. For members of cooperatives who bought their shares before the price inflation, this has potentially been highly lucrative. Nevertheless, those who bought cooperative flats at the inflated ‘market price’ or borrowed excessively with security in a share at that price may well have landed themselves in technical if not actual insolvency.

Yet the commodification of cooperative housing has effects beyond the individual association and its members. Private cooperatives may only account for a relatively small share of total housing, but the sector can be substantial in urban areas. In Copenhagen Municipality, to take a prominent example, cooperatives in 2012 made up 33 percent of all housing units (Copenhagen Municipality 2012). The sector can thus play a decisive role in determining socio-geographical patterns. Focusing on the neighbourhood of Inner Vesterbro, where cooperatives by 2006 approached 60 percent of housing units, Larsen and Lund Hansen (2008) conclude that cooperatives act as a ‘stealthy’ mechanism of gentrification. Here, as we can also expect more generally, cooperatives in their ‘market-oriented’ form can function as a mechanism of “exclusionary displacement” (Marcuse 1986) in the sense that low-income groups, which could previously find housing in the sector, are now barred from entry. In less than a decade, neoliberal housing politics have turned the cooperative housing sector into a central element in the financialisation of Copenhagen’s built environment. (For a more detailed analysis, see Larsen and Lund Hansen 2015).

The housing bubble

Like many other countries, Denmark experienced a boom in housing prices in the years prior to the financial crisis. Between 2000 and the peak in 2007, prices for single

family houses increased by 85 percent, and owner-occupied flats increased by more than 100 percent (see Figure 3.1). The most significant rise in prices in this period can be observed in Greater Copenhagen. The prices for cooperative flats in Copenhagen increased 400 percent between 1999 and 2009 (Copenhagen Municipality 2013).

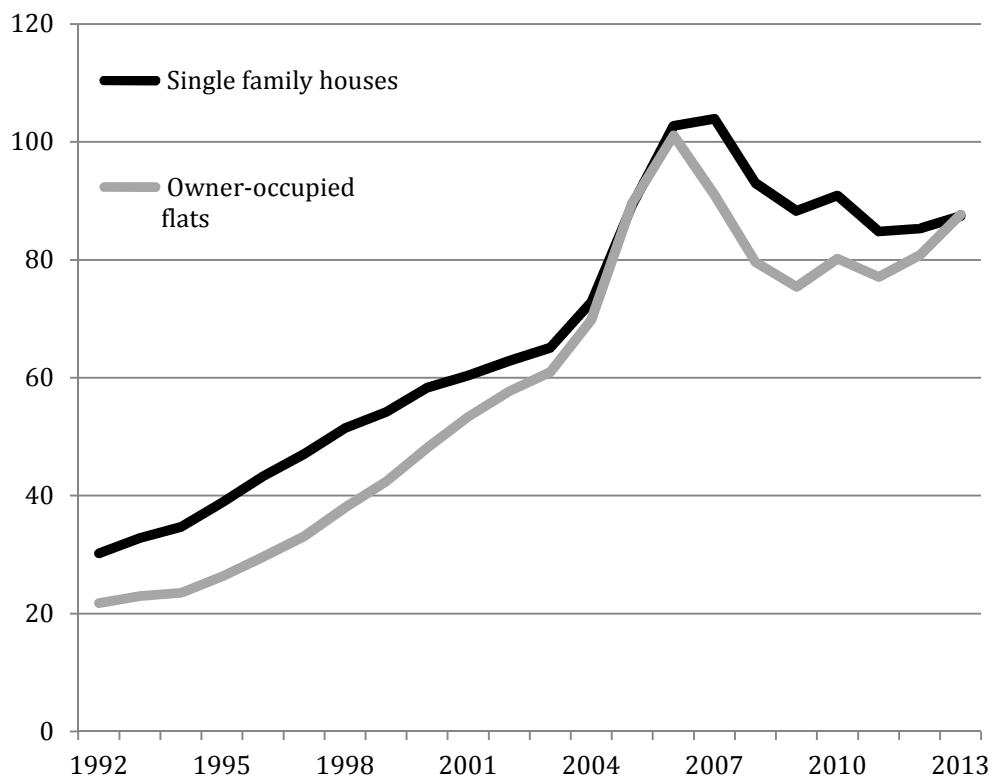


Figure 3.1: Property prices (4th Quarter) in Denmark. Index: 2006=100.

