HOUSING FINANCIALIZATION. TRENDS, ACTORS, AND PROCESSES

BROCHURE OF THE EUROPEAN ACTION COALITION FOR THE RIGHT TO HOUSING AND TO THE CITY

ROSA-LUXEMBURG-STIFTUNG, BRUSSELS OFFICE 2018

CONTENTS

It has been over 10 years now since the collapse of the subprime mortgage market triggered the financial crash and yet it is as if nothing has changed, with the financial sector continuing to wield great influence over the housing market. Banks and investors are still profiting from the popular classes' basic need for housing, thereby shaping our cities to line their own pockets.

The brochure *Resisting Evictions across Europe* we published in 2016 with the European Action Coalition for the Right to Housing and to the City (ACRHC) addressed the impact of the financial crash on the lives of millions of people in Europe and their resistance to these developments. Today, investment funds and banks are buying up entire neighbourhoods and pushing speculative investments in cities with the support of national and European institutions at a rate never seen before. This is exacerbating the level of conflict surrounding affordable housing and is increasing displacements and evictions.

This second brochure, following up on its predecessor addresses these dynamics and developments by examining the recent interrelations between capital and housing, bringing these together under a single cover term, namely the 'financialization of housing'. Its main goal is to provide clear answers to the many questions raised by this trend: an objective achieved in no small part thanks to the structure of the text taking its lead from a list of questions and its dense yet accessible style of writing.

This publication then goes on to outline policies aiming to meet the ACRHC's demand for radical improvements to be made to the current disastrous state of affairs, before concluding with a series of inspiring examples of the resistance in many cities to the financialization of housing.

Once again, the collective input (in terms of both research and writing) of many affected people, whether members of activist groups or precarious academics who have been organizing struggles around housing from Lisbon to Prague and from Berlin to Athens, has been fundamental to bringing this brochure to fruition. Our thanks go out to each one of them, not only for their hard work putting this publication together but above all for the battles that they are fighting day in, day out regarding this issue.

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INTRODUCTION

Everyday, members of the European Action Coalition for the Right to Housing and the City witness the manifestations of the housing crisis and feel the need to address its systemic causes. We know that we must recognize how finance capital has gained a tremendous advantage from the transformation of commodified housing into an object of financial speculation to a larger extent than before. This process is part of the financialization of housing alongside the increasing dominance of financial actors in the production and exchange of housing and related changes to the market, state, and households. But we can also acknowledge that the transformation of housing into a financial asset does not mean that capital accumulation via exploitation does not continue to operate in the production of housing. While observing how capital is accumulated through housing and how financialization affects homeownership, private rental housing, and even social housing, we should not forget to ask how this process is related to other forms of capital accumulation in contemporary capitalism.

The definition we seek to work with comes from Aalbers (2017), inspired by Epstein (2005): "Financialization is the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of the economies, firms (including financial institutions), states and households."[1]

While identifying the structural causes of housing crises, we should name and target the main actors of financialization, among them banks, real estate developers, investment companies, private equity funds, and others. Moreover, we should uncover how the states, transnational structures, and intergovernmental organizations are supporting their interests through legislation, policies, strategies, and programs that privatize, marketize and deregulate housing and are also the constitutive actors of financialization.

In their everyday activities, housing activists struggle together with people facing pauperization and its effects on their housing conditions, exclusion, racism and segregation, foreclosures, indebtedness, housing insecurity, evictions, homelessness, the continuous increase in house prices and rents, the lack of public housing, gentrification, and touristification, which expel people from urban areas with high real estate value. Not only do they need to expose the local manifestations of these processes and to tackle their effects, but they also need to identify their

1 Aalbers, Manuel B.: The variegated financialization of housing, in: International Journal of Urban and Regional Research, 41/4 (2017), 542–554.

structural causes, for instance, capital accumulation by dispossession, uneven development, and the politics of market fundamentalism.

By describing these structural causes, we may shed light on why similar trends in housing financialization manifest in divergent ways, particularly n national and local contexts. It is important for us to acknowledge that we are part of the same story, which is the story of capital accumulation, and that the countries in which we act are integrated differently into and have different roles in this global process.

The greatest potential of the European Action Coalition for the Right to Housing and to the City consists in the linkages that it makes between the movements which act locally and the actions which go beyond the local.

Addressing housing financialization, the Coalition can contribute, on the one hand, to the understanding of how different national settings play a role on the stage of contemporary global capitalism or how they are integrated into it as core, peripheral, or semi-peripheral countries. For example, how do Western Banks (such as Erste, Raiffeisen, UniCredit) depend on the profit they make in the countries of Central and Eastern Europe while keeping the latter depend on Western capital? Or how do some corporate landlords cross national borders in order to purchase the last remaining public housing stock in different countries? Alternatively, how do investment funds (such as Blackstone) buy real estate assets in different countries and on several continents in order to increase their value and resell them at high profit rates?

On the other hand, the experiences and knowledge accumulated within our Coalition may show how the major trends of capital accumulation via housing financialization are localized in different national contexts or how and when they manifest under particular circumstances (which specific historical legacies and the current institutional policy frameworks of housing define). For example, how does the marketization of social and public housing unfold in different countries in such a way as to transform these forms of housing into factors which sustain the housing market? Or how does rent control and/or the deregulation of rent happen in particular contexts? Or why is it that, in some countries, people are more indebted through mortgages than in others?

Our brochure discusses some of the dominant trends, main types of actors, and causes of housing financialization in contemporary global capitalism. Its ideas are elaborated as exploratory answers to questions rooted in the lived experiences of the activist groups which form the European Action Coalition for the

Right to Housing and to the City. The research process and writing were developed through collective discussions and different kinds of contributions by the members of the coalition. CADTM (the Committee for the Abolition of Illegitimate Debt)[2] and Observatorio Contra los delitos económicos (Observatório Code)[3] also collaborated. Finally, the Rosa-Luxemburg-Stiftung supported the editing, publication, and distribution of the brochure. This brochure aims to become a resource for further action towards the structural causes of the phenomena that our movements are facing at local levels and to address them by targeting not only the national but also the transnational actors of financialization.

The major message of the brochure is that housing financialization, as a global process, affects each and every country in the world: it contributes to the accumulation of capital in the pockets of bankers, real estate developers, private housing companies, pension funds, insurance companies, landlords, managers, or small shareholders. At the same time, it dispossesses people, whose housing needs state politics increasingly neglect by supporting the interests of big capital and speculators, and generally increases inequality in society. However, housing financialization unfolds unevenly in particular (clusters of) countries, specifically with regard to how and when different forms of housing financialization manifest. It is possible to explain this unevenness by pointing to their divergent political and economic histories and the opportunities that are currently being created in particular countries for finance capital in the domain of housing (i.e. banks, real estate developers, private/corporate landlords, etc.).[4]

Here, we mention three factors that may explain why we encounter different manifestations of housing financialization in different countries/regions:

THE HOMEOWNERSHIP REGIME, ITS HISTORICAL FORMATION, AND ITS CURRENT CONDITION

In some countries, such as in Central and Eastern Europe, housing is largely homeownership-dominated as a result of massive privatization (via the selling of public housing to its former renters and via the restitution/reprivatization of

2 Committee for the Abolition of Illegitimate Debt: www.cadtm.org/ (14.12.2018).

3 El Observatorio CODE: http://observatoriocode.org/ (14.12.2018).

4 Pósfai, Zsuzsanna/Gál, Zoltán/Nagy, Erika (2018): Financialization and inequalities. The uneven development of the housing market on the Eastern periphery of Europe, in: Inequality and Uneven Development in the Post-Crisis World, edited by Sebastiano Fadda and Pasquale Tridico, New York: Routledge, 167–191.

formerly nationalized buildings and lands). The small owners are the small players of the housing market, while real estate developers engage in the big transactions. Foreign investment funds may easily and successfully buy up and own office buildings as well as the remnants of former factories, whose buildings and lands are transformed into assets of real estate speculation.

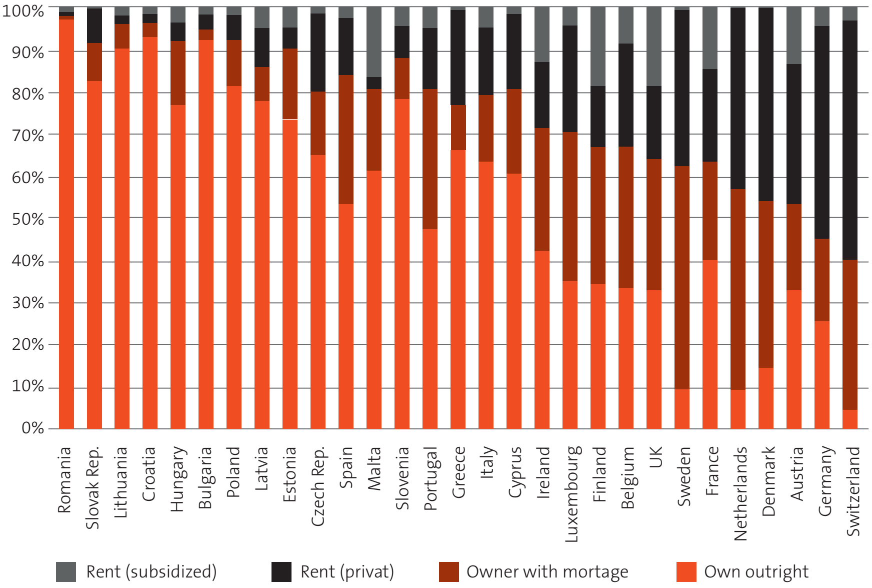
Homeownership also dominates Southern European countries. Its growth is connected to the increase in private rents, which pushed people to apply for bank credit to purchase homes. So, in these countries, homeownership is mostly based on mortgages. In the recent decades of financial crises and austerity politics in countries such as Spain, Portugal, Greece, Italy, and Malta, this situation resulted in foreclosures and increased homelessness among indebted members of the population.

RECENT AND CURRENT DEVELOPMENTS IN THE RENTAL MARKET

In some European countries, for instance, Germany, Switzerland, Austria, Sweden, the Netherlands, France, and Britain, urban rental housing has traditionally played a much more important role. However, as a result of neoliberal privatization and policies oriented toward the middle classes, the extent of individual homeownership in most of these countries has increased extraordinarily over the past decades. A starting point and model for this type of process was Margaret Thatcher's introduction of the "right to buy" in Britain in the late 1970s, which targeted council housing. Moreover, in Germany, France, the Netherlands, and Sweden, private homeownership has been growing through large-scale privatizations, condo conversions, and many privileges and incentives for buyers and property owners and – thus – the financial sector. More individual homeownership principally means more debt and more business opportunities for banks and real estate speculators.

In Germany and Switzerland, private rental housing has traditionally played a much more important role than in Sweden, the Netherlands, or France, where public or publicly regulated housing has traditionally dominated the rental sector. There have also been tremendous stocks of social and public housing under public landlords in Germany. In all countries, these homeowners' publicly regulated housing stocks have come under neoliberal pressure. A lot of them have been lost to individual homeowners as well as to financial investors and private corporate landlords. Investments into the buy-out and financial market-conforming transformation of these housing stocks is a primary sphere of "housing financialization" in these countries. It is a very simple example of what David Harvey called *accumulation through dispossession*. In this case, it refers to society's dispossession of its capacity to meet growing housing needs, which are also rising due to immigration. The new private landlords have initiated huge increases in rents, making them more and more unaffordable to a majority of people, especially in the big cities. Landlords in countries with comparably developed rental regulations try to use their power to bypass normal rental contracts ("antisquat" in the Netherlands). They also try to bypass regulations on rent increases or use what they call "modernizations" to the housing stock to increase rent significantly beyond what the regulations allow (Germany and Sweden). Some large private landlords (e.g. Germany-based Vonovia and Patrizia) aim to expand their business to more housing companies, countries, and business segments. Transnational landlords are interested in countries where there is still a consistent percentage of social and public housing stock to be privatized.

