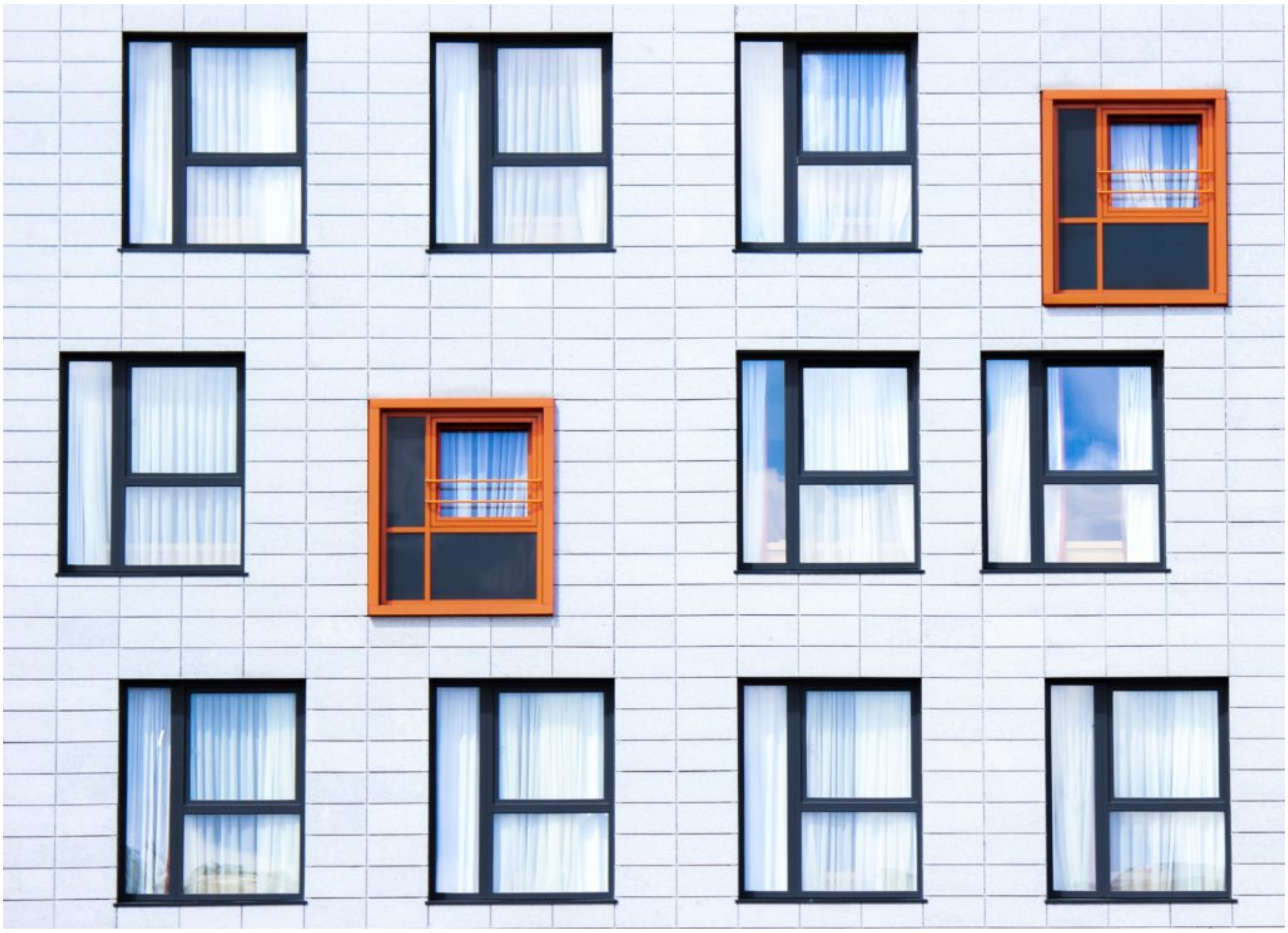
Financialization of housing in Southern Europe – the role of the state



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Critical geography and political economy have long assumed that the financialization of housing is a process especially typical of global cities of the North. More recently, increasing attention has been dedicated to financialization in the Global South as well (e.g. Aalbers et al., 2020). Manuel Aalbers (2019, p. 377), however, has recently argued that 'housing financialization, or any other form of financialization for that matter, is not primarily about showing which place is more financialized; it is about understanding the *process by which* financial actors, markets, practices, measurements, and narratives are increasingly becoming dominant'. In other words, a regional approach is not so much relevant in terms of creating global 'rankings' of financialized cities and places, but to the extent that it allows to explore the forms and ways through which (global) capital intermingle and struggle with local institutional, social and political arrangements.