Source: Statistics Denmark.

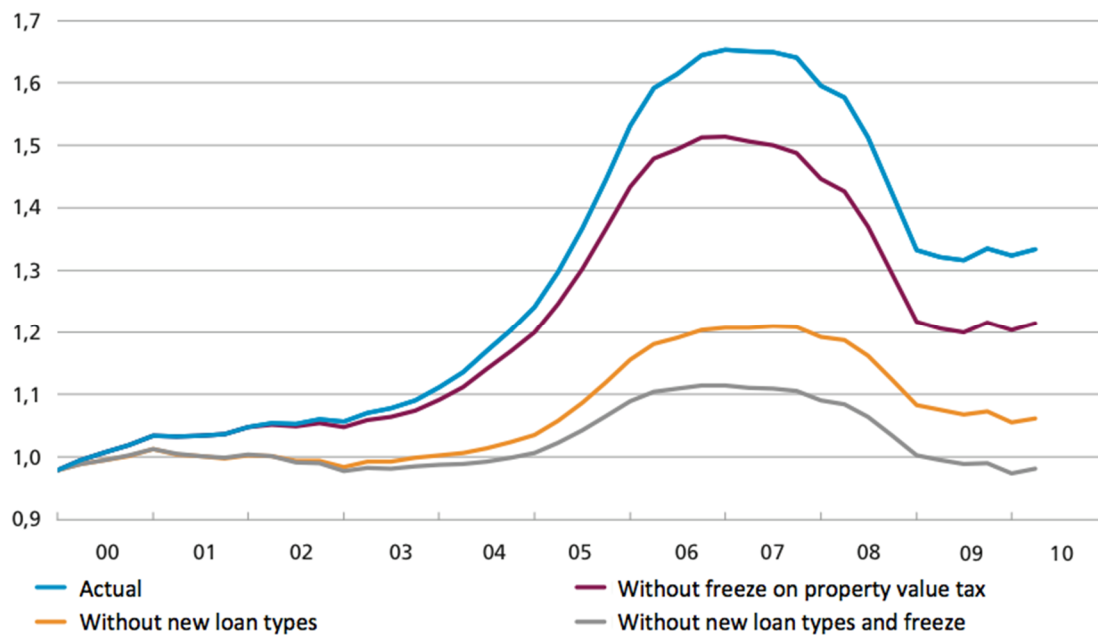


Figure 3.2: Actual and estimated house prices in Denmark 2000 – 2010. Index: 2000=1. Source: National Bank of Denmark (adapted from Dam et. al. 2011, 25).

The government committee on the causes of the financial crisis – the Ragvid Committee – concludes that the general economic growth in Denmark and falling interest rates were the main drivers behind the increasing prices for single family houses and owner-occupied flats. Moreover, adjustable-rate loans [variabelt forrentede lån], the introduction of interest-only mortgage loans [afdragsfrie realkreditlån], and the freeze on property value tax to 2001 levels (real prices) were legislative initiatives that significantly contributed to the price increases (Ministry for Business and Growth, 2013). This conclusion is supported by a National Bank of Denmark study on actual and estimated Danish house prices in scenarios without new loan types and without a freeze on property value tax (see Figure 3.2).

The Ragvid Committee concludes that the chosen date for the introduction of interest-only mortgage loans (as an addition to the interest-only bank loans already available) in the autumn of 2003 was ‘unfortunate’ because there was no need to “stimulate” the housing market in the already overheated economy. The price increases in the period of 2004-2007 and their subsequent fall are also results of the



freeze on property taxes introduced in 2002. The committee sees the freeze as “inappropriate” because it contributes to, rather than dampens, the general housing price fluctuations. These legislative changes thus contributed to the escalation of prices in the housing market over the period of 2004-2007 (Ministry for Business and Growth 2013). For the reasons discussed above, the most significant price rises during this period can be observed in private cooperative flats in Copenhagen.

