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## 1

# Varieties of Residential Capitalism in the International Political Economy: Old Welfare States and the New Politics of Housing

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## Introduction

Comparative and international political economy (CPE and IPE) are justifiably obsessed with finance as a source of power and as a key causal force for domestic and international economic and political outcomes. Yet both CPE and IPE ignore the single largest asset in people's everyday lives and one of the biggest financial assets in most economies: residential property and its associated mortgage debt. This volume argues that residential housing and housing finance systems have important causal consequences for political behavior, social stability, the structure of welfare states, and macroeconomic outcomes. Put bluntly, home equity and social equity are often at odds. The individual country chapters and paired country comparisons show specific instances of these outcomes, while Chapter 9 considers the origins and responses to the 2007–08 crises. This introductory chapter has broader aims.

First, we argue that housing finance systems are as politically central as systems of industrial finance. The kind of housing people occupy and the property rights surrounding that housing constitute political subjectivities and objective preferences not only for the level of public spending, but also for the level of inflation, the level of taxation, and the nature of that taxation. Different kinds of housing finance systems thus produce different political subjectivities influencing the core issues on which IPE and CPE typically focus. Our concern is not simply a reaction

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to the global financial crisis that emerged from the subprime mortgage bond crisis of 2007 and 2008 (for analyses of its sources and effects, see Seabrooke, 2006 and Schwartz, 2009), but also with understanding how housing finance systems – what we refer to as “varieties of residential capitalism” – are important for national economic systems and stability and order within the international political economy.

Second, we argue that housing finance systems also have important institutional complementarities with the larger national political economy. This comports with arguments in the varieties of capitalism (VOC) literature (Hall and Soskice, 2001). But we diverge from the VOC approach in four ways. First, sorting countries by the degree of financial repression – systematic state control over the volume, direction and price of credit – in their housing finance systems produces groupings that do not correspond one-to-one with the liberal versus coordinated market economy (LME vs. CME) distinction at the heart of the VOC approach. Second, where VOC is concerned with explaining the structure of manufacturing and export specialization and largely eschews causal arguments about macroeconomic outcomes, housing market finance systems are much more connected to macroeconomic outcomes than to what is being produced. Moreover, as Schwartz’s and Watson’s chapters show, housing finance systems mattered for the distribution of global growth in the past two decades, and growth largely favored one specific variety of residential capitalism. As Pollard’s chapter, too, demonstrates, the supply of housing within national systems reflects both prior institutional systems for supplying housing and political aspirations for economic change. Third, divergent macroeconomic performance, combined with the fact that housing finance is a substantial portion of domestic investment everywhere, suggests serious limits to the VOC approach insofar as it tries to explain outcomes on the basis of *domestic* complementarities alone (see also Blyth, 2003). Financially repressed and financially liberal systems are globally interdependent, and the deregulation of national housing finance systems has largely been a transnational phenomenon, often tied to processes of globalization and Europeanization. As Mortensen and Seabrooke point out in this volume, the impetus for change is often political and regional, such as with Denmark’s compliance with, or anticipation of, European Commission financial directives. More informally, external institutions such as the Organization for Economic Cooperation and Development (OECD), primarily through their policy reports, as well as lobby groups such as the European Mortgage Federation (EMF) also pressure national policymakers. As a method of study, VOC deals poorly with transnational

processes, but the varieties of residential capitalism we identify do not operate in a transnational political vacuum. However Pollard (this volume) disagrees, pointing out that the construction industry is still substantially local in nature. Fourth, the degree of financial repression in housing directly affects the degree of social stratification. In repressive systems, housing finance tends to reinforce existing patterns of stratification, while in liberal systems housing finance enables a reordering of intergenerational wealth transfers with corresponding political effects. Finally, convergence and divergence in housing finance may also be a matter of external political influence, an element that is missing from the VOC approach.

Our third major point is that housing finance systems have ballot-box consequences because, among other things, they affect voters' preferences for the level of public spending, taxation, and interest rates. The institutional structure surrounding housing thus has important political consequences paralleling those of welfare institutions. Houses and welfare programs both confer rights to a stream of income or services onto people. But unlike welfare programs, houses are potentially tradable assets – the income stream or service can be sold, and the value of that stream rises or falls with interest rates and demand pressure on the housing market. The political effects emanating from housing thus depend on specific conjunctural combinations of prices, interest rates, and homeownership patterns.

