Spotlight on financial justice
Housing

Financialization and the right to housing
Front cover image: This former pensions fund building in downtown Sao Paulo has been taken over by the housing movement - people demanding decent and affordable accommodation, of which there is a huge shortage in Sao Paulo. Picture credit: Christian Aid / Tabitha Ross.
Who we are

Citizens for Financial Justice

Informing, connecting and empowering citizens to act together to make the global finance system work better for everyone.

We are a diverse group of European partners – from local grassroots groups to large international organizations. Together, we aim to inform and connect citizens to act together to make the global financial system work better for everyone.

We are funded by the European Union and aim to support the implementation of the Sustainable Development Goals (SDGs) by mobilizing EU citizens to support effective financing for development (FfD).

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You can view the full report on the Citizens for Financial Justice website: citizensforfinancialjustice.org

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Executive summary

Rising inequalities between the global North and South, the economically privileged and the marginalized, between different genders and racial identities, have been historically reproduced and intensified across generations, and are defining features of our times. For instance, while global challenges such as climate change and environmental degradation undoubtedly affect all of us as humans living on Earth, they certainly do not affect us all equally. Differences in geographic location, economic status, gender, age, all come into play if we look at the groups who are systematically suffering from climate change’s harsh consequences.

This is because the current rules of our global economy reproduce a vicious circle of inequality: growing economic inequality and wealth concentration increase political inequality by expanding the ability of corporate and financial elites to influence policy-making and protect their wealth and privileges. Higher levels of inequalities are then passed on to the next generations, culminating in long-term disparities and unfairness felt by marginalized groups.1

After the 2008 global financial crisis hit, the governance structures and economic (de)regulations that got us there, especially the unchecked expansion of the financial sector over the rest of the economy or ‘financialization’, finally raised enough red flags. While major banks were bailed out by taxpayer’s money, states neglected their basic human rights obligations by turning to austerity measures, creating pervasive impacts on people’s lives around the globe. Consequences include reducing communities’ access to common natural resources2 and restricting the delivery of basic public services such as healthcare and housing to the most disadvantaged groups.3

In recent years, a significant increase of disparities within and between countries has finally put inequalities under the spotlight within international development debates.4 The 2030 Agenda recognized addressing their multiple facets (economic, political, social) as one of its Sustainable Development Goals (SDGs), signalling the international community’s commitment to reducing inequalities.

To take advantage of this momentum, understanding the main contemporary drivers of inequalities and finding common strategies to address them are necessary steps towards systemic socio-economic transformation and social justice. Looking at our current challenges through the lens of inequalities offers then a remarkable transformational potential: tackling inequalities in their multidimensional character – social, political, economic, spatial and intergenerational – can become a sort of guiding star in a complex world, an overarching goal to advance sustainable development and address the root causes of marginalization. As part of this effort, this report tackles the inequalities question by looking at one of its main current drivers, the financialization of our global economy, as well as at its counterpart, financial justice.

Through five thematic chapters – 1) food and land, 2) health, 3) women’s rights, 4) housing and 5) infrastructure, the report shows that rising inequalities, and the overexpansion of the finance industry as one of its key contemporary drivers, have been created and reproduced by skewed and unfair rules of the game. There is therefore an urgent need for peoples’ movements to converge around a common agenda for taking back our economies, reclaiming public services, and protecting our common natural resources. Through this report it becomes evident that local level resistance to financial actors’ penetration is extremely important, but that confronting the drivers of inequality which are now global, such as financialization, requires concerted efforts at higher levels of policy-making as well. Four main pillars for action are proposed:

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2 See case of Brazil, Chapter 1, Spotlight on financial justice, 2019, http://caid.org.uk/spotlight
3 See case of Greece, Chapter 2, Spotlight on financial justice, 2019, http://caid.org.uk/spotlight
4 https://sustainabledevelopment.un.org/sdg10
• **Promote shared understanding and ongoing questioning of the dynamics of financialization:** It is essential to raise people’s awareness around the very real impacts of financialization on their lives and to provide fresh analytical tools to question current dynamics. Challenging the inequalities problem and how the multiplicity and expansion of financial actors and services is contributing to the problem can avoid unintended complicity, particularly given the insidious and overly covert manner in which these dynamics infiltrate multiple domains of life;