3.2 Relationships to urban politics

The past decades of changing urban politics in Copenhagen have involved three intertwined tendencies. First, urban political priorities have moved from an agenda of redistribution to an agenda of growth. Second, urban politics has shifted perspective from predominantly inward looking to a more outward-looking approach. Third, private enterprise is to a greater extent included in decision making while the public sector has embraced entrepreneurial forms of organisation and behaviour (For a more detailed analysis, see Lund Hansen et. al. 2001; Lund Hansen 2000). Margaret Thatcher led the way when she made London the engine of growth for the United Kingdom in the 1980s. Like most other larger European cities, Copenhagen embraced the neoliberal growth-oriented agenda in the late 1980s, often referred to as the new entrepreneurial urban politics (Harvey 1989; Clark et al. 2015) (see Table 3.2).

Post-war urban development in Copenhagen was a result of the political and administrative construction of the welfare state. Economic growth in the 1960s led to increased welfare, population growth, expansion of automobilism, and construction of increasingly distant suburbs. This rapid development of the built environment was regulated by state, county, and municipal authorities in accordance with the Town Planning Act of 1938 and the Regional Planning Act of 1949, inspired by the famous 'Finger Plan' of 1947 (initially a guiding principal for urban development but written into national law in 2007, with judicially binding influence over Greater Copenhagen and its planning initiatives). According to this principle, urban development should be channelled into five 'finger zones' extending outwards from the city centre, with green space in between. The plan is recognised internationally as a good example of 'sustainable urban development' (Rex 2011). A recent analysis by a leading commercial property agency and consultancy confirms that the geographical configuration of Greater Copenhagen's office markets remain in tune with the plan (see Figure 3.3).

Time period	Urban Politics
WWII-1989	<p>Government/Managerialism</p> <ul style="list-style-type: none"> • Building up the welfare state (Keynesianism) • Relatively even regional development between Copenhagen and the provinces • Post-war economic boom -> suburbanisation • The Finger Plan: controlled 'sustainable' urban growth; urban/rural zoning; proximity to public transport • Counter-urbanization in the centre • Crises in the late 1970s and 1980s
1989-1992	<p>Towards Governance/Entrepreneurialism</p> <ul style="list-style-type: none"> • Copenhagen as an engine of growth for Denmark (competition between cities; neo-liberalism) • Uneven development • Big projects (the Ørestad urban development project, Metro, the bridge between Denmark and Sweden) • Changes in cooperation between public and private actors.
1992-2001	<p>Governance/Entrepreneurialism</p> <ul style="list-style-type: none"> • Realisation of large-scale development projects • Privatisation of public land/properties • Primary focus on 'business' development
2001-	<p>Continuation and Growth</p> <ul style="list-style-type: none"> • Economic growth • Reurbanisation • Increased focus on housing for 'the economically sustainable population'
2008	<p>Continuation and Crises</p> <ul style="list-style-type: none"> • Financial crises • Roll-about neoliberalism

Table 3:2. Historic overview of changes in urban politics in Copenhagen (Based on: Lund Hansen et. al. 2001; Rex 2011).



Figure 3.3: Geographical configuration of Greater Copenhagen's non-CDB office markets (numbers refer to sub-areas).

Source: Sadolin and Albæk 2014.



Growth culminated in the 1960s, with a concentration of low-income and low-value areas in the inner city: derelict industrial buildings and slums, some already replaced by office buildings suitable to the new service economy (Andersen 1987). Planning responsibility was decentralised in the 1970s. One aim of the 1970 county and municipal reform was to create administrative units large enough to bear new responsibilities in planning and regulating urban growth, which were granted to them in new planning acts in 1970 and 1974. Though the 1970 reform sought to establish new scales for the administration of the Danish welfare state, fear of an all-too-strong capital city left Copenhagen with no regionally competent planning authority for coordinating urban policy (National Planning Division 1999). The economic crisis of the mid-1970s impacted Copenhagen, as it did other cities. That Copenhagen's recovery was considerably slower than in other North European cities is due in part to the established national policy of 'balanced' regional development, which seriously constrained growth in the capital city (Gaardmand 1993; Lemberg 1995 and 2000).

For Copenhagen, the crisis continued through the 1980s, eventually leading to state initiatives signalling a new phase in urban politics. This led in the early 1990s to a virtual turnaround from a longstanding political tradition of restricting investment and growth in the capital to strongly proactive policies to put Copenhagen on the urban world map, primarily in a European context. The central actors on the urban political scene have increasingly perceived Copenhagen as a node in the European urban system and as an engine of growth for all of Denmark. In this process, powerful regional actors have invested heavily in creating an identity for a unified region – the Øresund region – by linking Greater Copenhagen and the region of Scania in southern Sweden.