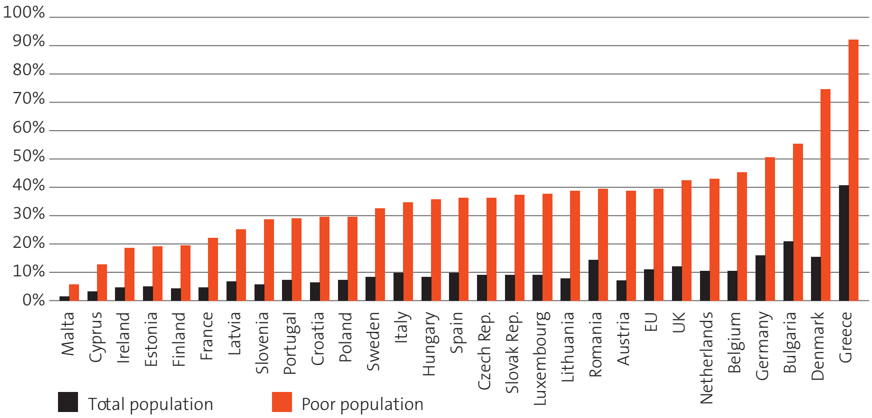
SHARE OF HOUSEHOLDS IN DIFFERENT TENURE TYPES, IN PERCENTAGES (OCDE, 2014)



THE PURCHASING POWER OF THE POPULATION

There are big differences in minimum and average wage between different countries globally. There is also income inequality between employees and, most importantly, that between those with the highest salaries and those with the lowest salaries. In each country, income inequality and housing inequality mutually reinforce each other. Thus, the pauperization of the working class and the relative impoverishment of lower middle class is due not only to the stagnation of wages or the reduction of the purchasing power of wages but also to the rise in house prices on the market and the rise in the housing-related expenses of households (which are increasing absolutely as proportions of total household incomes). Together, these developments have resulted in the growth in the size of household debt, the number of types of household debt, and the number of people forced to live under inadequate conditions and in informal and insecure housing arrangements.

SHARE OF HOUSEHOLDS IN EXERTION (2016, IN %)



This brochure is only one of the products of the European Action Coalition for the Right to Housing and to the City, and it seeks to link action and research. It elaborates the short brochure on housing financialization which the Coalition made in 2017.[5]

Because we use activist or militant research to inform and raise consciousness about particular issues and, most importantly, as an instrument for conceptualizing strategies for action, we will continue our work in the direction of politicizing our understanding of housing financialization and our actions against it.

5 European Action Coalition: Hands Off Our Homes The Financialization of Housing in Europe, in: https://housingnotprofit.org/files/campaigns/e-financialization%20(2).pdf (14.12.2018).

FINANCE AND HOUSING IN CAPITALISM

WHAT IS THE ROLE OF FINANCIAL CAPITAL IN CONTEMPORARY CAPITALISM?

The so-called "laissez faire capitalism" of the 19th century created a huge housing need for the labour force living in cramped conditions in the cities of the most industrialized countries. At the same time, colonialism entered a new phase – imperialism – when the struggle between the colonial powers for territories, raw materials, markets, and a cheap labour force became stronger and stronger. The state did not regulate the banks and the financial sector; hence, they became more and more speculative. This resulted in the collapse of the stock market (1929) and the banking system, generating the periodical crises of capitalism and the two world wars of the 20th century.

After the Second World War, under the pressure of the growing and organized international movement of workers, the structure of accumulation changed and was tempered through a series of social and economic policies. Housing regulation and policies started even earlier in some countries. In some cases, state capitalism came with the nationalization or, at least, regulation of many financial institutions. Capital accumulation was supported in the non-financial sector: loans were given to productive firms for big infrastructural projects or for industries but also to households (at low interest rates) to support their capacity to consume. Welfare states were created, and they varied tremendously from country to country. Generally, public services were developed, and markets were regulated. In the housing sector, social and public or cooperative housing were produced, and the private market was regulated.

Developmentalism also became a dominant trend in the countries where state socialism was administering the big transformations (industrialization, urbanization, nationalization of production, etc.).

National and international political forces within the Bretton Woods system prioritized the reconciliation of international free trade with domestic welfare policies.[6]

6 "The Bretton Woods international system was based on an inter-state agreement regarding the need to regulate the exchange rates between currencies (a system of regulation that was disciplined by the US dollar tied to gold), to regulate the market and to control the flows of speculative international finance via central banks, but at the same time to support free trade. It promoted the investments in the form of foreign direct investment, for example the construction of factories overseas, rather than the international currency manipulation or bond market. The newly created International Monetary Fund and World Bank had a big role to play in the control of the international monetary system. Bretton Woods ended when at the beginning of the 1970s, the US president announced the 'temporary' suspension of the dollar's convertibility into gold, which led to currency destabilization, to the free floating of currencies and at the end of the day to their depreciation."

Earlier empires continued their dominance in former colonies through different forms of neocolonialism. The structural adjustment programs that the International Monetary Fund and the World Bank administered set conditions for the loans offered to the so-called "Third World" countries (and to some of the "Second World" countries) through demands regarding privatization and marketization.

The 1970s and 1980s witnessed major waves of systemic crises of capitalism. The response that the most powerful states promoted/imposed was the neoliberalization of policies in every domain. This was a way to dismantle the welfare state and to unleash financial capital from state control or – better said – to place states at the service of (financial) capital and private interests.

As a result, the accumulation of financial capital through investment schemes and funds became more independent of non-financial capital (such as capital invested in factories, infrastructure, etc.) than before. Capitalist globalization, which involved the removal of barriers to the free movement of goods, services, and capital globally among other factors, also marked this period.

Globalization found new sources of accumulation in the 1990s with the dismantling of state socialist economies. This created new territories where Western capital could be invested, cheap labour forces could be easily exploited, and the public domain and natural resources began to be privatized and commodified (transformed into commodities). In the countries called "emergent markets" (such as the countries of Central and Eastern Europe), development started to be measured using indicators which reflected their openness towards foreign direct investments (FDIs) – facilitated by the large-scale privatization of production and housing and partially that of education, healthcare, and social services.

Globalized neoliberal capitalism – alongside the informatization and transformation of the banking system – created the conditions for the hegemonic extension of financial capital globally. Hence, it can now travel freely across national borders and seek profit opportunities without state regulation.

WHAT IS HOUSING?

A home is a primordial human, social, and community need and a fundamental human right. In this sense, it is indispensable for satisfying other needs and contributing to other rights, including health, schooling, and labour. Housing is a means by which people enter into social relations within the household and with others. It is a prism through which people create and maintain their sense of being, their sense of belonging, and their sense of dignity.

On the other hand, housing is a domain of policy, connected to the wider political and historical processes discussed in the sub-chapter above. In this sense, there is a distinction between housing as economic policy and housing as social policy.

Housing policies, as part of economic policies, are vital to the socio-economic order of any society. They are regulated via governmental measures: the government might play the role of housing developer (producing houses) or might just resort to the role of housing sector manager. In capitalism, housing is treated as an important commodity because of its exchange value and because it brings significant profits to capitalists.

Housing policies, as part of social policies, refer to a set of governmental measures which are dedicated to the realization of the right to housing for all.

WHAT IS CAPITAL?

We adopt a Marxist approach when analyzing capital: Capital is not simply a thing (money, land, buildings, machinery, financial products). It is also a process of circulation. It is a value which generates surplus value (and hence more capital) as the result of the exploitation of wage labour. Capital is a certain relation between people. It is the socio-economic relation of production between the two classes of capitalism: the capitalists and the workers.

But capital is not only invested in the labour force, the means of production, or raw materials. It may also be invested in housing and, more generally, in real estate properties (land, buildings with different functions, natural resources belonging to these properties). The money invested in real estate and housing becomes capital if this investment seeks not to produce homes to be used (for their social use value) as such but to be a value that is exchanged on the market in order to accumulate profit. Thus, homes and land go through a process of commodification.

In the context of contemporary globalization, capital is free to flow across national borders and to be invested in any place where more profit is expected. Therefore, the money of an investor, a big landlord, or a bank from Germany might travel to several other countries to enable the making of profit via real estate transactions, to buy the public housing stock that states are willing to sell to private companies, or to offer bank loans with higher interest rates than those in the home country. In this way, all over the world, global capital inserts itself into very local processes and national contexts, becoming a major actor in the commodification and financialization of housing and, thus, dispossessing more and more people of their homes.

WHEN IS MONEY TRANSFORMED INTO FINANCIAL CAPITAL?

The distinction between money which is just money and money which is both capital and money arises from the differences between their forms of circulation. Money becomes capital if it is not simply used to buy a commodity for its use value but is invested into a commodity or circulated with the aim of reselling that commodity for profit or for a higher price than the one at which it was initially bought (even if this does not happen in all transactions, the aim of profit-making remains the basis for circulating homes and lands on the market). Moreover, money becomes financial capital if it is invested into debt and equity schemes (such as bank loans, personal loans, credit card debt, funds generated by selling stock, etc.).

WHY IS HOUSING IMPORTANT FOR FINANCIAL CAPITAL?

Housing is important for financial capital because it is an asset through which an investor might accumulate capital or gain quick huge profit. Another function of housing, from this point of view, is to serve as a form of storage for assets or value (meaning that capital is invested and "stored" in housing, where it waits for future profits). Housing loans and long-term credit are fundamental to banks, which use them to leverage other investments and make possible long-term yields.

On the one hand, financial capital might be invested in the construction of housing: in this case, housing functions as a domain of production. In order to construct, the construction company buys labour power, raw materials, and means of production. In this process, the firm gains profit due to the fact that the workers, whose salaries are only a part of the produced value, produce the surplus value that it appropriates. At the end of this process, the house is sold as a commodity on the market, and the construction company and investor take its surplus value.

On the other hand, financial capital might be invested into the acquisition of homes with the aim of reselling them on the market for a higher price. A real estate agency might buy available homes from the market with the aim of gaining profit from renting or re-selling them. In this process, the homes are the means by which the capitalists raise profit due to the fact that they take part in these transactions or speculations. This 'transactioning' of homes on the market becomes speculation if their owners introduce them into the circuit of capital: the speculators buy the homes when their market prices are low and start selling them when the market prices of real estate assets grow. Meanwhile, the houses remain empty in many cases.

Moreover, banks offer loans to construction companies that produce housing, to the real estate agencies that sell homes on the market, or to persons who do not have enough cash to buy homes. These bank loans generate profit – in the form of interest rates – for the financial institutions that put them on the market. Increasingly, in recent decades, both the capitalists whose business is housing and the consumers who cannot acquire homes otherwise, are conditioned to realize their goals through bank credit. For some time, banks have developed the financial instruments that played a pivotal role in the financial crisis of 2007/2008: the process of securitization comes from the deregulation of the financial system and is a financial practice that involves pooling various types of contractual debt in which residential mortgages play an important role when 'bundled' in large numbers and sold to third-party investors. During the 2000s, this practice caused the emergence of a financial bubble and a housing bubble connected to the subprime[7] mortgage market in the US. When the bubble burst, there was an enormous impact on financial markets all over the world. The result was the eviction of millions of families.

Under conditions in which homeownership is politically promoted as a highly valued ideal, the state does not produce public housing, and the wages of the laborers are stagnating as the prices of homes grow, there will be more and more actors looking for real estate credit and loans. This conjuncture is favourable for the banks and for all those actors whose goal is to accumulate capital via the housing sector and the financialization of housing.

One thing is certain: the more the available credit, the higher the prices, and the higher the risk of real estate and financial bubbles developing and families becoming indebted once more.

WHY IS MONEY IMPORTANT FOR HOUSING?

In order to maintain, rent, improve, acquire, or use a home, a person needs money. A home is important for its use value: people need it for several ends according to their physical, social, and psychological needs. From a Marxist perspective, the

7 Subprime is a credit risk, granted to a borrower that does not offer sufficient guarantees to benefit from the more advantageous interest rate (prime rate).

home is a sphere of consumption through which people "reproduce their labour power"[8]. For centuries, labourers have struggled for better work conditions and for the cost of the reproduction of labour power via housing (alongside the reproduction of labour through the provision of food, clothing, education, healthcare, leisure, etc.) to be shared with others who are interested in reproducing the labour force, for instance, companies, the upper classes, and the state. But these conditions have rarely occurred. There have been historical periods, such as now, when the costs of housing as a means of the reproduction of the labour force have been left solely on the shoulders of workers. At such times, they have been exploited as workers who produce commodities to be sold on the market and as persons who have to ensure their own reproduction through by being given debt.

Households need money in order to sustain themselves and resources to cover all the related housing costs: that is, the costs of utilities, taxes, insurance, and the renovations or improvements that a home needs. Banks might be there to "help". Their advertising might even create the desire for people to invest more in their homes.

Additionally, financialization affects the whole life of a household and its members in various ways. The way our consumerist society has been constructed has resulted in the financialization of households via the system of credit cards, pension schemes, and a large variety of loans with different objectives on the market. Basic health services have been privatized, and basic furniture is quite unaffordable. Moreover, expenses include privatized child care, paying off older debt, sustaining the family through times of low or reduced income, paying taxes for working abroad programs, etc.