• **Resist ongoing attempts to shift decision-making away from legitimate and democratic policy spaces, often in the name of ‘financing opportunities’ to advance progress:** At the local and national levels, supporting social movements’ resistance to harmful projects, policies and other interventions backed by global financial actors can create tangible wins and can put a face and shape onto a struggle that can so often feel immaterial and hard to grasp;

• **Reaffirm national sovereignty to re-establish healthy boundaries to financial liberalization and provide critical financing to achieve the Sustainable Development Goals (SDGs):** The latest global financial crisis has critically exposed the vulnerabilities of a liberalized, privately focused financial system. However, many underlying structural conditions that led to the crisis have been only mildly addressed, if at all. It is therefore essential to re-establish national sovereignty to help prevent the next crisis while providing critical financing for sustainable development. This calls for exploring the potential of national development banks, restoring the management of capital accounts within the standard policy toolkits of governments, and, introduce a system of financial transaction taxes, among other measures;\(^5\)

• **Democratize global economic governance:** At the global level, social justice and rights-based narratives should be at the heart of the process of reshaping powerful global institutions and reforming global economic governance. Different sectoral struggles should unite under a common agenda, advocating for the reform of existing institutions and the establishment of new ones which are able to regulate the new and fast evolving financial actors, and can bring finance back into democratic accountability and control. This calls not only for building convergence on existing proposals regarding critical new pillars of a democratized economic governance ecosystem, such as an intergovernmental tax body and sovereign debt workout institution under the aegis of the United Nations, but also for addressing the institutional vacuum in regulating financial actors, mostly though not exclusively the asset management industry. Such measures could translate in enhanced transparency, participation, and public oversight of domestic and global tax, fiscal and financial policy-making.

The time is ripe for acknowledging people’s struggles to resist the multiple facets of the process of financialization, and for converging strategies to address multiple dimensions of inequality to reach financial justice. The time for financial justice activism is now!

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Housing
Financialization and the right to housing

by C.J. (Kees) Hudig, Globalinfo; and Éilis Ryan, Financial Justice Ireland.

“Residential alienation can be found across the world. It is the product of the hyper-commodification of housing, the casualization of employment, rising inequality, and the neoliberal assault on the social safety net. These processes affect owner-occupiers as well as tenants, and middle-class households as well as working-class ones. Their impact is felt unevenly, but it is a mistake to suppose that they are only a problem for the poorest households.”


It is difficult to name a country today in which there is not a housing crisis – in other words, in which there is not a shortage of affordable decent housing. While the causes of this vast crisis pre-date, in many instances, the rise of neoliberal, financialized capitalism, the financialization of the housing ‘market’, has worsened this crisis dramatically, and has made solutions to this crisis more difficult.

The role of the global financial crisis in financializing housing

There are two primary links between financialization, housing, and the 2008 financial crash. First, the primary and initial driver of that crash was the subprime mortgage crisis. That crisis was sparked by irresponsible lending and, subsequently, the buying and selling of ‘bad loans’ for speculative purposes. Mortgages are the prime vehicle of financialization, and the scale at which the buying and selling of poorly performing loans grew in the lead-up to the crash meant that global finance reached its claws deep into families and homes around the world.

Second, the international response to the financial crisis, rather than attempting to fix the weakly regulated international lending system which had triggered the crash, exacerbated it further. In his book The Financialization of Housing, sociologist Manuel Aalbers points to how quantitative easing by central banks in Europe and the USA – the buying up of debt in order to push money into global markets – drove forward the financialization in housing: “A global wall of money is looking for High-Quality Collateral (HQC) investments, and housing is one of the few asset classes considered HQC. This explains why housing is increasingly becoming financialized.”

‘Recovery’ as a profit opportunity for private finance: the case of Dublin

The city of Dublin, Ireland, provides an excellent overview of how the global financial crash resulted in increased power for financial actors.

Ireland was one of the so-called PIIGS (Portugal, Ireland, Italy, Greece, Spain) countries at the epicentre of the financial crisis in Europe. Ireland is one of the most market-friendly economies on the planet, and a succession of pre-2008 governments have built an entire economic strategy around attracting global financial and banking actors into the country with low corporate taxes and ‘light touch’ regulation. Coupled with this, Ireland’s property and building sector was grossly inflated as a percentage of GDP. Property developers, large and small, were exposed to enormous amounts of debt, along with the banks who lent unsustainably to them.