Urban development projects

Major investments include a motorway and railway bridge over the Øresund; expansion of the international airport; a new Metro line connecting the downtown with the airport; and major new urban development projects such as Ørestad, Holmen, and Havnestaden (including a new waterfront housing project, the first property investment made by the Carlyle Group in Denmark) (Lund Hansen et al. 2001; Lund Hansen 2007). The figure below maps out recent large-scale development projects in Copenhagen.

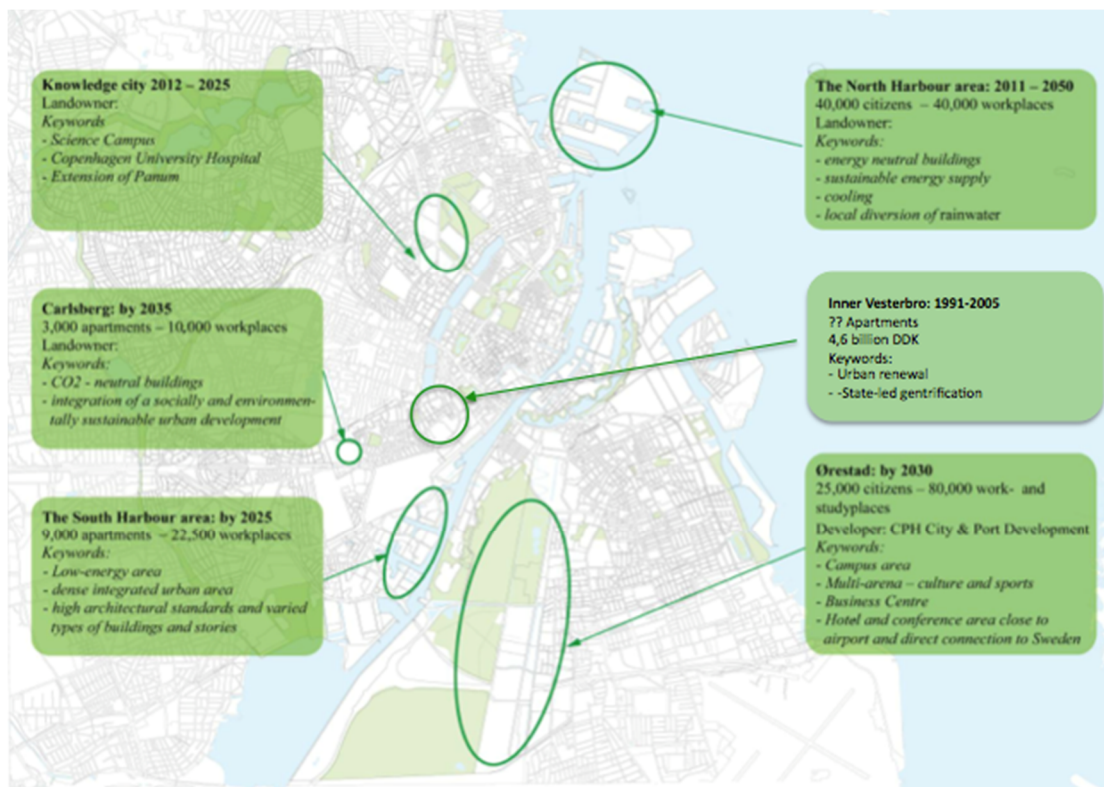


Figure 3.4: Overview of recent large-scale urban development projects in Copenhagen (Adapted from: Rex 2011).

On the Swedish side of the Øresund, the development of the new 'city tunnel' facilitating train services between Scania and Copenhagen draws upon and lends

credence to this new cross-border region, based on neoliberal planning (Baeten 2012) and entrepreneurial urban politics.

Other material outcomes include symbolic works of architecture, such as the Turning Torso in Malmö, Arken (The Ark, the new museum of modern art), Den Sorte Diamanten (The Black Diamond, the new waterfront annex to the Royal Library), and the new opera house and theatre buildings on Copenhagen harbour. In addition, new built environments were constructed for the main actors in the 'new economy' (the IT and FIRE sectors), including luxury hotels, restaurants, conference centres, and shopping malls, such as the new Fisketorvet shopping centre on the harbour. To this must be added investments in luxury housing and the publicly financed renewal of inner-city housing to attract the 'new middle class' employees in the 'new economy'.