Under conditions in which wages are stagnating and house prices are growing, people spend more and more of their wages on maintaining their homes. They might be overburdened with the costs of housing. The high costs of housing (in the form of rents, bank interest rates, utilities, insurances, taxes, etc.) alongside an economic system that keeps wages at low levels, result in the impoverishment of people. The decrease in workers' incomes and the need to continue to maintain their lives and access increasingly commodified fundamental needs – like housing, education, health, push people into debt. People are not always able to repay their debts because of unemployment or precarity. According

8 Regain strength and health, rest, develop supportive relationships, acquire the necessities that make it possible for people to work.

to Lazzarato[9] (2012), debt is at the very core of the neoliberal project, and it sharpens mechanisms of exploitation and domination. Debt becomes a burden but also an instrument of shame, guilt, and social control and a form of capital extraction from people and states. When more than 500,000 people could not afford their housing credits in Spain,[10] it was evident that the problem was not a creation of the people. Rather, it lay with the system. In such a situation, the debt becomes illegitimate debt.

WHAT IS ILLEGITIMATE DEBT?

According to Irene Sabaté,[11] "abusive loan" is the label assigned to practices that, although they have taken place within a contractual framework, are today viewed as illegitimate beyond their legal or illegal nature. The violation of principles of moral economy, and not necessarily the violation of the law, seems to be the distinguishing feature of illegitimate indebtedness. This author, having studied the mortgaged families in Spain, mobilizes the concept of moral economy from Thomson[12] and Scott[13]. She also identifies, in some Spanish court cases, the recognition of the illegality of Spanish mortgage legislation in accordance with the standards of the EU, the lack of transparency or even the fraudulent nature of contracts, the violation of consumer rights, and the social and human dimension of the problem. Sabaté asserts that historical circumstances such as a financial crisis have the potential to challenge the hegemony of the neoliberal narrative, the expert models and meanings commonly attributed to economic practices. She proposes mortgage over-indebtedness as an illegitimate condition, the result of the violation of certain principles of moral economy. So debt is an amount of money that a debtor borrows from a creditor under certain conditions, which are usually defined in a contract. The relationship between the debtor and creditor is frequently unequal as one detains

9 Lazzarato, Maurizio (2012): The Making of the Indebted Man. An Essay on the Neoliberal Condition, Los Angeles: MIT Press.

10 Plataforma de *Afectados por la Hipoteca*: El Gobierno responsable de que la línea roja de los desahucios siga aumentando: #500milDesahucios, in: https://afectadosporlahipoteca.com/2015/03/13/el-gobierno-responsable-de-que-la-linea-roja-de-los-desahucios-siga-aumentando-500mildesahucios/ (14.12.2018).

11 Sabaté Muriel, Irene: La ruptura de una economía moral y las deslegitimación de las deudas hipotecarias, in: https://www.redalyc.org/pdf/181/18153280007.pdf (14.12.2018).

12 Thompson, E.P. (1971): The Moral Economy of the English Crowd in the Eighteenth Century, in: Past and Present, 50, 76–136, in: https://www.jstor.org/stable/650244 (14.12.2018).

13 Scott, James C. (1976): The Moral Economy of the Peasant. Rebellion and Subsistence in Southeast Asia, New Haven: Yale University Press.

the capital and the other undertakes to pay it back. Laws often favour creditors. There are different types of debt: loans, bonds, notes, mortgages, etc. The specificity of a mortgage is that it implies a property as guarantee (collateral).

IS HOUSING DEBT ILLEGITIMATE DEBT?

An illegitimate debt is not necessarily an illegal debt. Legality and legitimacy are not the same thing as history has shown. In fact, many acts that were considered illegal were legitimate and, fortunately, became legal in some countries (women's right to vote, the right to abortion, etc.). On the contrary, many legal conditions were illegitimate, before they would be considered illegal or even criminal (slavery, domestic violence, etc.).

As discussed in the sub-chapters above, in the case of housing, we have seen laws become increasingly illegitimate. A lot of legislative changes in the past decade, especially in European countries, have primarily benefitted banks and investment funds. These changes are considered to be legal but are far from being legitimate as they do not serve the population.

Illegitimate debt is not defined in international law. Rather, it is a political concept. It covers legal principles such as: the prohibition of abuse, equity, human dignity, the right of peoples to self-determination. The executive, legislative, and judicial authorities often use it.[14] We are using the following definition, which the Committee for the Abolition of Illegitimate Debt (CADTM) developed: illegitimate debt is "debt that the borrower cannot be required to repay because the loan, security or guarantee, or the terms and conditions attached to that loan, security or guarantee infringed the law (both national and international) or public policy, or because such terms or conditions were grossly unfair, unreasonable, unconscionable[15] or otherwise objectionable[16], or because the conditions attached to the loan, security or guarantee included policy prescriptions that violate national laws or human rights standards, or because the loan, security or guarantee was not used for the benefit of the population or the debt was converted from private (commercial) to public debt under pressure from bailout creditors"[17].

14 See Vivien, Renaud: Dette illégale, odieuse, illégitime, insoutenable: comment s'y retrouver?, in: www.cadtm.org/Dette-illegale-odieuse-illegitime (14.12.2018).

15 It means "unjust".

16 Not good or right, causing people to be offended.

17 Truth Committee on the Greek Public Debt: Preliminary Report of the Truth Committee on Public Debt, in: http://www.cadtm.org/IMG/pdf/Report.pdf (14.12.2018).

The justice systems of various countries (Spain and the USA in particular) recorded hundreds of thousands of cases of abusive and fraudulent real estate contracts. The actual figure may be much higher.[18]

On a larger scale, the massive insolvency (inability to repay a debt) of households due to the financial crisis that resulted in thousands of auctions and evictions should not have occurred. Many households were shoehorned into buying apartments or houses, usually without having any other alternatives for housing. The rental market was gradually deregulated, and, therefore, renting was more expensive than buying in some cases. In addition, governments sometimes generously promoted private property through fiscal policies.

Instead of applying incentives for families to indebt themselves, collective institutions (governmental or not) should have solved the lack of housing alternatives. Therefore, households should not bear the consequences of their inability to pay back their debt.

18 Extract from the article written by Toussaint, Eric: Breaking the Vicious Cycle of Illegitimate Private Debt, in: http://www.cadtm.org/Breaking-the-Vicious-Cycle-of (14.12.2018).

ACTORS OF HOUSING FINANCIALIZATION

This chapter tries to synthetically summarize the logics and developments of finance, actors, and their practices. It is therefore necessarily reductive regarding the complexity inherent in finance.[19]

To understand the financialization of housing, it is not only necessary to understand commodification (seen as a process of the expansion of capitalism to all aspects of our lives and consumer goods and services, including housing), but also finance as a whole. Finance has experienced unprecedented growth since the 1990s in the context of globalization and neoliberal (de)regulation. Neoliberal policies, which the economic theorists of the free market have legitimized, promote the reduction of the role of the state in its sovereign prerogatives (police, justice, army, diplomacy). This logic and the process that began in parallel with the globalization of trade and the circulation of capital have greatly favoured the growth and expansion of finance.

In simple terms, finance is that sector of the capitalist system in which the basic capital is money and neither the means of production (such as machinery, raw materials, etc.) nor the labour force, as in the so-called "real" economy (the economy of the production of goods and services). The logic of financial economics is to make more money from existing money.

The origins of finance are old and mainly concern banking practices. Until the 19th century, usury practices were widespread as a method of financing with very prohibitive interest rates. The actual first wave of financialization accompanied the industrial revolutions of the 19th century with the creation of banks as we know them today. These banks granted loans which made it possible to finance not only capitalist enterprises in the industrial sector but also urban changes and housing.[20]

Financial investors other than banks legitimize their role in the economic system by allowing capitalist firms to finance themselves more easily than they would through the banking system. The reality is quite different: the objective of financing capitalist enterprises is only to make profits. They extract money from the economy. Finance fuels most of the world's fortunes.

Finance is also complex because it is a world governed by codes, a specific language, with a multiplicity of tools and actors, and appears to be a world disconnected from

19 For more information (in French): Aglietta, Michel/Valla, Natacha (2017): Macroéconomie financière: https://www.editionsladecouverte.fr/catalogue/index-Macro__conomie_financi__re-9782707192509.html (14.12.2018).

20 In Paris, the Pereire brothers contributed to the financing of the Haussmann restructuring of the city.

our daily lives. But assuming that the financial sphere is disconnected from the "real economy" would be a mistake because finance always leans towards accumulating "assets" – such as capitalist enterprises, mining or agricultural raw materials, water, land (urban or agricultural), commercial real estate (offices, commercial areas, warehouses), social residences, retirement and residential real estate, etc.

WHAT ARE THE MAIN PRIVATE ACTORS OF FINANCE AND THEIR STRATEGIES?

Among the private players in finance and financialization, there are two main categories that should be distinguished: "institutional investors" and "investment funds".

"Institutional investors" include banks, pension funds, insurance companies, mutual funds, and foundations. Their strategy is to use household savings to mainly invest in the stocks and bonds of large companies and public companies. In doing so, they become shareholders of these companies, control them, and impose a "business management" model to maximize their profit. These investors adopt the so-called "passive" or "traditional" management model insofar as they perceive their investment approach over the long term. They believe that stock markets are "efficient". The financial markets are qualified as "efficient" when the prices of the securities (the value of the shares) integrate and instantly adjust all available information on the securities in question (the consequences of past events but also expectations regarding future events). Institutional investors have employees who invest on behalf of the financial institution. Their activities are highly regulated and controlled.[21]

"Investment funds" are distinguished from this first category in many ways. They consider the markets to be inefficient or imperfect: sometimes there are "bubbles of inefficiency", and it will therefore be necessary to speculate on events or information not known by all market players, taking risks but expecting very high returns. Their strategies are said to be "alternative" to those of institutional investors and are based on the imperfections of the financial market and on the amplifications of speculative phenomena.[22]

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21 ANDLIL: Qu'est-ce qu'un Hedge Fund?, in: https://www.andlil.com/definition-de-hedge-fund-130639.html (14.12.2018).

22 Investopedia: What are hedge funds?, in: https://www.investopedia.com/articles/investing/102113/what-are-hedge-funds.asp/ (14.12.2018); The Balance: Hedge Funds, How They Work, Who Invests, Risks and Returns, in: https://www.thebalance.com/what-are-hedge-funds-3306246 (14.12.2018); Fimarkets: Les « hedge funds », des leviers très controversés, mais indispensables, in: https://www.fimarkets.com/pages/hedge_funds_novencia.php (14.12.2018).

The first investment funds appeared in the 1930s, but it was with the rise of neoliberalism that they developed first in the 1990s and especially after 2000. Compared to institutional investors, the characteristics of the investment funds are as follows:

> Investment funds have diverse forms, such as hedge funds, private equity, exchange traded funds. Excessive practices of some funds, including "vulture funds" have been heavily criticized in recent years.

> They have greater investment flexibility: if institutional investors are more regulated, investment funds can invest in any field/asset class (land, real estate, equities, bonds, currencies, "derivatives", etc.).

> A variety of strategies characterize investment funds[23]; they are described as "macro-global", "directional", "event-driven", "relative value", "emerging markets", with "sub-strategies", "multi-strategy", etc. They have specific know-how in financial engineering and great knowledge of the financial markets. These often very sophisticated strategies are described as "alternatives" and "active" compared to the traditional management of institutional investors.

> This financial engineering in the context of the insufficient regulation of financial activities allows them to create complex financial products, which they can then introduce into the financial and speculative markets.

> They generally act with great opacity: even if the majority of fund managers are based in the United States or in England (before Brexit), they are often domiciled in tax havens, notably because of tax policies but, above all, to guarantee the total anonymity of their clients.

> Their resources of investment funds come from qualified "accredited" clients, who are supposed to know the risks which financial activities that generate significant profits take. The main clients of investment funds are usually business banks (all main banks have subsidiaries domiciled in tax havens), pension funds, foundations, other investment funds, and large personal fortunes.

> Investment fund managers bring their own resources to the fund and are therefore directly interested in making profits. They are generally paid according to the standard rule of 2/20: 2% of profits made for management fees, and 20% of profits as the commission of the manager.

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23 Droit du Net: Qu'est-ce qu'un hedge fund?, in: www.droitdunet.fr/quest-ce-qu-un-hedge-fund/ (14.12.2018).

In addition to investments made in the production of goods and services, financiers have multiplied and intensified their interventions in areas such as mining and agricultural raw materials, land, bank loans, sports (especially football) clubs, and housing and real estate. Financial players qualify these different areas as "asset classes".

WHAT IS THE ROLE OF BANKS, AND WHY ARE THEY RESPONSIBLE FOR EVICTIONS?

