Periféria Policy and Research Center

Seemingly new directions of housing policies after the financial crisis

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Question / argument

Do the new, post-crisis trends in housing policies indicate a paradigm shift?

» arguing for a a macro political-economic perspective in response to this question

Using the **example of Hungary**: important interventions in the housing market – BUT: *what has that substantially changed?*

source: financialreporter.co.uk

Framing

Theoretical approach:

- Dependency theory
- Uneven development
- Variegated capitalism

» an understanding (also pushed for by the 2008 crisis), that the broader context of the capitalist world economy is determinant in how local changes happen

In the case of CEE: determinant position on the **peripheries of Europe**

economic geography	critical political economy		*shared ideas*
uneven development spatial fix, financial fix, spatiality of capitalism in different cycles *Hudson, Dunford-Liu, Peck*	**variegated capitalism** plus VoC and comparative capitalism research *Peck-Theodore, Jessop*	>	idea of one capitalist system articulated in a differentiated way in different contexts
regions/ scales/ internal fragmentation *Hadjimichalis, Hürtgen*	**dependency theory, WST, regulation school** *Becker, Weissenbacher, Gowan, Brenner, Arrighi*	>	idea of macro-scale dependency and how that affects lower spatial scales
enterprises and space GVC/ GPN, financial chains *Coe, Werner, Sokol*	**corporate governance regulation** and its transformation under financialisation *Vliegenthart-Overbeek*	>	concrete enterprises linked to broader economic processes and to space

Housing in this

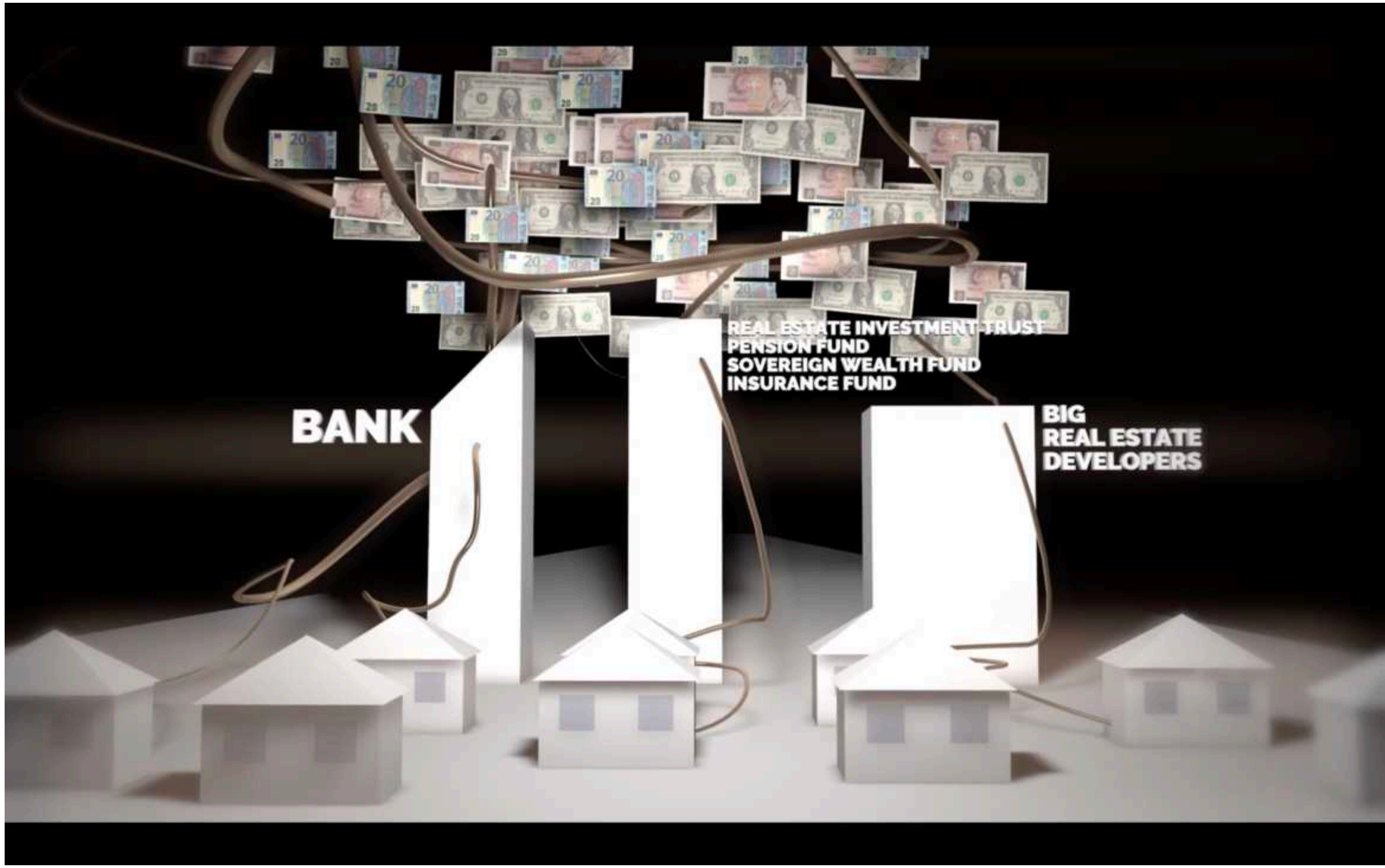
housing research (esp. housing policy research) **often cut off from the economy** – *one distant factor?*