In an economy with unevenly distributed ownership of assets, sharply rising housing prices will exacerbate existing inequalities of wealth. Access to new kinds of housing loans can provide the means to defer payment on such loans or help owners to hide assets from tax authorities while they transfer property ownership to the next generation. These effects will vary according to differing institutions, interests, and norms within a society – producing distinctly political varieties of residential capitalism. In societies with a strongly developed norm of “asset-based welfare” the distribution of wealth over generations is likely to become a hot political topic, particularly for housing affordability (see Schwartz, Watson, Broome, and Mortensen and Seabrooke this volume). In societies where the state has provided generous supplements to support access to public or private housing, property booms may encourage citizens to reconsider how well their welfare monies are being distributed (see Tranøy, and Mortensen and Seabrooke, this volume).

The degree of decommodification and stratification we find in housing markets diverges from the patterns which the traditional welfare

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state<sup>1</sup> literature would predict. In contrast to the apparently stable welfare state configurations Esping-Andersen (1990) typologizes as liberal, conservative, and social democratic welfare regimes, deregulation of housing finance systems has enabled considerable divergence with respect to preferences, incentives, and consumer behavior. In many countries perceptions of self-interest in relation to housing markets have been dramatically realigned away from communal wealth and towards increasing individual wealth, even within countries in which property was commonly considered a social or communal right. This makes understanding changing everyday behavior particularly important (Aalbers, 2008; Langley, 2008; Seabrooke, 2006, 2007).

We offer some speculation about the current conjuncture: how will pocketbooks drive politics when housing prices fall globally and homebuyers face further stretching of already strained budgets to cover living expenses and mortgage payments? Put simply, we argue two things. First, because the current conjuncture combines high housing price levels and thus high levels of mortgage debt with relatively low interest rates, the constituencies for a low-tax, low-inflation policy package are much larger than they would otherwise be. Much as Margaret Thatcher hoped, but for different reasons, today's housing market has conscripted more manpower for the trenches defending parts of the neoliberal policy line of the past two decades. Second, because more liberal housing markets seemed to deliver better macroeconomic outcomes in terms of Gross Domestic Product (GDP) and employment growth, politicians and policymakers in financially repressed housing markets faced pressure to introduce the elements that make housing finance systems "liberal," particularly the securitization of mortgages (the bundling of hundreds of individual mortgages into one bond for sale into capital markets). But the current crisis will inevitably prompt a backlash against U.S.-style financial engineering everywhere. How will this affect the degree of complementarity or coherence characterizing financial institutions in coordinated and liberal market economies? Will they each become more hybridized? The contributions by Tranøy and Mortensen and Seabrooke demonstrate that even before the 2007–08 crises, the politics of housing had become extremely sensitive politically. Even high-income, high-welfare societies, like Norway or Denmark, that traditionally had low levels of residential owner-occupation saw fights between political parties and among social groups over the types of housing loans and tax burdens. Many overtly socialist political parties now blush at any suggestion of increasing property taxes, fearing that such a policy would make them unelectable. And within more liberal systems some political

parties have made a great deal of headway by trumpeting the crisis in housing affordability for ordinary workers.

In the following sections we first locate housing finance within extant CPE and IPE literatures. We then show the lack of correspondence between the types of OECD housing systems and the usual welfare systems and VOC typologies. We then discuss the importance of framing and discourse in understanding why homeowners within the countries discussed do not simply respond to market incentives but change their attitudes and conventions towards housing in a manner that realigns what they consider their material self-interest to be and their own role and responsibilities within economy and society. We conclude by briefly highlighting how the chapters in this volume speak to our key themes and conclude with a call for further research on varieties of residential capitalism within the international political economy.