It is often claimed that the financial crisis that started ten years ago was due to excessive public spending, which therefore had to be cut. This is not true. The crisis began in the United States in 2007–2008 because of economic and political activities that took place in the 1990s. The US government encouraged these activities, which the banks carried out. What actually increased was the private debt before the crisis.[24]

Overproduction in the real estate (property) market is one of the main causes of the current international crisis. It went along with an overdeveloped financial sector, particularly the banking sector, which was no longer regulated. Private debt increased massively, and, with the support of the US government, banks multiplied loans to poor households, thus creating a speculative bubble in the real estate sector. Both economic and political reasons need to be considered to shed light on the causes and consequences of this "sub-prime crisis" (crisis of loans given to households that could not afford them).

The speculative real estate bubble resulted in two main consequences: the rise in the prices of real estate and the increase in offers that did not aim to respond to demand. In the US, the number of housing units built in 2006 was 1.5 times higher than those built in 2000, i.e. there was an increase of 800,000 housing units in only a year. This excessive offer meant that, at some point, a large number of new housing units were left without buyers despite the various mechanisms that the banks and the US authorities had devised to encourage their existence.

The speculative bubble burst in the US real estate sector, and similar crises followed in Ireland, the UK, Spain, and Cyprus, as well as several countries in Eastern and Central Europe and, since 2011–2012, in the Netherlands.

24 See Toussaint, Eric: 2007–2017: Causes of a ten-year financial crisis: http://www.cadtm.org/2007-2017-Causes-of-a-Ten-Year (14.12.2018).

In those countries, the private financial market had developed exponentially from 2000 to 2007. In Spain, for example, the household debt had increased from 46 to 83% of the GDP, while gross public debt shifted from 58 to 37% of the GDP during the same period. After 2007 and up to 2011, the gross public debt rose from 37 to 62% of the GDP as the household debt decreased from 83 to 81% of the GDP.[25] Similar trends were observable in Portugal and Greece.

The current crisis was not a public debt crisis, it became one. For political reasons, European leaders and the mainstream media claimed the opposite, thus avoiding pointing out the responsibilities of the main actors in this crisis, namely the banks.

The myth that was told about the insufficient control of social spending was a dangerous one. If the European public debt dramatically increased, it was because of the excessive level of indebtedness of private organizations (banks and businesses mainly).

INSOLVENCY OF HOUSEHOLDS DURING THE CRISIS

The effects of the crisis were tragic for most households. On one hand, they had to face the consequences of the crisis in their present incomes and their future income: cuts in wages, cuts in social benefits and pensions, increases in unemployment, degradation of working conditions. On the other hand, loans previously contracted continued to run, but repaying them became more and more difficult for most indebted households. Austerity measures reinforced this problem of the insolvency (the inability to repay a debt) of households: the cuts in public expenditure and the resulting privatization meant that charges for basic services were to be provided by the households themselves or that people had to do without them (health care, for example).

This, together with the failure of many small enterprises that had taken mortgage loans to start their modest businesses but could not repay them, resulted in an increase in non-performing loans (NPL – loans that creditors are unable to repay).

EVICTIONS AND AUCTIONS DURING THE CRISIS

Attuned to the hegemonic neoliberal perspective, governments in Europe were once again there to help, by transforming the legislative framework to facilitate evictions. In Spain, the legislation that the bankers used to evict families from their homes dated from the era of the Franco dictatorship and had never been replaced. As a result, hundreds of thousands lost their homes, and most even continued

25 Idem.

to owe the mortgage debts to the banks for the properties they had lost. In Greece, the evolution of laws[26] tended to facilitate evictions and auctions. Since September 2018, auctions that had taken place in the courts each Wednesday were completed electronically through a platform to avoid legitimate pacific protests at the courts.[27] Activists protesting against auctions were even sued for their actions.[28]

EU institutions sometimes initiated but always supported and encouraged the close collaboration of banks and governments to recapitalize the banking system, get rid of non-performing loans, and finally seize the houses of hundreds of thousands of households in Europe.

In June 2018, the single supervisory mechanism (SSM) of the European Central Bank announced that the banks of the countries of the Eurozone had to achieve a maximum of 20% of NPLs had to be reached by 2021.[29] In 2022, they had to be less than 10% of the total loans retained. Therefore, two solutions were possible: evictions and the selling of those NPLs to vulture funds.

In Greece, the reduction of NPLs was part of the new deal between Tsipras' government and its creditors. By 2022, 135,000 are to take place: 15,000 are to occur by the end of 2018, and 40,000 for each of the years of 2019, 2020, and 2021.[30] In Spain, it is estimated that 800,000 households have already been evicted in similar processes, but the number of actual evictions is probably higher according to Mercedes Revuelta, a member of the Spanish platform against vulture funds.

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26 For example, the Katseli law, which was written to protect households from being evicted from their primary residences, changed continuously and developed conditions that were more and more difficult to achieve. These changes occurred over the past years with the help of Greece's creditors. In 2019, the law will totally disappear.

27 See Betavatzi, Eva/Filippides, Filippos: The Greek government and banks try to take away our homes every Wednesday at civil tribunals, in: http://www.cadtm.org/The-Greek-government-and-banks-try (14.12.2018).

28 See Lapavitsas, Costas/Kouvelakis, Stathis: Syriza's Repressive Turn, in: https://jacobinmag.com/2018/10/syriza-repression-foreclosure-banks-tsipras (14.12.2018).

29 CNN Greece: Διαρκείς διαβουλεύσεις τραπεζών – ΕΚΤ για τα «κόκκινα» δάνεια, in: https://www.cnn.gr/oikonomia/story/151120/diarkeis-diavoyleyseis-trapezon-ekt-gia-ta-kokkina-daneia (14.12.2018).

30 The Press Project: Θέλει να ξεμπερδεύει με ιδιωτικοποιήσεις και ενεργειακά η τρόικα", translated by Eva Betavatzi: The Troika wants to get done with the questions of privatization and energy, in: www.thepressproject.gr/article/128854/Thelei-na-ksemperdeuei-me-idiotikopoiiseis-kai-energeiaka-i-troika (14.12.2018).

WHAT ARE VULTURE FUNDS, AND WHAT ARE THEY DOING?

The CADTM has defined vulture funds as follows:

"Vulture funds are investment funds, best known for buying debt securities[31] from countries in financial difficulties in the secondary market (the "debt flea-market"). They obtain them at an amount far below their nominal value, by buying them from other investors who prefer to get rid of them at a lower cost, even if it means incurring a loss, for fear that the country in question will default. The vulture funds then demand full payment of the debt they have just acquired, going so far as to sue the debtor country in courts that favour the interests of investors, typically American and British courts"[32].

Since the 2008 financial crisis, vulture funds are more determined than ever to make profits out of poverty by speculating on the debts of individuals, making colossal profits, and having perspectives on much more. Indeed, in Europe, the volume of private credits in suspensions of payments (not able to keep up with the payments) amounts to 1,000 billion euros.[33] And we know that this amount will not decrease.

Vulture funds buy NPLs at very low prices, as they do public debts. Homes are bought in packages; prices for an 80-square-meter house can vary between 20,000 to 40,000 euros, according to Mercedes Revuelta, a member of the PAH and spokesperson for the Spanish Platform Against Vulture Funds. Individuals who wanted to buy a similar property would have to pay 180,000 to 200,000 euros. As Mercedes Revuelta said:

"When funds buy 3,000 or 4,000 homes in a neighbourhood, they hold the neighbourhood market in their hands, they can close the doors and provoke shortages and, so, increase prices as they decide."[34]

31 Negotiable financial instrument/product that holds some type of monetary value.

32 CADTM: Vulture funds/vulture fund, in: www.cadtm.org/Vulture-funds-Vulture-fund (14.12.2018).

33 Toussaint, Eric: Les «fonds vautours» prospèrent sur la misère en spéculant sur l'endettement des particuliers, in: www.bastamag.net/Les-fonds-vautour-prosperent-la-misere-en-speculant-sur-l-endettement-des (14.12.2018).

34 Interview with Mercedes Revuelta by Isabel Garcia: Los fondos buitre han aterrizado en España de forma masiva comprando vivienda a lo bestia, in: www.nuevatribuna.es/articulo/economia/fondos-buitre-han-aterrizado-espana-forma-masiva-comprando-vivienda-bestia/20180417121703150950.html (14.12.2018).

This is how vulture funds continue to make profits out of poverty. The case of Spain is enlightening but not unique. Vulture funds operate in several European countries.

In Spain, it is estimated today that three and a half million houses that the banks hold are empty. These are the houses of people who could not repay their loans, of construction companies which produced housing units that did not correspond to a demand, and of those that went bankrupt. The bubble has burst violently.

But finance is everywhere, and vulture funds have found a way to profit from this nonsense. Hundreds of thousands have lost their homes, millions of houses have been left empty, and a huge number of households have been left with mortgage loans that they cannot repay; in addition, they have nowhere to live, and vulture funds are making profit out of this situation, again with the support of governments[35] and EU institutions.

WHAT ARE TAX HAVENS, AND WHAT IS THEIR RELATIONSHIP TO HOUSING?

WHAT IS A TAX HAVEN?

A tax haven is a jurisdiction that allows foreigners to avoid the fiscal control of their countries. There are two main reasons for their existence: the illegal origin of the money and avoiding taxation. So tax havens are characterized by different levels of secrecy and low rates of taxation for foreigners.

WHEN DID TAX HAVENS FIRST APPEAR?

Until the middle of the nineteenth century, the social elites did not pay significant taxes, so there was no need for fiscal evasion. But, as taxation was extended to the whole of society in some countries, a very affluent and exclusive class of people increasingly used historical tax havens such as the cantons of Zürich or Geneva were used increasingly to hide fortunes from state control during the first half of the twentieth century.

35 This is the case for the moment, with the exception of Belgium where the speculative activities of vulture funds are restrained. See: The Belgian Supreme Court announces its verdict: total victory against the vulture fund NML Capital, in: www.cadtm.org/The-Belgian-Supreme-Court-announces-its-verdict-total-victory-against-the (14.12.2018).

WHY THE BRITISH CROWN DEPENDENCIES ARE IMPORTANT TAX HAVENS

Until the Second World War, the European empires had controlled the international commerce of energy resources and commodities through colonization. Thus, the French, the Dutch, and especially the British Empire along with the USA, had been able to manage the raw materials or the oil market. However, after the destruction of Europe and the subsequent gradual decolonization, these countries feared losing control over international commerce. So, in the 1960s, the countries that had been powerful empires, particularly the United Kingdom, designed political structures to maintain control over profits in formerly colonized countries. These legal devices saw the rise of tax havens that allowed the elites to operate in the shadows, by means of transnational companies. In this way, the control of governments and their fiscal authorities was avoided.

THE PROGRESSIVE FISCAL REGIME DURING THE POST-WAR PERIOD IN THE WESTERN COUNTRIES

After the Second World War, Western countries had to face two challenges: rebuilding their destroyed infrastructure and reducing social inequality to overcome the socialist regimes in the East. The best way identified to achieve both of these aims was redistributing the national income by means of progressive fiscal programs. The redistribution of the national income fosters economic growth in an economy based on consumerism, which was the case in Western economies. The common explanation for this phenomenon is that people with low incomes tend to spend all of their incomes in order to meet their basic needs. However, rich people tend to save much larger proportions of their incomes, which they do not require for day-to-day survival. Therefore, distributing the national income through progressive fiscal regimes fosters consumption and the economic growth.

WHAT IS THE INFLUENCE OF THE INTERNET IN FISCAL EVASION?

It should be noted that, even in the 1980s, using a tax heaven came with important logistical difficulties such as hiding a bag full of dollar bills when crossing borders or dealing with forged cheques. Thus, before the development of the internet, the use of tax havens was limited to the political and financial elite, who were the only ones with the means to do it.

Currently, however, the use of tax havens has expanded to a social segment that grows year after year because of the internet. There are private bank offices and legal firms in every city of Europe, and they offer the possibility of eluding national tax systems. The situation has reached the point where even small and medium-sized enterprises (SMEs) can easily evade tax authorities all across Europe.

WHAT ARE THE CONSEQUENCES OF THE TAX EVASION?

Progressive fiscal regimes and tax systems have all but disappeared because of tax evasion. The multinationals do not pay corporate tax thanks to different means of evasion. Rich individuals, known sometimes as "the 1%", are easily able to avoid paying income tax. Therefore, the state cannot redistribute their income. Moreover, heavy consumption taxes mitigate the chronic deficit of the state. In this sense, almost every European country has increased VAT or equivalent taxes during the most recent crisis, a measure which has caused consumption to sink and which has, therefore, decreased employment and salaries.

WHAT DOES IT HAVE TO DO WITH HOUSING?