«» housing and real estate are crucial to the development of the current economic system

(investing surplus capital)

+ money flows determine how housing develops

Exactly how: depends on local institutional and ownership structures.



source: https://vimeo.com/253402217

New ““housing policies”” of the Hungarian government after the crisis

Before the crisis: a clearly **externally dependent** system of housing finance

(dependent market economy: foreign bank ownership; FX mortgages; systematically less favorable loan conditions)

After the crisis: pushing for a **national** system of housing finance

- Nationalizing the banking sector (domestic ownership around 50% by 2016)
- „Saving” the forex debtors, banning FX loans
- Channeling household savings into restructured banks
- „Fair banking rules” and longer term resources behind mortgages
- Agressively supporting the rollout of new mortgages
- A new generation of child-based housing subsidies for acquisition

Does this mean less financialization / less dependency?

Could these be seen as progressive interventions in the housing market?

- Seemingly “progressive” policies are in reality **elements of searching for a marge for maneuver**
  - in a broader context of dependent economic integration
  - **at the service of domestic economic elites** » policy as a result of competing domestic capital fractions
- Rationale for “decreasing external dependency” in the field of housing
  - Creating more marge for maneuver for the state: **diversifying channels of financial dependency** (”eastern” loans and domestically held state bonds)
  - Creating space for **domestic capitalist classes** » capitalization of an oligarchic economic elite (channeling financial resources in this way)
  - Creating a **politically loyal upper middle class** (policy measures primarily benefiting this social group)
  - Price of this: stabilizing structure of **pacifying control in lower segments of society**

How housing institutions develop under semi-peripheral housing financialization

- Whole economy is structured by short term debt » no economic actor for whom it is viable to provide long-term cheap loans »
  result: difficulty of developing rental housing institutions; **lack of institutions owning and managing housing**

- Pressure of investing surplus capital into housing: under the existing ownership structure, the **easiest option for this: individual mortgages**
  » deepening inequalities
  » investing surplus capital as main motivation of market actors

- **Volatility of available capital** » volatility of housing markets
  (a checteristic of peripheries on all scales)

- **State intervention: is pro-cyclical** and only aims to widen existing channels

Examples of state interventions broadening the channels for capital investment

- **Turn of the market in 2015 / 2016**: post-crisis ”recovery” and a new expansion of capital to Europe’s peripheral housing markets
- **State measures support this** in Hungary:
    - End of “forex debtor-measures” (and end of moratorium)
    - Keeping interest rates low
    - Calling for clearing banks’ portfolios » new market for debt collectors
    - Supporting REITS and other forms of investment-oriented housing acquisition
    - Pushing for a secondary mortgage market
    - New policies for the acquisition of housing (subsidizing mortgages)
      + for new construction – based on child-bearing

Conclusions

- Structural **similarities on the peripheries of Europe** due to the position taken up in the world economy (more relational than the idea of a housing regime)