In 2008, Ireland was an epicentre of exposure to global financial markets, and deeply exposed to the housing sector which was central to the crash. Thanks
to that, Ireland suffered the consequences. Between 2008 and 2011, apartment prices had dropped by 60 percent. It became clear that developers were unable to service the enormous debts owed to both commercial and high street banks. The Irish government responded by extending a blanket guarantee to all corporate debt – eventually costing Irish tax payers €64 billion.

But while the crisis temporarily deflated the overheated Irish housing market, the ‘recovery’ resulted in an astonishing expansion of the role of global financial capital into all aspects of Irish housing. This was not simply a side effect of the recession in Ireland, the absence of public funding, or indeed European Central Bank quantitative easing as mentioned above. Instead, it was an explicit set of strategies, adopted by the Irish government, to incentivize financial capital in housing, and refuel the property sector.

Irish researchers have shown how Ireland’s combination of high home ownership, unsustainable levels of personal and corporate debt, boom-and-bust house building and post-crisis government policy interacted to massively increase the scale of corporate ownership of housing in Dublin post-2008. The Irish government established a ‘bad bank’ to house the distressed debts of property developers, with an explicit strategy of selling assets associated with these debts in order to recover money spent on the bank bailout. Meanwhile, in a context of rapidly decreasing house prices and stagnating supply, rents in the private rental sector soared. In 2013, the government passed legislation to allow Real Estate Investment Trusts (REITs), a type of investment fund specialized in long-term investment in housing, to operate in Ireland. REITs became primary buyers of the enormous distressed assets on the books of Ireland’s ‘bad banks,’ seeking to capitalize on escalating private rents. Five years on, the Department of Finance has issued reports warning that the highly concentrated ownership of rented apartments by REITs – in some suburbs up to 50 percent - has effectively allowed them to ‘set prices,’ escalating the already soaring private rents in the city.

Social housing as a vehicle for profit: the case of Amsterdam

Private mortgages have long been the most obvious way in which ordinary households become linked to globalized capital flows. But increasingly, even housing which traditionally was wholly outside the private market has come into the reach of financial flows.

The Netherlands has seen its traditionally large not-for-profit housing stock gradually caught up in financial markets. In March 2019, an enormous single sale took place of 10,000 residential houses. The seller was British investor Round Hill Capital, and the buyer was another investor from Sweden, Heimstaden, listed on the Stockholm stock market. Interestingly, the fact that the 10,000 housing units were originally social housing was almost entirely absent from the media discussion on the sale. They had previously been the property of the once-famous Dutch housing associations which provided affordable rental houses for lower income families all over the Netherlands.

In 2008, many such housing associations almost collapsed during the financial crisis, partly because stock which became the object of business between the two global financial investors. Round Hill Capital chose to sell up because, in a short few years, the firm had already made the profit they had promised their shareholders. It’s a story which is sadly replicated across the Dutch housing sector.

Selling social housing to investors is official Dutch government policy. The Ministry of Home Affairs created a special website to inform investors how to profit from buying up real estate that previously belonged to the social rental sector. There they are openly told that “it is estimated that about 1 million regulated dwellings are of such quality that these houses can enter the non-regulated market”.


Finance capital as the driver of urban gentrification: the case of Budapest

The decline of public financing for housing projects, and consequent government policies to incentivize private capital to invest in development projects, has been a major factor in the gentrification of working-class neighbourhoods in cities across the world.

In Hungary in the 1990s, high poverty rates and lack of public funding forced the district of Józsefváros – a historically poor inner city neighbourhood in the municipality of Budapest – to resort to private funds for redevelopment in the area. This resulted in upgraded physical infrastructure, but it came at a high price. The private investors were Futureal, owned by a Hungarian billionaire, and an assortment of international finance banks, such as Raiffeisen Bank, together with some public money. The project comprised two significant urban development programmes: Magdolna and Corvin Quarter. Corvin Promenade project was one of the biggest urban development projects in Central Europe since 2000, covering 22 hectares and 500,000 square meters of empty plots. More than 1,100 old flats were demolished during the implementation, 70 percent of which were social housing. The almost complete bulldozing and rebuilding of the quarter completely changed the urban and social fabric of the area and substantially contributed to the gentrification process in the district.