To understand the role of tax havens in housing, two facts are crucial: first, there are huge fortunes hidden in tax havens such as Luxembourg or the British Crown Dependencies. Second, in the last decade, profits from consumption have started to decrease. The reason for the decrease in profit is the dwindling consumption that increasing socio-economic inequalities have caused. So, Western financial elites have decided to seek profit beyond consumption, from people's basic needs, including housing.

HOW THE FUNDS OR COMPANIES BASED IN TAX HAVENS OBTAIN THE PROFITS FROM HOUSING

Up to the subprime crisis, financiers widely considered mortgages to be the best way to profit from housing. But the socio-economic model which arose after the last crisis is based on low salaries and job insecurity, so the risk of unpaid mortgages has increased. Consequently, a housing system based on mortgages has come to be considered to pose a risk to banks in a society whose members are increasingly dispossessed.

To avoid this risk, financiers have chosen and lobbied for a housing model based increasingly on rents. Due to the fact that housing is a basic need, rents increase where there is demographic pressure. Thus, the money hidden in tax havens has adopted the form of anonymous investment funds to extract rental income from cities. Furthermore, Real estate investment trusts (REITs) are companies whose aim is just to rent real estate goods, especially housing but also business premises, airports, and other such properties. These financial powers have managed to persuade almost all European countries to exempt REITs from paying the corporate tax.

WHY REAL ESTATE BUSINESSES THAT DO NOT CONTRIBUTE TO THE REAL ECONOMY HAVE OBTAINED SPECIAL PRIVILEGES ALONGSIDE OTHER COMPANIES

The goal of these real estate companies was to foster the entry of the funds based in tax havens into the housing market. With the achievement of this goal over recent years, housing prices have dramatically increased. Thanks to the general acquiescence of the political powers, rent costs have increased, while people's salaries have stagnated or fallen.

As a final reflection, this model involves the transformation of the former European productive model into a rental economic model. The latter model reminds us of the extremely unequal eighteenth century: then, wealth was mostly in land, which the aristocracy widely owned. The aristocracy obtained rents that were as high as possible from the peasantry, while the aristocrats themselves were largely exempt from taxes. Nowadays, income is concentrated in the cities, where anonymous funds have a free hand to extract the city's wealth through rents, while they also avoid taxation.

WHAT IS THE ROLE OF THE EUROPEAN UNION IN HOUSING FINANCIALIZATION?

The EU plays a huge role in and is interested in financialization processes – as mentioned above. In 2007, the EU released the "white paper for general services of public interest"[36] (SGEI). The concept of "general services" came to substitute the concept of public services. It was introduced in the Lisbon Treaty, thus becoming part of the main strategies of the EU. Social housing is considered to be part of such services. One of the main goals of the SGEI-based strategy is:

"Achieving public service objectives within competitive open markets: an open and competitive internal market, on the one hand, and the development of high-quality, accessible and affordable services of general interest, on the other, are compatible objectives."

36 EUR-Lex: COM (2007) 725 final, in: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52007DC0725&from=PT (14.12.2018).

Thus, to put it simply, the EU promotes the idea that the states should only support services of general interest for those who are most vulnerable in society, while the rest should be provided for through the market.

The "internal market" as set out in Article 3 is "a highly competitive social market economy" of the European Union Treaty. It includes a system which ensures that competition is not distorted, with rules limiting state aid. This can be most easily understood by the Commission's Decision of 20 December 2011[37] on the application of Article 106(2) of the Treaty on the Functioning of the European Union to state aid in the form of public service compensation granted to certain undertakings entrusted with operating services of general economic interest. According to EC rules, so-called "public compensations" (subsidies) are limited to "services in general economic interest" (or "social interest). Social housing is explicitly included among these services, and, thus, states are allowed to compensate for costs that lower-income people cannot afford and to organize it in a different way from the totally market-conforming one. However "social housing" is not defined, and, in each country, a debate is unfolding between organized interests. This is evident in the case of the Netherlands.

After a complaint by the Dutch Association of Institutional Investors, the European Commission decided that Housing Associations (which develop social housing in this country) had advantages, being backed by public funds. They were also found to benefit from public land which municipalities sold at prices below market value. The European Commission ruled that state aid for such Housing Associations was illegal[38] because they were also developing housing for middle-income people. At the time, the Netherlands had 32% public housing out of the total housing stock, which diverse occupations in terms of social classes and incomes benefitted from.

The European Commission decided that an income ceiling for accessing social housing was necessary in the Dutch public housing system and also determined that the "extra" public housing stock should be sold off. Regulations were imposed, requiring that any housing development activity be done on the private market without any public involvement. The argument was that renting out housing to people who did not have lower incomes should not represent a public service.

37 EUR-Lex: Document 32012D0021, in: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012D0021 (14.12.2018).

38 European Commission: State aid No E 2/2005 and N 642/2009 – The Netherlands, Existing and special project aid to housing corporations, in: http://ec.europa.eu/competition/state_aid/cases/197757/197757_1155868_173_2.pdf (14.12.2018).

So, according to the EU, social housing had to be directed solely towards the poorest because it wanted social housing to be residual and housing provision to be pushed onto the market, commodified, and managed through private schemes. But the obvious problem here was that more and more people couldn't afford the houses on the market anymore.

Adding to the SGEI strategy, combined with market competition and limitations to state aid for housing, there is another constraint to public investment: cuts in public budgets for vital social spending. The "Stability and Growth Pact" (developed since the late 1990s but reformed in the 2000s and after 2011) requires each member state of the EU to implement a fiscal policy that aims to keep it within the limits of a government deficit of 3% of the GDP and debt of 60% of GDP.

Moreover, the EU sets several recommendations and conditions – on the liberalization of markets, the rental market, and the promotion of the privatization of public land and goods – in different Memoranda and Agreements on adjustment policies. It imposed these on member states such as Portugal, Spain, Greece, Ireland, and Romania and on candidate members such as Serbia especially after the debt crisis.

For example, through the "Memorandum of Troika"[39] (point 6), Portugal was forced to liberalize the rental market – this resulted in rising rents, a relaxation of limits on evictions, the liberalization of the terms of rental contracts, and heavy decreases in tenants' rights and power.

In Eastern Europe, the EU imposed and continues to impose the re-privatization of the public housing stock, especially through property restitutions of formerly nationalized buildings and land. This process is clearing the ground, especially in city centres, for real estate developments, financial investments and speculation, gentrification, and rising rents (see chapter IV).

39 Resistir: Portugal, Memorandum of Understanding on Specific Economic Policy Conditionality, in: https://resistir.info/portugal/memo_troika.pdf (14.12.2018).

THE EU'S POLICIES TOWARDS BANKS AND MORTGAGES

In recent decades, the EU has given financial markets various kinds of incentives.

The liberalization of financial markets within the European Union and the architecture of the eurozone promoted large flows of financial capital into mortgage markets. These markets are currently of great interest to the European Union, and member states (with some exceptions) have been actively supporting the mortgage system with public subsidies, the promotion of the homeownership model, etc.

In 2007, the European Commission recalled the importance of housing mortgages, which accounted for almost 47% of the European Union's GDP. That year, the Commission developed the "white paper on the integration of the EU mortgage markets," which aimed to develop to an even greater extent the flow of financial capital. Some of its stated goals were "facilitating the cross-border supply and funding of mortgage credit by removing the barriers and reducing the costs of engaging in cross-border activity; increasing the diversity of products that meet consumers' needs by removing barriers to the distribution and sale of products, including innovative and new products across Europe". Moreover, the development of the Euro, as well as the European Market Union (EMU) is contributing to the promotion of new ways of financial development today.[40]

HOW ARE STATES CONTRIBUTING TO THE FINANCIALIZATION OF HOUSING?

As we have seen in many of the processes outlined above, states have become increasingly neoliberal since the 1980s, financial capital has become globally powerful, intergovernmental organizations (such as the EU) and transnational credit institutions (such as the World Bank and IMF) have aligned with big financial capital. Consequently, state policies have contributed and continue to contribute greatly to the financialization of housing.

40 Fernandez, Rodrigo/Aalbers, Manuel B.: Capital Market Union and residential capitalism in Europe: Rescaling the housing-centred model of financialization, in: Finance and Society, 3/1 (2017), 32–50: http://financeandsociety.ed.ac.uk/article/view/1937 (14.12.2018).

THIS CONTRIBUTION HAPPENS IN SEVERAL WAYS:

1 through neoliberal deregulations and privatization, which turn all aspects of social life into commodities on de-regulated markets;

2 through the retreat from the provision of housing, cuts in housing benefits, the (re)privatization of the public housing stock – enlarging the real estate market and abolishing limits to it;

3 through direct support for banks and credit institutions, which benefit from recapitalizations and bank bailouts, private mortgage programs backed with public money, legal support for the organization of housing auctions, and tax breaks;

4 through austerity and adjustment measures, which reduce households' ability to access proper housing conditions and to pay for utilities, housing maintenance, rents, etc., making them vulnerable to landlords, rent pressures, credit companies, and evictions;

5 through support for and the promotion of homeownership (especially in previous decades, but to a lesser extent since the last crisis), which undermines the understanding of housing as a collective resource;

6 through changes in taxation, giving real estate companies an advantage and tax exemptions for foreign and financial investment;

7 through the de-regulation of rent contracts, including those facilitating evictions, affecting tenants' rights, and giving advantages to owners (and opening the gate to rising household debt);

8 through the guarantee and protection of private property in general while failing to guarantee the right to housing for all;

9 through the liberalization of urban planning;

10 through public investment that raises the value of private property in various ways, for instance, subsidies for investment in rehabilitation or energy efficiency programs, public construction, the promotion of large events, etc.

These are all political decisions with a huge impact on housing and finance. And they are present to different degrees in all our regions/countries.

One of the greatest myths that advocates of neoliberal capitalism subscribe to is that corporations and their owners prefer to operate in an environment with as little state involvement and influence as possible. In reality, the state and the private sector work closely together, and the business sector profits from a broad range of state subsidies and protections. What the corporations insist on is that their profits are kept private, and that they pay as little tax as possible, preferably none at all.

An illustrative example of this collaboration is evident in the Netherlands, where the Ministry of Home Affairs has created a special website to inform foreign investors how to profit from buying up real estate that previously belonged to the social rental sector. One of the most telling quotes from the website follows: *"It is estimated that about 1 million regulated dwellings are of such quality that these houses can enter the non-regulated market."* In other words, investors are encouraged to buy houses cheaply, with tenants inside them, and are then given express permission to move the housing stock from the social into the non-regulated private market once the tenants have moved out. In the Netherlands, as in other countries, the result is that private financiers can get hold of large amounts of real estate that have been built and maintained with public money. The investors can maximize their profits by raising the rent and reducing the maintenance costs. This affects the people living in the houses if they can still afford to stay. Moreover, they often experience the greatest difficulty finding out who their new owners are.

UNEVEN DEVELOPMENT, CAPITAL ACCUMULATION THROUGH DISPOSSESSION, AND HOUSING

Financialization accompanies processes of uneven development and accumulation through dispossession. In this chapter, we explore the mechanisms and effects of their entanglement.

WHY IS MY TOWN DEPRIVED AND DYING WHILE OTHER CITIES ARE EXPERIENCING ENDLESS/UNSUSTAINABLE GROWTH?

My town went through a process of de-industrialization. Workers of former factories remained without jobs or were forced into forms of precarious and informal and altogether underpaid work. Many of them moved away from the town: some to nearby villages and some to other urban centres, which continued their development as cities of financial, service, or IT industries. Others tried their luck abroad, accepting any kinds of jobs that paid a little bit more than the precarious ones at home. In such localities, depopulation might result in homes staying empty. Parallel to this evolution, in the cities where capital flows and is massively invested into real estate development, the market prices of houses have increased. Moreover, since the state does not invest in public housing, people can hardly afford adequate homes anymore. The use value of homes and housing as a necessity and as a right have all been subordinated to the interests of big property owners, who extract profit from the exchange value of lands, buildings, and particularly housing.

DEVELOPMENT DEPENDS ON WHERE CAPITAL FLOWS

Development depends on where capital flows. And capital does not flow to small towns or remote rural areas or, generally speaking, to localities where there are no promising investments in terms of quick and large profits. The state does not act as a developer anymore. The politics of the day, which transnational credit institutions (such as the IMF, WB, and EBRD) have imposed for decades, is that states should take up the responsibility of creating the legal frameworks that enable the market to work. That is, they should support private capital, investors, and developers.

In addition, in the name of decentralization, the central government does not coordinate development across the country and it does not assume the role of redistributing (enough) investment resources in territories that remain underdeveloped as a result of the flow of capital. People from these geographic spaces seem to have been forgotten by everybody, but, in fact, they are being used as cheap informal labour or as recruits to repressive institutions or are being targeted by credit companies and migration networks, etc.