### **1.1 Houses, housing finance systems, and political economy**

Do housing and housing finance matter politically? The supply side orientation of traditional CPE and IPE gives them few answers to this question, although as Pollard (this volume) shows, a supply side understanding of housing does matter. In IPE literature, research on finance largely examines aggregated flows of capital, foreign direct investment, and the effects of liberalization of capital markets on national policy autonomy (Singer, 2007). Pride of place goes to analyses of deregulation, pure financial flows, and speculation-driven financial crises. CPE literature largely attends to manufacturing, which now accounts only for between one-sixth and one-fifth of most advanced economies. Analytic pride of place goes to employment and training systems, collective bargaining regimes, production systems, and financial systems understood in relation to the supply of capital to manufacturing. Financial analyses thus tend to look at aggregated stock and bond markets as providers of investment capital for, and oversight of, manufacturing firms, with occasional detours into the role of block-holders (institutions, like banks or pension funds that own a controlling portion of a firm's shares) or other institutional investors (e.g. Gourevitch and Shinn, 2005). CPE's attentiveness to finance generally dissipates once it has considered the relationship between industrial policy and finance (e.g. Hall and Soskice 2001; Zysman, 1983). The usual point of intersection between the IPE and CPE research domains is typically a debate about the allegedly homogenizing effects of globalization, or consideration of issues of

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comparative competitiveness (which largely ask, “*who’s doing it better?*”), rather than trying to assess the articulation of financial flows at different levels in the global economy (Germain, 1997; cf. Seabrooke, 2001).

Even before financial crises cascaded out of dodgy mortgage-backed securities, IPE and CPE’s analytic neglect of residential property markets was odd. In many advanced industrial economies the family home is *the* key asset in a given household’s portfolio. In 2004, the median net worth of the bottom 90% of U.S. households was approximately \$40,000. Yet for the homeowners who bought housing between 1999 and 2005, median net worth jumped from \$11,000 to \$88,000 in real terms, driven largely by rising home equity (Harvard University Joint Center for Housing Studies, 2008, 16). Key international institutions agree on the macroeconomic centrality of residential property. The International Monetary Fund (IMF) and the World Bank have been interested in residential property markets as means to revenue stability and economic development in emerging markets. The Organisation for Economic Cooperation and Development (2005b) has specifically criticized member states’ governments for permitting property booms potentially to rob from further wealth creation, and has strongly advocated the removal of implicit government subsidies that sustain public residential property markets.<sup>2</sup> Given the importance of economic growth and well-being in people’s and parties’ electoral calculations, it is odd that IPE and CPE largely ignore houses while favoring narrower policy areas. Finally, while labor disputes in the late 1960s and early 1970s clearly helped to terminate the Bretton Woods or Fordist period of growth, housing helped to start and stop the current period of growth (Schwartz, 2009).

Our point here is not that IPE and CPE’s extant foci are wrong, but rather that each ignores a major source of political behavior and macroeconomic outcomes and this leads to omitted variable bias. Nor is our point that the usual analytical tools of CPE and IPE cannot be applied to understanding changes in residential property markets. On the contrary, this volume uses some of the traditional IPE and CPE tools to understand the politics and economics of residential property markets in a comparative, international, and transnational context, albeit in ways that force a reassessment of those tools. This chapter, and Schwartz’s Chapter 2, also show how that understanding sheds light on some persistent problems explaining the core macroeconomic outcomes of employment and growth.

We pose three broad questions to open up a discussion of housing related to *ownership*, *credit access*, and *welfare redistribution*. First, what is

housing in any given society, how do people think about it, and who owns it? Housing may be understood as a consumption good, as a social right, or as an investment vehicle. Ownership may be understood as private, public, communal, cooperative, or familial. Tracing how commodified housing systems are provides some insight into these dynamics (commodified is the degree to which people's access to housing depends on their market incomes and market-based transactions rather than a socially guaranteed access). Second, how are houses financed? What access is there to mortgage credit within a system? This includes access to first-time homeowner grants and subsidies, the determination of fixed or variable interest rates, the deposit requirements for a loan, whether the contractual terms favor the creditor or debtor, the role of nonbank financial intermediaries, and the extent of mortgage securitization. Third, how is housing treated within the national welfare regime for tax purposes? What taxes are paid, or tax breaks given, on housing-related matters? Whether systems favor mortgage interest deductibility, property taxes, taxes on capital gains from housing sales, state subsidies for rental payments, or tax breaks for investors in social housing will all affect the national economy. All three of these issues also generate everyday politics about what is appropriate and legitimate as regards who owns, who has credit access, and who is paying which taxes in a given country.