These "generalized" processes of gentrification (Smith 2002), generated by public policy, entail the displacement of marginalised inner-city residents, who have no place in the 'region for the 21st century' and the so-called 'creative class'. In the next section, we will provide an overview of these changes.

3.3 Relationships to social geography

As Thomas Piketty (2014) demonstrates, income inequality has increased significantly in rich countries over the past 30 years. This is also true for Denmark and other Nordic countries, traditionally known for their equality of income distribution (see Figure 3.5).

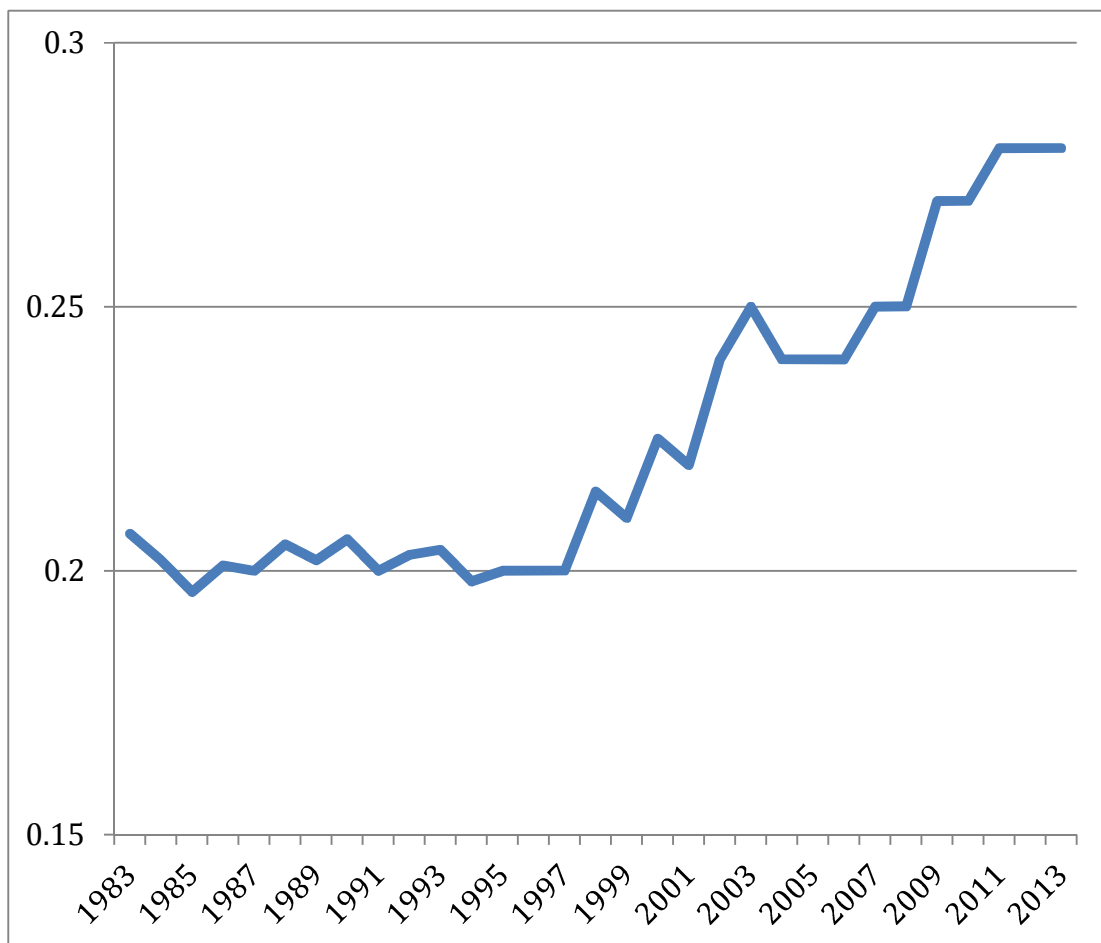


Figure 3.5: Gini coefficient in Denmark 1995-2013.

Source: Eurostat and Danish Ministry of Finance.