The Magdolna Project was designed to be a social rehabilitation project with no houses demolished and, in theory, the former inhabitants could also stay in their homes. In practice, however, this did not happen. New, short-term rental contracts are now prevalent in the public housing compounds, and previously stalled evictions were enforced. Private rental prices also soared: rents nearly doubled between 2013 and 2017, and the average selling price tripled. There has been significant displacement of old residents – many to another run-down outlying district (outer Józsefváros), which now faces a similar gentrification process.

Financialization and housing in the global South

“In many countries in the global South, where the majority of households are unlikely to have access to formal credit, the impact of financialization is experienced differently, but with a common theme — the subversion of housing and land as social goods in favour of their value as commodities for the accumulation of wealth, resulting in widespread evictions and displacement. Informal settlements are frequently replaced by luxury residential and high-end commercial real estate.”

Report of the Special Rapporteur on adequate housing, January 2017

Financialization reaches well beyond just the capital cities of the global North. Indeed, it can have an even more devastating impact in the booming cities of middle-income countries, where enormous levels of urban migration are not being met with public investment in affordable housing for workers.

In her book *Urban Warfare*, the Brazilian urban planner and former UN Special Rapporteur on adequate housing Raquel Rolnik describes how financialization also permeates poor countries, and even slums. One of the primary vehicles for that has been microcredit and microfinance, ensuring that ‘affordable housing’ is delivered not through public investment, which provided housing in early 20th century Europe, but through ever-increasing levels of debt amongst the working class. Rolnik concludes: “Microfinance marks the expansion of capital towards its last urban frontier: the slums of capitalism’s peripheries.”

Meanwhile, vacant land in and around urban centres has become as commodified as housing in many countries. Large agricultural enterprises drive people off their land and force them to move to cities. But large infrastructural projects, as with world football championships or

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Olympic Games, can have the same effect. And then there is this third ‘sphere of financialization’: mortgages. On this point, Manuel Aalbers, a Dutch expert on real estate and finance, remarks:

“The neoliberalization and financialization of housing is not limited to the US or to developed and developing world. Mortgage lending and securitization may remain very limited in most of the Global South, but there is a significant increase in the more developed among them, and decent, affordable housing is hardly provided for the masses as it was in many western countries during the modern/Fordist period. As a result, the housing markets in most of the Global South are extremely stratified.” 13

It is increasingly evident that the policies of institutions such as the World Bank to actively support the expansion of mortgage markets in developing countries, fly in the face of the stated objectives of Sustainable Development Goal 11, to promote ‘sustainable cities and communities.’ 14

Elza de Fatima previously lived in a slum tenement like this one. Thanks to Gaspar Garcia’s support (a local group that supports the right to housing), she now lives in affordable, decent accommodation of her own. Picture credit: Christian Aid/ Tabitha Ross

13 Aalbers, The Financialization of Housing, p.73.
South Africa: organizing activists to reclaim land for housing

After the end of apartheid in South Africa, some things improved in the townships, notably political rights. One problem that persists, however, is the absence of adequate dignified housing and related services, which has led to service-delivery and land-rights protests.

The Studies in Poverty and Inequality Institute notes that the right to housing is enshrined in the new South African constitution, which has a clear focus on social and economic rights in particular. But, as is so often the case with legal rights, reality is quite different. A number of different movements have responded to the absence of decent housing by claiming land, resisting evictions and challenging the corporate power which is increasingly dominant in urban areas.

One organization, Church Land Programme, began its work by focusing on community land rights of church-owned and abandoned lands. Now they train activists and walk in solidarity with communities struggling for justice and their rights to land, services and housing.

Another group, Abahlali baseMjondolo (the Shack-dwellers movement), enables people to organize themselves into autonomous groups to protect their right to housing, with strategies including land occupations. They view housing in relation to other elements of causes of poverty, like prices of electricity, transport, food and so on, and to use their campaign for housing to further analyse the broad economic system. This systemic analysis is something prevalent in housing campaigns in the global South in particular.
Strategies and alternatives to oppose the financialization of housing

A first strand of resistance is political campaigns to try to keep public housing public, and thus keep the commercial market away from it. This strategy includes trying to preserve what is left from the welfare state after decades of sustained attacks on the very idea of public housing. Still, there remain impressive examples of public and social housing projects and schemes, as for instance in Austria and France. In Germany, meanwhile, local governments have been forced to limit the freedom of private real estate owners to increase rents.