The answers, put bluntly, are that housing finance systems can connect people to global capital flows and interest rates in a more direct way than tax systems, public debt, or employment. But the degree of decommodification and stratification this connection produces varies by the level of owner-occupancy and the structure of housing finance markets. In turn, because housing is often people's key asset, housing creates immediate and different partisan and policy effects over tax resistance, preferences for cash in hand over social services, orientations towards inflation, and preferences for the party that best protects property or property values regardless of which party that happens to be. Housing creates durable, structural effects on politics, much like pension systems. Because the big political questions often revolve around structural or institutional issues, housing finance systems have substantial and long-term political consequences.

## **1.2 Housing and the welfare trade-off**

We can break housing systems up along two major dimensions, both of which are objective, but which in turn give rise to different subjective

understandings about housing. The first objective dimension is the degree to which people are owner-occupiers rather than renters, measured by owner-occupation rates. This tells us something – but not everything – about how decommodified housing might be. The second is the degree to which housing finance is “liberal” or “controlled,” measured both by the level of mortgage debt in relation to GDP and the degree of mortgage securitization. As we will see, this reveals how stratified homeownership is and also suggests the potential macroeconomic consequences of different housing market finance systems. These two objective dimensions are convenient because they are suggested by the welfare state literature’s traditional typology as well as that of the VOC literature. We amend these typologies better to reflect the role of state developmentalism which refers to state efforts to promote industrial development using targeted investment subsidies (in which “late development” can place barriers on welfare claims, see Uzuhashi, 2003), as well as the role of the family in mediating welfare concerns and protecting intergenerational equity (see, for example, Hemerijck, 2002).

Subjectively, commodified markets with large numbers of indebted owner-occupiers are clearly liberal in nature, and people are likely to see housing as a form of investment to a greater degree than in systems dominated by socially provided rentals, where housing is more likely to be perceived as a social right, or in self-help systems where families build their own housing. Between the poles of housing as an investment vehicle and housing as an object of family consumption, mixed systems obviously have their own dynamics where housing is perceived as a social right. High levels of ownership but low commodification indicate a familialist mentality. By contrast, low levels of ownership are not necessarily associated with less market pressure on individuals, because renters do not necessarily have flexibility in their housing choices. The degree of commodification rises with rising mortgage debt, since debt service requires cash income.

Breaking housing systems up by owner-occupation and financial structure creates a four-cell table. Figure 1.1 displays the degree to which the 19 OECD member countries for which we have data deviate from the average OECD level of owner-occupied dwellings as a share of all dwellings (a measure of relative exposure to markets and thus the potential for commodification) and from the average level of mortgage debt in relation to GDP (a measure of the financial structure and the potential for stratification). To provide some analytical coherence, we label our four different housing finance systems in ways that correspond to

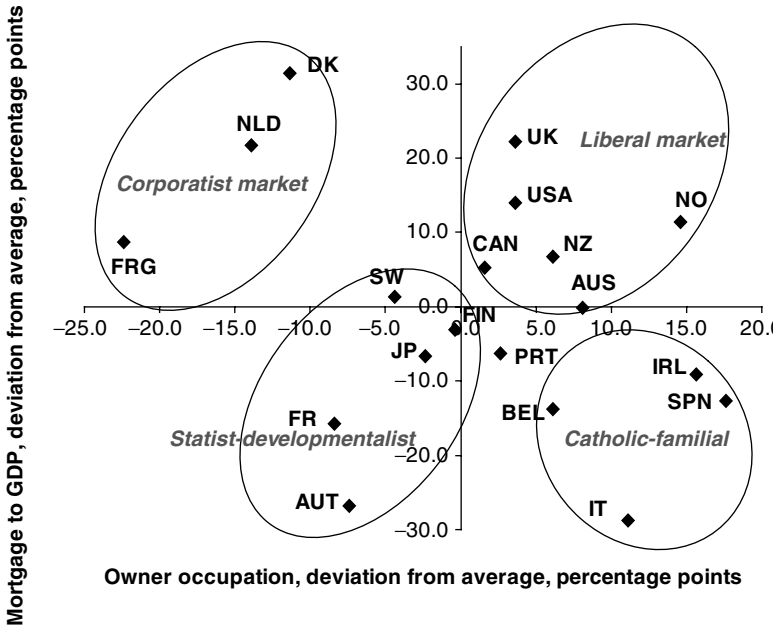


Figure 1.1 Relative deviation from average OECD levels of mortgage debt to GDP and owner-occupation prevailing 1992 to 2002 (percentage points)

the common distinctions made in the welfare states and VOC literature even though there is no one-for-one correspondence.