MANIFESTATIONS OF UNEVEN DEVELOPMENT

Under conditions of uneven development, a small minority grows at the expense of the underdeveloped majority. This means that capital is accumulated in the pockets of the capitalist class, while formal, informal, rural, and domestic workers are dispossessed of resources and rights.

Uneven development is also about the unjust distribution of wealth across classes, and, most importantly, it is underlined by the unequal power relations between them, which enable some to exploit others.

Moreover, uneven development is manifested in the unjust distribution of wealth across territories or in the fact that some geographic areas are exploited to serve the interests of others. They are used as spatial containers of cheap labour forces, as markets for imported commodities which multinationals produce in countries where labour is cheaper, or as sources of raw materials. The logic of capitalism and the state supporting it by its politics produce inequalities or asymmetries at several intersecting spatial levels; between states (North and South, West and East, core and periphery), between different regions, counties, and localities in one state, and also between different areas of cities. This uneven development is evident in the inequality of living and working conditions between one place and another.

THE MAGNET CITIES

The big cities and, most importantly, the metropolitan areas growing around them attract capital like magnets. Private investors and developers are taking over urban lands that were previously outside the administrative area of the city or are in the city but underdeveloped, ruined, or under-maintained. They promise not only to change the built landscape but also the social composition of the inhabitants. And, unsurprisingly, they extract huge profits out of the venture.

In these cities and gentrified areas, only the people who have enough money to pay for the high prices of homes, offices, and service and commercial centres remain; and they always pay much more than the developer invested. Besides the wealthy locals, the enlarging metropolis attracts rich people from other localities, or from abroad. It may be the case that they don't really live in these cities but spend some time there occasionally. During the rest of the year, the buildings/apartments they own or rent often sit empty.

Meanwhile, the poor live in overcrowded houses. And many others become and remain homeless. Some move or authorities forcibly move them into peripheries that lack proper services and infrastructure, where living conditions are not adequate, and from where the commuting to jobs in the centres costs more and more time and money.

THE COMPETING AND COMPETITIVE CITIES

Cities compete between each other to attract capital; they become competitors on the global market. The big metropolises of the global North become financial centres. The more modest cities of the global South are competitive due to their cheap labour forces. Both types of competitive urban centres offer precarious jobs for many; therefore they are also the spaces of labour forces pushed into precarity.

Increasingly, the capital that flows into these centres is not interested in investing in the production of goods that society needs, which promise less profit. It prefers to invest in much more profitable housing construction or financial schemes.

As cities become locations of never-ending capitalist competition, they are faced with the consequences of unsustainable development: their environment becomes more polluted, their resources are overused, their people become more exploited. Under these conditions, the institutions of public administration are themselves under pressure to be competitive, i.e., to be efficient, marketable, able to attract investors, and ready to offer all kinds of facilities.

WHY CAN'T I LIVE IN MY NEIGHBOURHOOD ANYMORE?

The globalization of capital in a neoliberal context has generated an enormous amount of competition between territories and cities that have developed effective "marketing" to promote their territories and attract international capital. This has favoured the emergence of large metropolises, "world cities", "globalized cities". Not only has capital been attracted to them, but so has highly skilled wage labour to the detriment of territories that have gradually become poorer. This process has also facilitated the creation and implementation of new activities related to the purchasing power of these new categories, particularly in services, and profoundly altered the structures of jobs and revenues.

The rapid emergence of capital in globalized cities has had an impact on the social restructuring of their spaces and has accelerated social segregation in the process of gentrification. Banks, insurance companies, investment funds, and wealthy and affluent households have begun to invest in and speculate on real estate in these places to make significant speculative profits.

GENTRIFICATION

These massive investments in real estate speculations have generated significant increases in property values (of the purchase price of housing and land and also of the rents). Working class people and, increasingly, the middle class do not have sufficient incomes to pay the rising rents or buy homes.

A process of segregation, expropriation, and social exclusion is expanding, forcing these classes to live under poor housing conditions (overcrowded, overburdened with the expenses of utilities, electricity, gas, etc.) and/or to leave their neighbourhoods and look for housing outside the cities and away from their work places. This contributes to the deterioration of family life and social and economic living conditions.

The cost of gentrification of some cities or city districts and that of the process of appropriating the city on the part of capital and the rich classes is the socio-spatial exclusion of the working class and of the lower middle class. Liberal theory explains that the rise in property values is a phenomenon and a "natural" mechanism of the market, where the "equilibrium prices" are determined according to the supply and demand of housing. Liberal ideologues conveniently forget to include in their schemas the conditions that allow gentrification, especially speculation and the role of local and national institutions in this process.

In effect, gentrification is not only and mainly the responsibility of the "gentrifying" households. The main actors of capital (banks, insurance companies, investment funds, real estate agents, developers, and others) are the most accountable for this as they are the actors who invest cheaply in urban areas and then speculate on the rising prices.[41]

On the other hand, local and national institutions are also responsible for these processes. Local governments contribute to gentrification through urban planning policies that socially segregate, retaining certain lands or areas for residential real estate and denying the use of such territories for the establishment and construction of public/social housing.

41 For more information, see Hamnett, C. (1991): The blind men and the elephant: the explanation of gentrification, in: Transactions of the Institute of British Geographers, NS 16/2, 173–189.

Local planning policies can also have an exclusionary effect through:

a) the policies of the *revitalization*, *rehabilitation*, or *renovation* of certain neighbourhoods,
b) the implementation of specific cultural, educational, or historical developments in particular areas with the promise to raise their "prestige",
c) the realization of transport infrastructure, and
d) entering into public/private partnerships with real estate developers.

In turn, through national legislation and policies, the central state supports the renovation and rehabilitation of neighbourhoods (facilitating gentrification or supporting homeowners) and the real estate developers while giving up on the regulation of rental housing that would protect tenants. For several decades, the central state has not invested in the creation of a social/public housing stock that could assure de facto access to adequate housing for all.[42] National governments also act under the pressure of transnational credit institutions, transnational structures such as the EU, and international trade agreements – which for several decades have pushed towards less regulated private housing markets.

TOURISTIFICATION

Gentrification is a multi-factor phenomenon that spreads over time and involves multiple actors. In recent years, the intensified use of "uber"-like platforms of the sharing-economy and the growth of the tourism industry have accentuated and accelerated the exclusion and deprivation of the working classes in cities that are strongly attractive to tourists. In these cities, private or institutional investors such as real estate agents invest in housing to place them on the tourism supply market, and – through online tourist booking platforms – make significant profits while escaping the laws regulating rents and rental contracts.

National legislation specific to tourism and local regulation policies that limit touristification are usually absent. Banks and creditors are contributing to the purchasing of real estate and the erasing of their housing function for the inhabitants. In this context, touristification will continue to contribute to the emptying of neighbourhoods of accessible housing for the working class, and to the rise in property values – thus accelerating and intensifying gentrification.[43]

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42 See Clerval, Anne/Fleury, Antoine: Urban Policies and Gentrification, a Critical Analysis based on the Case of Paris: http://espacepolitique.revues.org/1314 (14.12.2018).

43 For more information, see McGill University, School of Urban Planning: The High Cost of Short-Term Rentals in New York City: http://www.sharebetter.org/wp-content/uploads/2018/01/High-Cost-Short-Term-Rentals.pdf (14.12.2018), and Brossat, Ian: airbnb, la ville ubérisée, édition la ville brûle: https://www.lavillebrule.com/catalogue/airbnb-la-ville-uberisee (14.12.2018).

WHY AM I BEING EVICTED, AND WHY DOES THE STATE OR THE LAW NOT PROTECT ME?

EVICTIONS AS A RESULT OF CAPITAL ACCUMULATION BY DISPOSSESSION

Evictions are a form of dispossession and dislocation. Evictions that leave people homeless in the large sense of the word (not only roofless but also forced to live under deprived and insecure housing conditions) take different forms. People might be evicted from social housing as it is sold to private investors, multinational companies, or transnational companies or because they do not have the resources to pay for their social rents to the public authorities and/or for the utilities.

But people may also be evicted from apartments rented from private owners due to the fact that private rents are not controlled or limited and the owners enjoy full freedom in the management of their (formal or informal) contracts with the renters. People might be evicted by the banks to which they are indebted in situations in which they find themselves unemployed and unable to make their monthly payments.

People might be evicted through "property restitution" processes (re-privatization of formerly nationalized properties) as happens for example in Central and Eastern European countries (CEE), for example. In this region, after 1989, state-owned homes nationalized in the early 1950s were restituted to their pre-war owners, their heirs, or buyers with the relevant legal rights. The former state tenants living in these homes were evicted. Thus, in CEE, "really existing socialism" was transformed into neoliberal capitalism through the reshaped politics of housing.

People might be evicted because they are unable to pay the rising rents or utilities. But they might be also evicted from their modest homes because the real estate value of the area where they live has increased and the territory has become the target of urban regeneration or gentrification efforts.

Gentrification changes both the physical profile, and the social composition of the areas' inhabitants. Poor people are expected to leave the urban spaces with high real estate value for the rich, who can pay for expensive housing in the regenerated areas. At the same time, nobody – not the state or the developer – is concerned about where the poor people will live afterwards: on the streets, in the woods at city peripheries, with relatives, in informally built barracks, in public or private shelters, or somewhere else.

Why is nobody accountable for the lives which these processes threaten in a social and physical sense? Why doesn't the law protect them? Why is there such a big gap in the European Union between the rhetoric of human rights and the

European Social Agenda and the everyday practices of unequal living conditions and the legislation supporting such inequalities in member states?

It is because the social agenda remains a weakened recommendation while the economic policy of the EU – based on private interests, profit-making, less regulated private markets, financialization, etc. – is enforced as a set of compulsory measures.

The Court of Justice of the European Union (CJEU)[44] might make decisions in favour of evicted persons against their states, but these cases do not disrupt the everyday business of evictions if they are the imposition of the interests of the developers supported by governmental forces at different levels (European, national, local).

WHY IS CAPITAL INTERESTED IN EVICTIONS?

Capital has a massive interest in the development of the housing market and real estate business. As we have discussed in previous chapters, the investment of capital into the built environment (housing, office buildings, commercial or service edifices, roads, etc.) generates quick and potentially huge profit. Capital is therefore interested in finding territories for such investments. If there is no more empty land serving its purposes, it exerts pressure facilitate the clearing and erasure of anything that stays in its way in built vicinities.

Therefore, capital is interested in having laws that make demolitions and evictions easier. It is also interested in having further laws, for example in urban planning, that facilitate obtaining permission for construction in areas where they foresee new tenants' and/or renters' willingness to pay high prices for their apartments. Under these conditions, when urban regeneration increases the prices of lands and homes, the former tenants of these areas do not have any chance of getting a home in the new or in the improved buildings.

44 The Directive 2014/17/EU, which came into force in 2016 and relates to loans granted for homeownership, notes the regulatory failures that have led to irresponsible practices by lenders and borrowers and the "possibility" of irresponsible behaviors by market players (credit intermediaries and others). The new regulatory framework for banking institutions has been set up. The European Central Bank (ECB) requires that major banking institutions have "prudential supervision", minimum capital, and sufficient liquidity ratios. To avoid situations of the over-indebtedness of households and their repercussions on the banking system, the provisions governing real estate loans and mortgage loans in Directive 2014/17/EU establish that: The creditworthiness of borrowers and their borrowing and repayment capabilities should be assessed, Real estate loans will be granted according to these borrowing capacities and the ratio between the value of the property and the borrower's income. The European Court of Justice, on the basis of the Directive 39/13/EEC on unfair terms in consumer contracts and in connection to the Charter of Fundamental Rights, was able to decide that the Spanish regime of mortgage credits was not in conformity with European law as the borrowers' rights in terms of defense and appeal against threats of seizure and eviction were insufficient.

HOW IS CAPITAL SUPPORTED BY INTERNATIONAL ORGANIZATIONS PROMOTING HOUSING MARKETIZATION?

The flow of global capital into the former socialist countries is supported by European Union regulations, which aim to develop the European single market, but also by international financial organizations such as the World Bank and the International Monetary Fund. This mechanism is evident in the domain of housing as well.

In its report, "*Housing. Enabling markets to work*" (1993)[45], the World Bank explicitly recommended that states privatize their housing stock, facilitate the creation of the mortgage market and other financial instruments, and, in general, develop the legislative framework for managing the housing sector as a whole in line with a market ideology. The report clarified the WB imperatives of privatisation, marketization, and deregulation in the housing domain and the withdrawal of the state from the role of (in this case, housing) development. This actually means that the private investors and owners are supported in accumulating capital via housing-related speculations, while impoverished people are not protected against the negative effects of these trends.