Southern Europe is a relevant space for this type of reflection, precisely because it has long been marginal to the financialization research, and – in line with wider ideas that underline much of European comparative welfare and planning studies – it has often been assumed as 'lagging behind' other European contexts. For instance, a common idea is that, before the global economic crisis of 2007/2008, housing financialization in Southern Europe was limited to the field of mortgage debt and securitization; and yet, Belotti and Arbaci (2020) have recently shown that the financialization of social rented housing long predated the crisis in Italy. The Italian case also shows that, against international literature that has long considered the state as an enabler of financialization, public policy and action has had a central role as promoter and shaper – prompting a reflection on how different (regional) institutional and political economic arrangements may frame this role.

In what follows, we will summarize the conceptual framework of the ongoing study 'Financialization of housing in Southern Europe: policy analysis and recommendations', funded by the European Parliament, office of MEP José Gusmão. As the goal of the study is to systematize the direct and indirect role of legislation and public programmes in Portugal, Spain, Italy and Greece, the preliminary work was that of building a framework to organize specific legislation and programmes to various dimensions of housing financialization. We started from a recent overview by Aalbers (2019), which identifies four fields for financialization: mortgage debt, mortgage securitization, rental housing, housing companies. While collecting preliminary data on legislation and literature on Southern European cases, we came to realize that this framework could be further nuanced in two ways: firstly, separating social from market rental housing, two fields whose financialization mechanisms are rather different – and therefore keeping the field of housing companies focused on their own transformation in financialized entities; and, secondly, adding a field for ‘not-for-housing housing’ (Doling and Roland, 2019); that is, the role played in financialization by flipping housing units into other uses, above all, short-term and holiday rentals. In this way, we could identify six ‘modes’ of financialization, which often intersect, but still have some relative autonomy, particularly with regard to the role of legislation and public programmes. Finally, we added a field for ‘cross-cutting issues’, those policies and regulations that enable, promote and shape financialization throughout the six modes.

This is a preliminary list of modes of financialization in Southern Europe with examples of public policies relevant to each of them (the term ‘state’ refers to several governmental levels, from the local to the national):

1. Mortgage debt, which links the access to homeownership to finance, which has been promoted through fiscal stimulus (e.g. deductibility of interests) and ‘right to buy’ programs of the alienation of public housing.
2. Mortgage securitization, the use of mortgage portfolios as securities/assets, where the state and, crucially, the EU have overly played a regulatory, enabling role.
3. The privatization and financialization of social rented housing, where the state played both the role of enabler (e.g., through the definition of social rented housing as a ‘good’ under the EU label of Services of General Economic/Social Interest) and promoter, through the privatization of pre-existing and new social rented housing stock.
4. The financialization of market rental housing, where, on the one hand, investment and financialization has been eased by the liberalization of rental markets (e.g. lessening and abolition of rent controls) and, on the other, the state has opened the doors to, or even created ad hoc, financialization instruments (e.g. Real Estate Investment Trusts, rental insurance schemes, hybrid tools like the Portuguese Direito Real de Habitação Duradoura).
5. The privatization or transformation of public housing companies into financialized companies.
6. The financialization of ‘not-for-housing housing’, made possible by fiscal and urban policy de-regulation promoting activities such as short-term rental and the transformation of housing into touristic facilities.
7. Finally, a number of practices and programmes that cut through the previous modes, including: fiscal incentives for real estate funds; real

estate funds directly managed by the state; and schemes used to attract foreign capital into real estate (e.g. Golden Visas or the Portuguese non-permanent resident schemes, the securitization of public property and land assets).

This framework will allow us to explore public policies, regulations and programmes in the four countries, looking at commonalities and differences (e.g., the regionalized welfares of Italy and Spain *versus* the centralized Portuguese and Greek systems) and at the overarching role played by EU regulations and policies (including conditionalities attached to recent economic bailouts). Our expectation is that not only will these findings open up to a more nuanced understanding of the multi-faceted role of the state (and supra-national institutions) in enabling, promoting and shaping housing financialization – and, therefore, suggest policy reforms toward universalist housing systems; but also allow to reconsider and problematize the very idea of a Southern European welfare system, and rather focus on relations of uneven development within Europe at large.

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