What makes these groupings coherent? By capturing the interaction of owner-occupancy and financing regimes, Figure 1.1 suggests the four ideal-types displayed in Figure 1.2. The groupings are not distinct enough to make an extremely robust causal argument. However a plausible explanatory logic links two or possibly three causal forces: the interaction of pensions and owner-occupation, competition for investment capital, and the level of urbanization or new settlement in the postwar period. Again, we can look to the welfare states and VOC literature to explain some of these dynamics, although it is already clear that we will have to modify each.

First, does owner-occupation or high mortgage debt expose people to market pressures or inhibit welfare state development? Gøsta Esping-Andersen used the degree of de commodification in social policy to typologize welfare states as social democratic, conservative, and liberal ideal-types (Esping-Andersen, 1990). Francis Castles argued for a “wage

(Figures in each box are unweighted average % level for group for the indicator)		Owner-occupation rate (average of 1992 and 2002)	
		Low	High
<i>Mortgages as a % of GDP</i> (average of 1992 and 2002)	High	<b>Corporatist market</b> Mortgage::GDP: 58.3 Owner-occupation: 47.0 Social rental: 20.7	<b>Liberal market</b> Mortgage::GDP: 48.5 Owner-occupation: 70.1 Social rental: 9.4
	Low	<b>Statist-developmental</b> Mortgage::GDP: 28.2 Owner-occupation: 58.3 Social rental: 16.8	<b>Familial</b> Mortgage::GDP: 21.6 Owner-occupation: 75.5 Social rental: 5.5

Figure 1.2 An analytic understanding of Figure 1.1 for 19 OECD countries

earner” variant, encompassing Australia and New Zealand and possibly Ireland and Finland, and then later a southern European variant (Castles and Mitchell, 1992). But in Figure 1.1 Esping-Andersen’s social democratic and corporatist/conservative groups both break up. While the northeastern “high-high” (high commodification, high ownership) “liberal market” group includes most of Esping-Andersen’s liberal cases, and also Castles’ wage-earner states, it also includes Norway, a social democratic welfare state (Tranøy, this volume, suggests reasons why this occurs). These countries combine early homeownership, a liquid market for houses, and mortgage securitization.

By contrast, social democratic Denmark ends up among what we call “corporatist-market” neighbors in the high-low northwest quadrant. These countries combine relatively large public/social rental sectors with substantial mortgage securitization or large nonbank holdings of mortgages. Sweden and Finland occupy an ambiguous position close to the origin, but their nearest neighbors are countries in the southwest quadrant that share state targeting of industry or a high level of public industry, which is why we call them “statist-developmental.” Sweden aside, they lack any substantial mortgage securitization, increasing the state’s leverage over financial markets and thus its ability to target sectors. These countries also tend to have low rates of homeownership. The southeast quadrant is a set of familialist countries that lack both social housing and securitization but do have high levels of homeownership. This quadrant should be closest to Esping-Andersen’s conservative type, but does not encompass all his cases.

Esping-Andersen's categories ultimately rest on an explicit causal model and not just a measure of decommodification. For Esping-Andersen, different configurations of class power produced different sets of policies characterized by different degrees of decommodification, stratification, and universality. All other things being equal, more power for labor should produce a correspondingly higher level of decommodification and universality. This is roughly – but only roughly – borne out by Figure 1.1, because high levels of political power for labor are associated with a general tendency to have below the average level of owner-occupancy. Indeed, Esping-Andersen's first book (1985) explicitly linked variation in Scandinavian housing policies to social democratic parties' desire to prevent a split from emerging between homeownership white collar workers and blue collar renters. Yet by the 1990s homeownership levels in three cases no longer reflected his assessment of labor's relative strength, with Sweden intermediate to high rental Denmark and homeownership Norway.