  European-scale capital abundance as a clear driving force

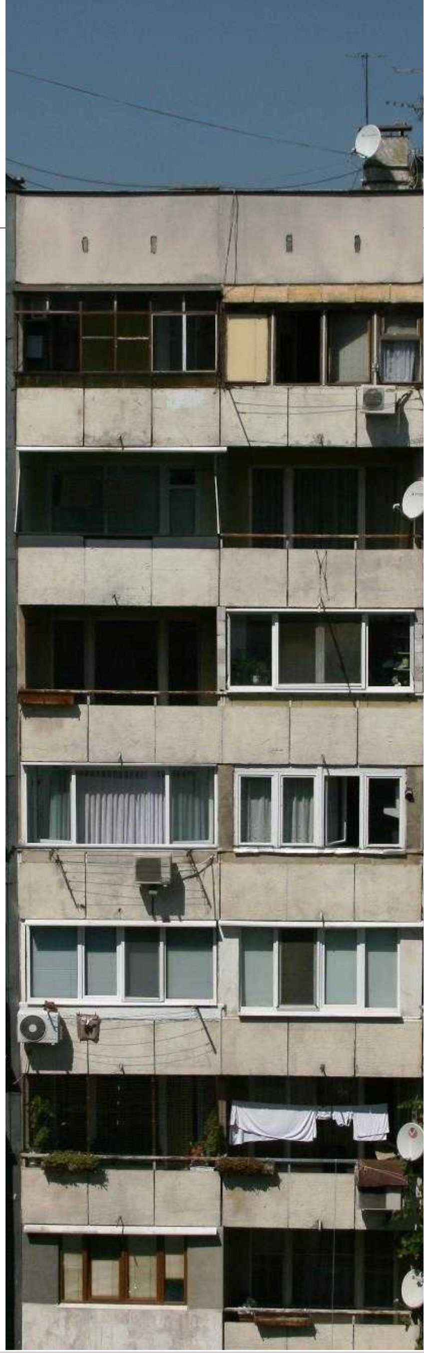
- In Hungary: not less financialization, its benefits are **merely channeled towards a new domestic elite** – contesting elites in a context of dependency

- **Local institutions** (both state and market institutions!) will **develop under the pressures of broader economic conditions**

- This framework: fruitful in terms of understanding the space for manouevre, help in **identifying points of intervention** (eg. patient capital is needed).

  political stakes of how you explain phenomena
  (but for developing the concrete modes of intervention: more applied approaches)

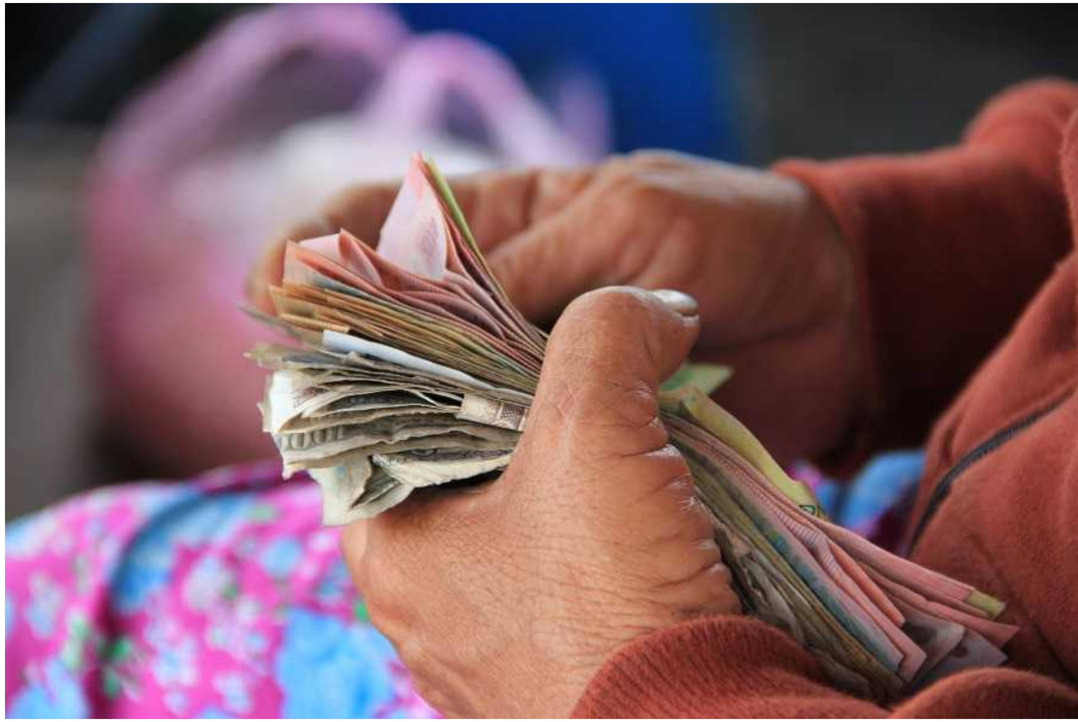
No paradigm shift, merely new institutions and forms for the same housing market pattern.



Developing a two-tier housing finance system

1. Formal mortgage lending through the banking sector
    - Nationalized banking sector
    - More regulated loans to well-targeted social groups
    - Low interest rates
    - Housing as an instrument of creating **internal circulation of capital** (because it is locally fixed) in a context of external dependency.

2. Those who do not fit into this
    - Consumer loans
    - Non-bank lenders
    - Spatial marginalization
    - Previous debt carried on / debt collectors and evictions
    - Many international corporate actors on the fringes



source: bank360.hu