According to the Danish Ministry of Finance (2004), the reasons behind the striking changes that began at the end of the 1990s and took off in the 2000s are rooted in increases in capital gains in the private housing and stock markets. As we saw earlier,

falling interest rates as well as the government's legislative initiatives and the introduction of new financial instruments (adjustable-rate loans, interest-only mortgage loans, and the freeze on property value tax) fostered the housing bubble (Ministry for Business and Growth 2013) and subsequently potential capital gains in the housing market. The financial crisis coincided with a deceleration in inequality in Denmark due to decreases in capital gains, but we are now seeing a continuation of the earlier trends (Harboe and Andersen 2014). Even though Denmark is still among the most equal countries in Europe and globally (in part due to 'social transfers', including pensions), it is worth noting that, according to Eurostat (2014, 16) "the share of the population who moved downward by more than one income decile, was higher in 2012 compared to 2008 in Greece, Finland, Luxembourg, Denmark and Slovenia" and that its recent increases in income inequality are highest in the EU15 (Cevea 2014).

This increasing polarisation has a geographical dimension: "Denmark is experiencing a breakdown that literally divides Denmark. We see an inequality that is most striking on Zealand, while a significantly smaller difference between top and bottom can be observed in Jutland. The lines are also sharply divided in the largest Danish cities between rich enclaves and ghetto areas" (Harboe and Andersen 2014).

The largest income differences are found on Zealand (the island on which Copenhagen is located). The general trend is for the highest income groups to be concentrated north of Copenhagen and in rich enclaves in the city while low-income groups are concentrated in West and South Zealand (as well as Lolland-Falster) as well as particular areas in and around Copenhagen (see Figure 3.6) (Statistics Denmark 2014; Ministry of Housing, Urban, and Rural Affairs 2014).

According to Eurostat (2012 figures), Denmark is among the European countries where people living in densely populated areas are at risk of poverty or social exclusion. Around one-fifth of the population in the EU is at risk of poverty. The figure is 23 percent in Greece, 8 percent in Iceland, and 13 percent in Denmark. If housing costs are factored in, around one-third of the population in the EU is at risk, and Denmark is among the countries where the impact of housing costs is highest (an



increase of 24 percent) (Eurostat 2014). In the period of 1985-2011, the four largest urban regions in Denmark experienced increased segregation based on income, education, and individuals on social benefits. This tendency was most severe in Greater Copenhagen (Ministry of Housing, Urban, and Rural Affairs 2014). Most of the low-income groups in Denmark rent their homes (Statistics Denmark 2014). In the subsequent section, we will therefore take a closer look at the changes in Denmark's largest rental sector: non-profit housing.