Our categorizations could diverge from Esping-Andersen's simply because his ideal-types are *regimes* that will always encompass some deviant programs. And, as Esping-Andersen noted many times in response to his critics, not all cases conform tightly to his ideal-types. This could indicate that the discrepancy between where countries fall in Esping-Andersen's categories and ours might be meaningless. Nonetheless, we think our categories have some degree of internal coherence that suggests both causal and consequential logics. The causal logic however is somewhat at odds with Esping-Andersen's argument. Putting aside whether labor naturally seeks decommodification, the issue here is whether a higher level of power for labor produces greater decommodification in housing markets, as measured by the levels of owner-occupation and mortgage debt. If our housing groups share similar causal forces this would force us to reconsider Esping-Andersen's regimes. The classic debate between Jim Kemeny (1980) and Frank Castles (1998) over the salience of owner-occupied housing for the development of the welfare state suggests this kind of reconsideration (see also Malpass, 2008).

Kemeny (1980) argued that a trade-off existed between owner-occupation of residential property and the quantity and quality of welfare state benefits. This trade-off did not arise from differences in the total life cycle cost of housing across societies but rather its temporal distribution. The total life cycle cost of owner-occupied or rented housing was the same at any given level of income for a society or a specific individual. What varied was the distribution of costs over a given individual's life cycle. Renters spread the housing costs over their entire

lifetime, making essentially level payments each year. The arrival of children in the middle of renters' life cycles would push up housing costs at roughly the same time that their incomes rose; symmetrically, as income fell at the end of the life cycle, children would depart and housing costs would fall.

By contrast, would-be purchasers of owner-occupied housing face a front-loaded schedule of payments. Buying a house compresses the bulk of the life cycle cost of housing into a household's early years. First, households have to save for a down payment. In the early and middle part of the twentieth century, when welfare regimes were forming, these down payments were considerably larger than they are today as a percentage of the purchase price, but even today 20% is a fairly common requirement in most countries. Second, the normal mortgage term is typically less than 30 years and in many countries mortgages have 15-year terms. Consequently, a household might spend its lower-income twenties accumulating a down payment and then its thirties and forties paying off a mortgage. Italy, where a 50% down payment and a ten year amortization schedule were common until recently, provides an extreme example of this kind of compression.

Kemeny argued, all other things being equal, that this front-loading of housing costs made homeowners a natural constituency favoring a smaller welfare state. Young, lower-income households faced a sharp trade-off between cash income for home purchase and taxes for social welfare services. They would also not favor extensive government borrowing, since this would inevitably raise interest rates and thus the monthly cost of a mortgage (Watson, this volume). By contrast, renters would face a less sharp trade-off between taxes and cash income because renting did not crowd housing expenditures into one of the lowest income periods of life. Kemeny's key insight thus was that the level of homeownership was not a natural outcome of rising or high per capita income levels, but instead reflected political choices by voters and parties. High-income economies like Denmark and Germany could exhibit low levels of homeownership if politics and policy favored social spending, including social housing, over private homeownership (Kemeny, 2005, 60).

Frank Castles' (1998) critique of Kemeny and Esping-Andersen provided a more compelling and focused causal argument with a more precise micro-foundation for homeowners' relative hostility to welfare spending. More recent research by Dalton Conley and Brian Gifford (2006) confirms Castles' intuitions. Castles noted that countries with low levels of old-age pension provision also typically had high rates

of private homeownership. Housing generally constitutes not only the greatest single item in most retirees' budgets, but also, with food, one of the least substitutable or dispensable. Castles thus argued that the imputed income from homeownership substituted for public pension income, a point consistent with his broader argument about "social policy by other means" in the wage-earner welfare state. For Castles, housing choices specifically affected pensions, but not necessarily other aspects of the welfare state. Countries or individuals could trade off homeownership against robust public pensions. Causally, settler societies with high levels of homeownership prior to the emergence of public pension systems would be less likely to develop robust public pensions, because freehold ownership of housing sharply reduced the income requirements of the homeownership elderly. Echoing Kemeny, Castles also noted that better off parts of the elderly population were more likely to own houses and thus were less favorably disposed towards higher taxes to provide cash income to elderly renters. In addition, while both renters and owners bear the cost of property taxes, these taxes are most visible to owners, and it is visible taxes that always draw the most resistance (Martin, 2008). As such, homeownership split the natural elderly constituency for expanded pensions.