The market is free in the sense that it is free to raise (housing) prices, to demolish homes, and to evict former tenants while it enjoys the support of the state in the service of private interests (through tax cuts, land concessions, funds directed toward private-public partnerships, state-backed mortgage programs, etc.). Financial institutions are saved from the risk of bankruptcy but precarious families are not when they are faced with insolvency. Furthermore, once they have been subjected to the experience of eviction and relocation into conditions of inadequate housing, they are condemned to stigmatization and accumulating deprivations and insecurities. Put briefly, the national and local governments, under the pressure of transnational institutions and geopolitical hierarchies, change the laws to accommodate the private interests of the ruling class and of capital and do not care about the interests of the people or of the public interest anymore.

Due to globalization, permitting the free flow of capital across national borders, a German bank or American company can carry out an eviction in Spain, for example. The interests of capital are sustained globally by international organizations and institutions, and by nation states. But the same global logic might have different effects in different countries due to their distinctive national contexts:

45 World Bank (1993): Housing: enabling markets to work: A World Bank policy paper, in: http://documents.worldbank.org/curated/en/387041468345854972/Housing-enabling-markets-to-work (14.12.2018).

some of them might be more favourable than others for the intrusion of foreign investments that harm the interests of the many with regard to labour, housing and other domains of life.

Meanwhile, the solidarity between evicted persons across national borders might be constructed with more difficulty, similarly to the difficulties that workers face when they try to construct a global consciousness of exploitation and of the need for a joint fight against global capital. Because native workers of particular nation states might be convinced that other labourers from other national contexts present a danger to their well-being and security, they may be persuaded to direct their anger towards the latter and not towards the capital that exploits them and makes their lives miserable.

WHY DO WE NEED PUBLIC HOUSING?

Public housing is about everyone's right and access to housing; it is about understanding housing as a common resource. But, for decades, public housing has been a depleting resource in the places we live – it is privatized in various ways and not restored. We are organizing to change this trajectory and to fight this neoliberal trend.

FORMS OF PRIVATIZATION OF PUBLIC HOUSING

As the previous chapters have shown, the transformation of housing from a basic social function into a commodity, into an object of speculation and of financial schemes is a major mechanism of accumulation for global capital. In recent decades, and especially after the last crisis, one of the main processes of capital accumulation has been the privatization of public housing stock. This process has taken different forms in different regions/countries – depending on their positions within global territorial hierarchies and on the history of the public housing stock in each region/country.

In the richer Western countries, the public housing stock was privatized for several decades through "right to buy" schemes for live-in tenants, private-public housing management partnerships, and, in the last decade, massive sales to investors and rent agencies. In the Southern European countries, there is already a relatively small public housing stock – but part of it has been or is being privatized through direct sales – as well as public land. Austerity policies don't allow the development of public housing, and governments prefer to promise "affordable" housing, which is nothing of the sort, through the market and public private partnerships. In Central and Eastern European countries, the relatively large public housing stock has been privatized through the right to buy for live-in tenants, property restitutions of buildings nationalized in the 1950s, and auction sales.

We believe that the sale of public housing means the sale of our common resources to private investors and interests. We oppose this process because common resources must remain inalienable.

WHAT IS THE IMPACT OF "RIGHT TO BUY" POLICIES?

The privatization of public housing can take the form of "right to buy" policies in almost all our territories – allowing state/municipal/council tenants to buy the public apartments they have been living in, sometimes for decades. Many people want to buy the houses they live in because they feel that they offer them security.

In Eastern Europe, as in other peripheries of global capital, private property has more complex meanings. In societies and groups that never owned their own means, people had to grab modest dwellings when they could. After 1989 in Eastern Europe, when privatization was imposed in all domains of life, especially the vital domain of labour, for many people, owning a property was a matter of owning the home they had already lived in for thirty or more years. For many workers, it was not a capitalist/entrepreneurial action, nor was it a middle class aspiration; it was about being autonomous, not trusting regime changes, and even about organizing together and supporting each other to own and remain in their blocks of flats. Now, three decades later, many workers in Eastern Europe who own apartments represent an impoverished class, especially if their properties are located outside the capital flows.

Also, people in precarious situations hope for "the right to buy" as a way to become less vulnerable. We understand their need for housing security in a financialized world. Their aspirations reflect how our current society is organized – with private property at its centre.

Still, this does not change the fact that private property is the basis of capitalist exploitation. Thus, we are mobilizing and demanding that our states and local governments carry out the development, maintenance, and protection of good quality public housing: for each apartment sold in recent decades, the public housing stock must be renewed with new apartments. Moreover, new public dwellings must be built in dense areas to meet the higher housing needs. In fact, a lot of small-scale owners lost their homes through different kinds of debts (state, companies, or banks), so property is far from the most secure form for families. We believe that a society that is more just and gives security to people must have a considerable amount of good quality public housing. This is a guarantee of security for people and stability for the housing market.

WHAT IS THE GLOBAL EFFECT OF PROPERTY RESTITUTIONS IN POST-SOCIALIST CONTEXTS?

Access to private property is always a form of segregation,[46] and it always gives an advantage to those who already have access to it. The socialist regimes from 1945–1989 tried to challenge this – through nationalizations of medium and large properties, wide public housing programs, and cheap state mortgages for workers to buy or build houses with. Although their success at limiting segregation and the advantages of previous owners was limited, these housing policies represented a very real threat to capitalism.

This is why, after 1989, international institutions such as the IMF, WB, and EU put massive pressure on "post-socialist" governments (everywhere from East Germany to Romania, Bulgaria, and Serbia) to re-privatize the public housing stocks – especially through property restitutions.

Property restitutions meant acknowledging or giving back property rights to pre-war owners of buildings which were nationalized in the 1950s. Owners and their heirs could reclaim these buildings from the state or could sell their rights to lawyers and real estate investors, triggering speculation, price increases, real estate developments, and building regeneration projects, followed by the eviction of previous (and often vulnerable) state tenants.

The European Court of Human Rights promoted (and still promotes) an idea of justice behind property restitution: that the victims of recent history are middle class and upper class people whose properties were nationalized by socialist regimes. In opposition to this, we believe that the victims of recent history are victims of capitalism, accumulation by dispossession and uneven development – these people are being left homeless because of profit accumulation.

Through the restitution processes in Central and Eastern Europe, we can see how housing is important for capitalism: it facilitates the occupation of new territories, the spread to new subjects, and the creation of new classes of owners/capitalists.

46 Private property has to be seen in its social, historical, and political context. Many people now living in Europe are descendants of social groups that have never had access to property and have been dispossessed (migrants, colonized populations, poor peasants, ethnic minorities kept in slavery or refused the right to property, etc.). Only one hundred years ago, very few royal, aristocratic, clergy, and merchant groups/clans owned massive properties. The current total of private property amounts to wealth that reflects historical accumulation through imperialism, colonialism, and dispossession.

OUR DEMANDS AND STRUGGLES

Wir bleiben alle: *we all stay campaign* in Germany

WHY DO WE NEED PUBLIC HOUSING?

The struggle for public housing is political – it's for all of us, it's not humanitarian aid; it's about collective organizing and sharing common resources; it's a fundamental, social, and community right; it requires putting pressure on our local and state authorities to serve the public interest and not private profit; it's about fighting powerful global financial actors that, in recent decades, have been accumulating wealth through grabbing, dismantling, and speculating on public housing, while dispossessing our families and neighbours.

WHY IS SOCIAL HOUSING NOT ENOUGH, AND WHY DO WE NEED PUBLIC HOUSING?

Social housing (and there are different understandings of what social housing is depending on the country) facilitates the response to housing needs but not sufficiently. Social housing is usually programmed to address a part of the most vulnerable population. In doing so, it changes housing from a social and fundamental right into an aid program.

In some countries, there is no clear distinction between public and social housing. For example, in Portugal, most public housing is social, while, in France, social housing is a distinct category.

In many of our regions, NGOs provide "charity housing" as a privatized form of social housing. There are many problematic aspects to NGOs rather than the state providing housing: they sometimes offer housing in places where no one wants to be, in segregated areas; they have selection processes for the people who "deserve" to receive these homes, thus creating even further class fragmentations between the poor and "deserving poor"; they practice more control over their "beneficiaries" making sure they keep "deserving" their houses; and, often, they serve the interests of private owners, who want tenants for their unwanted property (and to receive state benefits for their then socially rented property). This encourages a form of "poverty business".

Charity housing, and poverty business constitute a structural way to create the illusion of "capitalism with a human face", to de-politicize the vocabulary and concepts of the housing struggle, to victimize and control the affected people, and to transfer the responsibility for housing provisions from the state to private agents.

WHAT ARE OUR DEMANDS?

We are calling on all European housing movements and on members of wider society to raise their voices against the financialization of our cities and homes. We demand decent and affordable housing for all, where public housing and market regulation will be key instruments.

"Housing is a place to live, not a commodity – it is a fundamental right!"

The European Action Coalition, within the framework of its campaign against the financialization of homes, defined several demands for all actors involved in 4 main areas: public/social housing, private investments, high rents, and real estate loans and mortgages.

1. PUBLIC/SOCIAL HOUSING

> stop the privatization of public/social housing and public land;

> stop the financing of public/private partnerships;

> require the maintenance of public/social housing and its construction;

> support the development of new forms of housing: cooperative and collective housing, community land trusts, self-constructed housing, mobile living quarters;

> requisition vacant buildings for social housing;

> establish public financing of 2% of the GDP for the construction of new public/social housing;

> integrate 30% of housing that private developers built into the public/social housing stock.

2. PRIVATE INVESTMENTS

> tax multiple properties and use these taxes for the development of public/social housing;

> establish an effective taxation system of vacant and unoccupied dwellings;

> stop taxes for owner occupiers with low incomes;

> stop the sale of land reserves to private real estate development.

3. HIGH RENTS

> establish and remake the mechanisms of rent regulation, especially for the private sector;

> make rents affordable for all tenants;

> modify national legislation for the greater protection of tenants, particularly in the case of the threat of eviction.

4. REAL ESTATE LOANS AND MORTGAGES

> stop the policies of access to mortgage credit and instead construct public/social housing;

> stop evictions and ensure the right to stay in one's home in the case of defaulting;

> cancel or reduce mortgage debt according to the financial situation;

> modify legislation on mortgage loans and make it possible to suspend the repayment of a loan when a household is in financial difficulty.

HOW DO WE FIGHT FINANCIALIZATION?

EXAMPLES OF OUR ACTIONS

We, the members of the European Action Coalition for the Right to Housing and to the City have continually built our capacities through research and have simultaneously used that research to inform our actions in the community towards the municipal or state authorities or other actors that contribute to the financialization of housing. Below are some of the recent actions and campaigns that have addressed local manifestations of the housing crisis and have also revealed to the public the more structural causes and schemes behind the financialization process.

LET'S CLEAN UP THE CITY FROM SPECULATION!
WAKE UP HOUSES, OSTRAVA, CZECH REPUBLIC (2016)

Like most Eastern European countries, the Czech Republic has experienced the vast privatization of state-owned housing from the 1990s onward. Private companies, which constitute some of the new owners of the housing stock, have repeatedly mistreated the tenants or neglected the buildings they live in, often demonstrating racial discrimination through strategies of segregation, particularly against the Roma people. In 2016, a real estate company purchased another 40,000 housing units, including social housing, in the city of Ostrava and its surroundings. When researching the background of that company, the organization, *Wake Up Houses*, discovered that it belonged to Blackstone – a major transnational actor within the system of global real estate capital. Aside from the public campaign against the company, revealing not only its role in financialization and housing in the local context but also its policies and practices, which went against the needs and rights of the tenants, *Wake Up Houses* organized an action that involved occupying the company's headquarters, demanding to talk to company representatives, and demanding that they address their responsibility for the effects of financialization and discrimination against Roma tenants. The action has brought about significant publicity and opened up possibilities for new alliances as was the case with the tenant union and other local groups in Ostrava.

www.facebook.com/probuddomy

HOW WE OCCUPIED THE OFFICE OF A SOCIAL HOUSING COMPANY – UNION FOR PRECARIOUS LIVING CONDITIONS, HERTOGENBOSCH, NETHERLANDS (2017)

Union for precarious living conditions offers social and legal support to people facing problems regarding their housing situations. Since the Netherlands is not an exception where the trend of real estate companies taking over the housing market is concerned, *Union for precarious living conditions* very often confronts such companies when defending tenants from evictions or negotiating for the conditions of their housing. One of the organization's main resistance strategies involves direct actions, which usually consist of non-violent occupations of company management buildings and seeking to negotiate with the company representatives. Depending on the particular cases and companies, the results of such actions vary. Nevertheless, media announcements and materials targeting the public's perception of these companies' reputations follow each direct action. This communication strategy has, in effect, demonstrated significant success in putting pressure on companies to change their policies or review their decisions on individual cases.