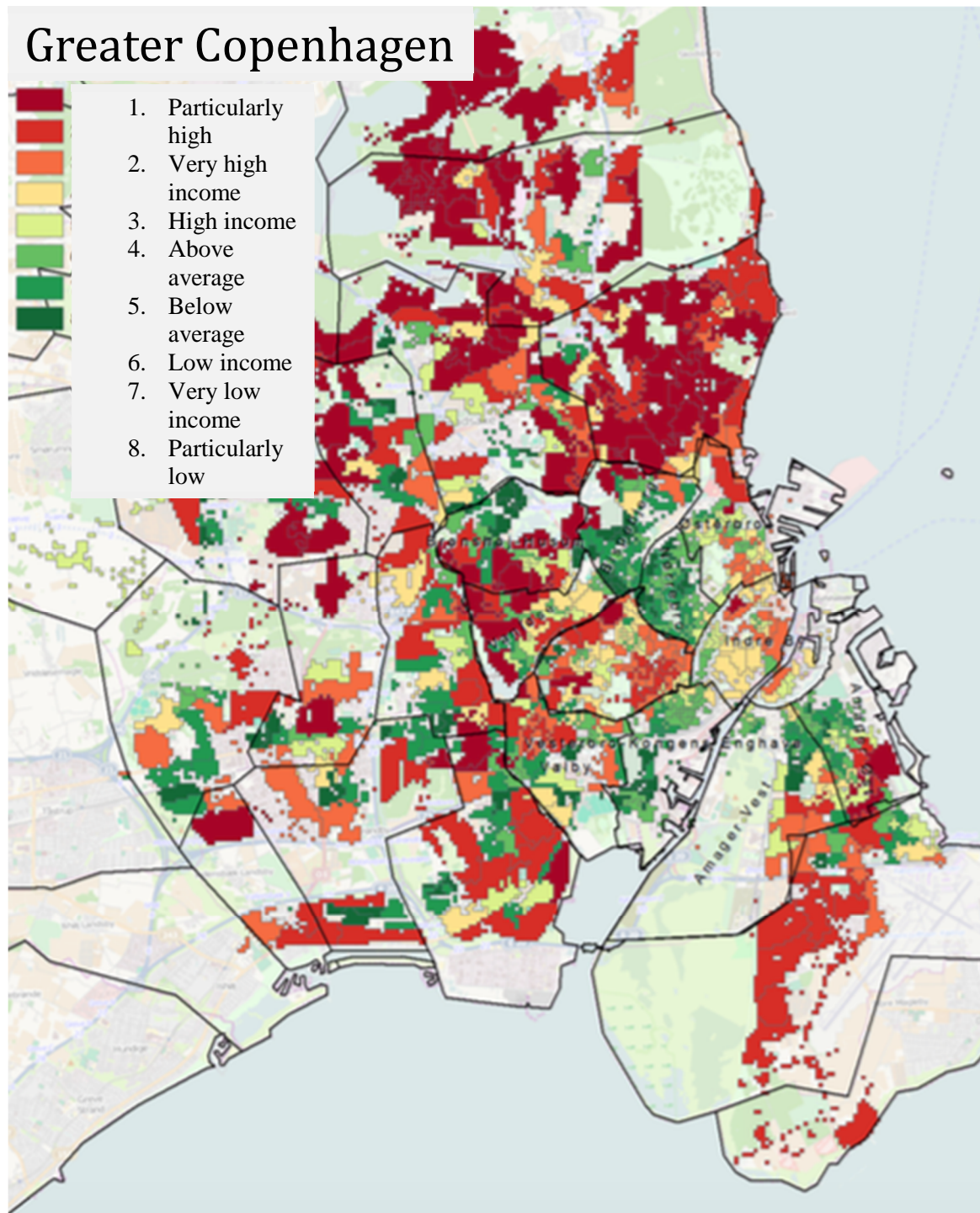


Figure 3.6: Income segregation in Copenhagen 2011.

Source: Ministry of Housing, Urban, and Rural Affairs, 2014.



The (failed) attempt to commodify non-profit housing⁴

With nearly 20 percent of the total housing stock organised in around 800 housing associations, 8,000 branches, and over 500,000 units, the non-profit housing sector provides shelter for nearly one-fifth of Denmark's population and is a cornerstone of the Danish welfare state. Non-profit housing can be characterised as 'collective private property', organised in independent housing associations, which have traditionally received support from the state and municipality for construction and loan repayment (Jensen 2006). Since 1947, the municipalities have had the right of disposition over one-fourth of the sector's housing units. Historically, the local and central governments have supported both 'bricks' (direct subsidies for construction) and 'people' (housing allowances). It should be noted, however, that there are subsidies for all housing sectors and that indirect subsidies such as tax deductions for owner-occupied and cooperative housing are greater than subsidies given to the non-profit sector (Erlandsen et al. 2006). Despite traditionally catering to a diversity of socio-economic groups, by the 2000s, the Danish non-profit housing sector was characterised by an overrepresentation of low-income and unemployed individuals, immigrants, and one-person and single parent households (Ministry of Social Affairs 2006). The vast majority of units were constructed in the post-1945 building boom and are, as in many other European cities, concentrated in and around the big cities (Andersen 2012). The sector is organised through a well-established multi-scalar tenants' democracy – one of the "distinctive features" of Danish non-profit housing, even in a Nordic context (Madsen 2006, 33).