A second strand of resistance is that of laws and regulations. The current campaign for the socialization of housing in Berlin is a good example; the legal possibility of expropriation is enshrined in the constitution, and there is a local regulation allowing for a binding referendum to demand this. These opportunities have been used by a vast network of housing activist groups to demand action on rents and ownership. A referendum will be initiated if local government fails to respond to demands for expropriation of large private housing companies.

A third field operates on individual needs and rights, in both the global North and the global South. The PAH in Spain has organized people threatened with eviction from their homes due to nonpayment of mortgages, after they lost their income following the 2008 crash. Many squatting actions also provide direct action as a solution to the housing crisis in Spanish cities.

In many instances, activists have begun to organize around the concept of the Right to the City, emerging from the ideas of urbanist Henri Lefebvre and others. Rather than focusing exclusively on housing, these movements engage all users of the city – workers, service users etc. – in collective action. The approach has also taken root in cities in the global South. For instance, the Centro Gaspar Garcia in São Paulo campaigns for accessible and affordable housing in working class neighbourhoods, but also has a focus on the rights of women and undocumented garbage collectors.

To socialize housing, we must socialize finance

Critical to specifically challenging financialization of housing, are efforts to articulate proposals for alternative forms of financing. For instance, the PAH in Spain has targeted the private equity fund Blackstone with a menacing video while at the same time offering well documented proposals for the construction of collective housing schemes. If housing is to be socialized, so too must financing – at both the local and transnational levels.

While authorities in many countries list out new and innovative ways they are tackling the housing crisis, most remain small-scale ‘boutique’ options unless matched by adequate, large-scale public finance. For example, in Hungary, a group called Rakoczi Collective promote a co-housing model, in which the building itself is owned by a cooperative and inhabitants only have a long-term tenure status. However, financial constraints severely hinder the development of co-housing at a broader scale. Banks are reluctant to provide loans for cooperatives, and instead will only make finance available for individuals through individual mortgages or in the form of construction-for-sale for the private sector. Hungary, sadly, seems to be lacking the long-term financial mechanisms with favourable conditions for co-housing projects, and the trends are not promising either.

Across the globe, the absence of public financing for social solutions to the housing crisis has created a vacuum that is being filled with private finance.

What do we want?

Like many of the facets of financialization described in this report, the solutions to the commodification of housing are deep, structural and far-reaching. The solutions needed are rarely simple policy changes, but rather a deep reconfiguration of the rules and operation of public and private finance around the globe.

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15 Numerous examples of communities resisting these processes can be found in the booklet published by the European Housing Coalition, Housing Financialization; trends, actors and processes, Rosa Luxemburg Stiftung, 2018.
17 Plataforma de Afectados por la Hipoteca (Platform for People Affected by Mortgages)
19 https://www.youtube.com/watch?v=PGjppDisel
For countries in the global South, as urbanization booms, there are minimal signs that a public housing revolution akin to the pre- and post-war settlements in Europe is on the cards. Indeed, many of the ‘solutions’ proposed by international donors and aid agencies are likely to be a medicine worse than the disease – microcredits and public-private partnerships (PPPs). The focus on PPPs by international funding agencies, for example the World Bank’s “Maximizing finance for development” strategy, is clearly not consistent with the objective of decommodifying housing, and instead is likely to push more cities into the same category as those discussed in Europe, where housing is unaffordable for all but a select elite. **We are calling for donors to accept the importance of building public housing systems, as is the norm for other public goods such as education.**

For countries in Europe, the key driver of pushing back financialization must be a renewed focus on investing public money in building public housing stock. This means serious changes to current regulations, namely:

A relaxation of EU spending rules, to exempt capital expenditure from deficit calculations;

- The inclusion of all public housing in lists of Services of General Economic Interest, exempt from rules disallowing state aid;
- The creation of a public housing fund within the European Investment Bank, for use to develop publicly-owned, non-commodified housing.

In effect, what these changes would do is to redress the current imbalance, in which the state’s hands are tied while corporations plough ahead altering the shape of our cities.
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