http://bondprecairewoonvormen.nl/

HOW WE STOP AUCTIONS IN ATHENS – STOP ACTIONS /NETWORK UNITED ALLIANCE AGAINST AUCTIONS, GREECE (2017/2018)

The global housing crisis has caused a significant number of people to lose their homes due to unpaid debts. In Greece, frequent public auctions have been organized, representing the ultimate act of home deprivation as the effect of financialization. *Stop Actions /Network United Alliance against Auctions* have focused their efforts on preventing auctions from happening. They have typically done this by organizing people to physically block the entrance of the auction venue, preventing court officials and potential buyers from entering and performing the auction, or obstructing auctions once they have started. Their aim is to challenge the legality of the very process (in compliance with local legislation) and, therefore, its results. However, the legislation regulating the auctions have changed and the strategies of fighting them have had to as well. More specifically, the new law has shifted the auctions to the internet, resulting in online processes. Hence, there is no physical space to target with direct action. In reaction to the new circumstances, *Stop Actions/Network United Alliance against Auctions* have shifted their focus towards public demonstration in front of the offices of notaries who perform online auctions, raising public awareness, and putting pressure on banks to make deals with tenants and postpone the auctions.

http://pleistiriasmoistop.blogspot.com/

#STOP BLACKSTONE
PLATAFORMA DE AFECTADOS POR LA HIPOTECA (PAH), SPAIN (2018)

Among the actors of financialization that have had a growing impact are the international real estate enterprises and vulture funds that work through a complex, often non-transparent network of companies, contributing to the inflation of the housing bubble and the escalation of the housing crisis. Since 2013, one such company, Blackstone, has entered the Spanish housing market. It initially bought almost 2,000 subsidized homes from the Municipal Housing and Land Company in Madrid, followed by over 40,000 home mortgages. It created a network of local companies in Spain with the complicity of the state through its tax regulation and related legislative framework. The local companies worked further on behalf of Blackstone, leaving behind vehement violence related to housing situations – extortion, blackmail, bribery, rent exceeding the financial capacity of tenants, abusive contract clauses, or the selling of homes before social rent or debt payment expiration dates. This led *The Platform for People Affected by Mortgages* (PAH), a non-partisan citizens' movement, to organize a series of actions throughout the country, as well as internationally, protesting against the current developments beginning in 2013. In 2018, it organized protests against the Law on Contracts on Real Estate Credits, an example of the legislation that favoured the interests of speculative capital, escalated the housing emergency, and left many without homes. Although PAH works regularly on addressing individual cases in its struggle and in solidarity with those who are in danger of losing their homes, protest actions such as these ones have drawn wider public attention and specifically put emphasis on the structural roles of actors within the financialization scheme.

www.afectadosporlahipoteca.com

HOUSING JUSTICE IN EASTERN EUROPE. RESEARCH WORKSHOP
BLOCUL PENTRU LOCUIRE (BPL, BLOCK FOR HOUSING), ROMÂNIA (2018)

In Romania, the transformation of housing into a commodity was a condition for the further processes of financialization, which were related to larger changes in the political economy, i.e. the transformation of state socialism into neoliberal capitalism. The privatization of housing (through "right-to-buy" and restitution) and the creation of the housing market (as duties of the state) were core elements of the conditions that Romania had to fulfil in its process of accession to the European Union and, afterwards, in efforts to access WB and IMF credits linked to austerity measures. As a result, from the 1990s, the production of housing stock meant the creation of private homes (also via programs supported by the state), and, from the middle of the 2000s, the real estate developers and financial institutions that were co-interested in motivating people to continue becoming homeowners took over. Frontul Comun pentru Dreptul la Locuire (FCDL) organized a workshop in Bucharest in March 2018. It involved guests from the Czech Republic, Poland, and Hungary. It gave The Block for Housing (BPL, formed by Căşi sociale ACUM!/Social housing NOW! – Cluj, FCDL and ERomnja – Bucharest, Dreptul la Oraş – Timişoara) the opportunity to strengthen its political potential by developing critical knowledge about the manifestations of housing injustice in Romania and Central and Eastern Europe. Based on this, the component groups continue to run direct actions around local challenges and other interventions to raise consciousness about the roles of these countries in the global processes of financialization.

https://bloculpentrulocuire.ro/

THE GOLDEN CONCRETE HOUSE
THE CITY FOR ALL, FRANKFURT/MAIN, GERMANY (2015/2017)

Municipal housing companies, such as AGB-Holding in Frankfurt am Main, have oriented their policies towards profit accumulation rather than responding to the housing needs of *all* citizens. AGB-Holding has for two decades built numerous expensive houses, thus contributing significantly to gentrification processes in the city. *The City for All* initiative organized a subversive action at the public inauguration of a new AGB-Holding housing project. By awarding the company manager the handmade "Frankfurt golden concrete house" for his contribution to the financialization of housing and its particular manifestation in the city, the initiative took the opportunity to publicly shame this particular company and draw attention to the wider housing situation. In an attempt to co-opt this subversion, the City Hall chose to exhibit the "Frankfurt golden concrete house" as a symbol of the vivid Right to the City movement. The action was repeated in 2017, with the awarding of the prize to another actor that had benefitted from the displacement of tenants and building expensive housing units.

www.stadt-fuer-alle.net

CONFRONTATIONAL BILLBOARD CAMPAIGN
WHO BUILDS THE CITY, BELGRADE, SERBIA (2016)

After the socialist period of Yugoslavia, marked by vast investments in public housing projects and the building of self-governing mechanisms that allowed wider access to housing, the rapid restoration of the capitalist system after the 1990s led unsurprisingly to the full privatisation of the housing stock. Moreover, the global financialization of housing and profit-led urban development ultimately created a housing crisis that was similar to those in other European countries. The platform *Who Builds the City* was established on the basis of bringing together professionals, activists, and interested citizens around the necessity for participative urban development but soon focused its efforts on the question of housing as the most urgent one, producing numerous insightful materials and pioneering practices. In particular, coinciding with the new Law on Housing from 2016 that gave further support to the financialization trends, the platform created and implemented a media campaign (street billboards, social media, and a website) called "Welcome to Housing Hell". It aimed to raise awareness on the housing problem in the local context through explanations about the financialization process and its consequences: uncertain tenancies, illegitimate evictions, non-existing social housing, etc. By using particular examples and statistics, the campaign offered illustrations of the context, analyses, and explanations of structural problems that led to the housing crisis. The campaign was not only envisioned as a tool for raising awareness but also as a provocation that called for wider resistance and organization around these questions.

www.kogradigrad.org/wp/o-nama/who-builds-the-city

V FOR VENDETTA WALKS AROUND THE NEIGHBOURHOOD COMMITTEE OF ABITANTI SAN SIRO, MILAN, ITALY (2017)

The housing stock has been continually increasing through new building projects, and yet more and more people are becoming homeless. While a privileged minority are accumulating wealth through a stack of housing units for profit-making, the majority are struggling in precarious housing conditions, often threatened by evictions. This contradiction appears most obviously in the contrast between the number of vacant spaces in cities on the one hand and the shortage of housing on the other. The rise in the precarity of housing conditions demands organization and solidarity, often resulting in local community groups and initiatives. The *Committee of Abitanti San Siro* emerged as a group in a poor working-class neighbourhood in Milan that was marked by numerous housing-related problems – housing shortage, poor housing conditions, and racism. Their action "V for Vendetta Walk" aimed to make visible this contradiction by mapping vacant houses in the neighbourhood, followed by an organized walking tour for group members, journalists, and the wider public. During the walk, vacant houses were marked with "v", which stood for both *vendetta* and *vacant*, while the accompanying talk contextualized the action. As a result of this organized walk, all the marked houses were squatted. In addition, the action represented an effective tool for criticizing the municipal authorities for their compliance with the financialization process and its main actors.

www.cantiere.org/abitanti-san-siro

TENANTS' STRUGGLES AND HOUSING RIGHTS MOVEMENTS AMIDST HOUSING FINANCIALIZATION IN PORTUGAL – HABITA AND STOP DESPEJOS, LISBON, PORTUGAL (2018)

In what might come across as a paradox, housing financialization in Portugal was largely intensified after the 2008 financial crisis. It was the result of an agreement between the Troika (the IMF, European Central Bank, and European Commission) and the socialist party and right-wing government to implement several measures to open up the real estate market to international investment. This occurred through laws and fiscal benefits such as the Golden Visa program, the New Urban Lease Law (which made evictions much easier), the Non-habitual Residents' program and tourism place-marketing. Airbnb short-term rentals were incentivized, and public buildings were alienated. Rents have gone up 110% since 2013. Now, a normal one-bedroom apartment in Lisbon costs more than 800 euro a month, but the minimum wage is only 580 euro. In short, housing is now treated as a financial asset instead of what it is: a place to live. In this context, housing struggles in Portugal are now more evident than ever. But so are housing rights movements. In general, Habita's strategy has involved putting residents together, demanding solutions from public institutions, and fighting the neoliberal narrative. To better explain how financialization has deepened in Portugal, we refer to two paradigmatic cases. The first one shows the extent of the phenomenon – it is the case of Fidelidade, an insurance company and owner of many buildings. The second shows its intensity and violence – it is the case of Santos Lima, an old building in Lisbon which a company called Buy2Sale recently bought. he case of Fidelidade: Fidelidade is an insurance company held by the Chinese Fosun which recently sold most of its housing *portfolio* to the giant Apollo, the second largest real estate investment trust in the world.

The *portfolio* comprises more than 2,000 apartments scattered across Portugal. Before the sale, Fidelidade sent notices to many families, saying that their rental contracts would not be renewed. It was a struggle of tenants versus a giant faceless monster. The role of Habita in this fight was to bring together these families and ignite a resistance movement against the massive displacement process. We helped organize residents' assemblies and, with Stop Despejos, we undertook some communication and street actions against Fidelidade. This problem is far from being solved, but the case is now public, and Parliament is following it closely. The case of Santos Lima: The previous owner sold this building to the company Buy2Sale for 2.7 million euro in October 2017. A month later, the building was put up for sale again, but, this time for 7.2 million euro. Besides the doubtful speculative practices, the first problem was that the online adverts stated the building was empty and presented a great opportunity to establish a hotel – but the building was not empty. There were 17 families (circa 50 tenants) inhabiting it. After spotting the online ads, Santos Lima residents decided to fight for their homes. For the last 6 months, we, Habita, and Stop Despejos have been fighting alongside them. Buy2Sale representatives tried to intimidate the residents, sending them letters saying they had to abandon their homes and deliberately damaging the building. We hung posters in the façade of the building, directly confronted the speculators, and accompanied residents to a municipal meeting where they denounced their situation. We also involved the media and organized a community lunch to make the case public. All this action has scared the speculators, and the constant harassment has slowed down for now.

www.habita.org

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THE EUROPEAN ACTION COALITION FOR THE RIGHT TO HOUSING AND TO THE CITY

The European Action Coalition for the Right to Housing and to the City is a platform for the convergence of movements struggling across Europe. After having campaigned for years, we (groups and social movements made up of tenants, slum/self-built neighborhoods dwellers, squatters, inhabitants of inadequate housing, victims of eviction, those affected by indebtedness, professionals and researchers) felt the need to gather in order to strengthen this fight, so that we can take common positions and common action on housing issues. The coalition is an anti-hierarchical, democratic and pluralistic platform, independent of any political party or religious belief. Through this convergence we intend to strengthen our local struggles, collectivising different resources and tools across the continent. In sharing knowledge, analysis and strategies, we are building the relations between grassroots organisations, and so creating the conditions for international solidarity. We are also building our capacity for common action to raise the visibility of the current housing disaster and to target its causes. Finally, we want to support the development of alternative proposals, in the knowledge that this goes hand in hand with building the power to realise them.

https://housingnotprofit.org

ROSA-LUXEMBURG-STIFTUNG

The Rosa-Luxemburg-Stiftung is an internationally operating, left-wing non-profit organisation providing civic education. It is affiliated with Germany's 'Die Linke' (Left Party). Active since 1990, the foundation has been committed to the analysis of social and political processes and developments worldwide. The Stiftung works in the context of the growing multiple crises facing our current political and economic system. In cooperation with other progressive organisations around the globe, the Stiftung focuses on democratic and social participation, the empowerment of disadvantaged groups, and alternative economic and social development. The Stiftung's international activities aim to provide civic education by means of academic analyses, public programmes, and projects conducted together with partner institutions. The Rosa-Luxemburg-Stiftung works towards a more just world and a system based on international solidarity.

www.rosalux.eu