During the 2000s, there were at least three strong attempts to weaken the non-profit housing sector and thereby pave the way for its commodification: (1) 'activation' of the Landsbyggefonden (The National Building Fund), (2) right-to-buy, and (3) decoupling from local democracy. The main focus here is on the second of these efforts. The first attempt was the appropriation of the sector's collective savings in the Landsbyggefonden (LBF). LBF is an independent institution, founded in 1967, which is

⁴ The following section is partly adapted from Larsen and Lund Hansen (2015).



regulated by law and contains the statutory savings made by tenants living in non-profit housing. Through a legislative change in 2002, the newly elected government altered the political practice of how to use the funds. The law's subtitle, 'Activating the National Building Fund', clearly expresses that new winds of political change were blowing through the non-profit housing sector (Ministry of Economic and Business Affairs 2002). Activating LBF can be seen as a form of indirect "accumulation by dispossession" (Harvey 2003). The state has made strict demands on the use of these savings by imposing duties the non-profit sector's saving that were traditionally borne by the (local) government. This manoeuvre has "relieved the pressure on state finances" and contributed to a general "undermining of the sector's institutional platform" (Jensen 2013, 54 and 59) – and thereby potentially paved the way for a dismantling and commodification of the sector.

The second attempt came in 2004 with the introduction of a Danish version of Thatcher's 'right to buy' scheme. Brian Mikkelsen, a leading conservative minister at the time, saw this as "ideology with freedom of choice" (quoted in Wamsler and Due 2011). The liberal mayor for construction and engineering in Copenhagen, Søren Pind, went even further when he called the legislation "a battering ram straight into the heart of the non-profit housing movement" (quoted in Møller 2002). The idea was to strengthen the "property rights in this housing segment" (Erlandsen et al. 2006, 15) – a clear example of the commodification of housing commons. The law was passed in 2004, but it included provisions, which the non-profit movement believed would block any significant privatisation. Although government estimated that 5,000 units would be sold during the three-year trial period, only 62 units were sold in actuality (Capacent and SBS 2007). The vice president of the tenants' association explains this incongruity (Jensen 2006):

They had problems finding legal means of introducing this policy. One of the problems is that this sector is owned neither by the local nor the central government but by non-profit organisations formally run by the tenants. At this point, they have introduced legislation that gives opportunities for the tenants



to participate in privatisation if the tenants and the local government approve of the plan. But until now, all attempts have been rejected by the owners (the non-profit companies and associations) who actually own the housing. The owners remain ready to go to court to defend this position.

This reveals the contradictory realities of Danish non-profit housing: Because of the private (if collective) nature of the association-based model, non-profit housing associations seemed – rather paradoxically – able to resist attacks from a government hailing the neoliberal virtue of private property. It was thus hotly debated whether the right-to-buy scheme amounted to unconstitutional expropriation, and it seemed that the non-profit housing associations had a good case (Jensen 2005). However, a 2007 Supreme Court ruling suggests that the non-profit housing associations' position is precarious. The case concerned a local branch's desire to implement the scheme. This was supported by the municipality and sanctioned by the ministry but resisted – eventually in court – by the association of which the local branch was part. With a ruling supported by five out of nine judges, the Supreme Court decided that the local branch could implement the privatisation as the property rights belonged to the branch rather than to the parent association (Højesteret 2007). The concrete impacts of this ruling remain to be seen, but it opens up the possibility for piecemeal enclosures of the non-profit sector by individual branches within the movement.

The third attempt at commodification came in 2009, aimed at decoupling from local democracy. The residents' democracy is a special feature of Denmark's non-profit sector and is unique in an international context. Organisational change has been a major component of neoliberalism, and one of the preferred governance tools has been New Public Management (Connell et al. 2009; Peck et al. 2009). The Danish government on this occasion deployed New Public Management in order to pave the way for better control over the sector (Ministry of Social Affairs 2010). It thus became easier to govern 'unruly' segments of tenants, for instance ('poorly integrated') immigrants – a group under constant attack during the 2000s, when the right-wing



government was ruling on the mandate of the xenophobic Danish People's Party. Many of the government's interventions in housing politics, including the strike against local democracy, are linked to the so-called 'ghetto strategy', which involved the demolition and renovation of housing estates (with support from LBF), 'social mixing' (by prioritising 'resourceful' tenants, restricting people receiving social benefits, and using the government's strict new immigration laws), easier eviction procedures, zero tolerance against crime, and more police and surveillance (Regeringen 2010).

Danish non-profit housing is an example of what Harvey (2014, 24) identifies as a housing system that "focuses on the production and democratic provision of use values for all." In spite of its faults, the non-profit sector is the one remaining bastion of social justice in Danish housing politics. It will take a concerted effort of commoning to sustain and develop this sector as collective and non-commodified.

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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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