While Castles and Kemeny disagree somewhat on details, they agree on the central premise about private homeownership: down payments and mortgages have important political consequences because they crowd out taxes early in a voter's life cycle. The level of homeownership shapes citizen attitudes on the extent of commodification or de-commodification of housing markets and time-horizons about welfare maximization. But the critical dimension with respect to de-commodification is not simply the degree to which housing is socially or privately rented, and the degree of rent control. Societies with high levels of homeownership and (as we will see) liberal mortgage markets are just as likely to have large socially rented sectors as those with controlled mortgage finance. Thus in Denmark, Britain and the Netherlands, socially rented housing accounts for more than 20% of the entire housing stock and in excess of half of the rental stock. Indeed, even after Margaret Thatcher, British social housing accounted for roughly 70% of the rental stock (making Britain an exception in this regard to the broader liberal trend). By contrast, in high owner-occupier Italy, Spain, and Ireland, the social rental sector accounts for less than 10% of all dwellings and less than half of an already relatively smaller rental stock (European Central Bank, 2003). Simply looking at the level of owner-occupancy does not tell us whether homeowners are exposed to the market. Do we really think that Italians

or Spaniards, who on average are more likely to own their own home free of a mortgage than Americans or the Dutch, are more exposed to the market? These considerations suggest looking more closely at the level of and access to mortgage debt.

### 1.3 Varieties of residential capitalism and institutional complementarities

Above we discussed how housing forces us to adjust the common ideal-types in the welfare state studies, while suggesting the political importance of housing. Can we integrate housing finance systems with the VOC literature and the broader work on comparative capitalisms? Our first cut into this literature is to assess to what degree housing finance systems are liberal or repressed/controlled, because this affects how owner-occupied housing articulates with global markets, which, in turn, affects the stratification of owners by wealth. The degree of financial repression ultimately boils down to the degree to which mortgages are securitized and the depth and internationalization of mortgage pools.

The VOC literature splits the world into liberal and coordinated market economies (LMEs and CMEs), depending in part on the degree of financial repression and the presence of coordinating block-holders or actors in capital markets. VOC argues that the institutional ensembles constituting LMEs and CMEs produce specialization in different kinds of export goods, with repression and block-holding characterizing CMEs. Housing finance markets also clearly vary in the degree to which financial repression is present, but with types and outcomes that differ from VOC's. The critical differentiating *outcome* with respect to these segmented markets is the level of mortgage debt in proportion to GDP. The scale of mortgage debt matters for macroeconomic outcomes, not export specialization. Consistent with VOC literature, this outcome is a function of the degree to which states practiced financial repression, not in general, but in their specific housing market.

Mortgages matter macroeconomically because they provide a significant drain on savings, and may also stimulate housing-related consumer demand (Schwartz, 2009). All OECD member states thus have clear regulations for housing finance systems, including limits on lending and deposit interest rates, quantitative limits on mortgage credit, and strict limits on loan-to-value (LTV) ratios for mortgages (Girouard and Blöndal, 2001).<sup>3</sup> Table 1.1 displays the predominant features of the major OECD cases.

In addition, many OECD member countries have created specialized and varied public, private, and quasi-public financial institutions to manage housing finance within a national economic policy framework (Seabrooke, 2008). These different financial institutions and regulations distribute risk differentially among borrowers and lenders. While legal systems matter here with respect to foreclosure and collateral, the single most important characteristic is the possibility for banks to shift risk onto third parties by selling mortgages into the general market for securities. We will call mortgage systems “*liberal*” if this kind of securitization is legal and widespread and “*controlled*” if securitization is not possible or minimal. Countries with financial systems characterized by control and state direction of finance obliged the savings system to park small savers’ capital in the central bank or other state institutions so that it could then be loaned onward to industry. By contrast, in non-repressive financial systems mortgage banks freely recycled savings back into mortgages, and, eventually used securitization to move mortgages off their books and into the hands of long-term private investors like insurance and pension companies. Table 1.2 displays household debt and interest burdens for 15 OECD countries.

The differences in securitization show that country/housing types deviate from their typical VOC category as much as they do from Esping-Andersen’s welfare state categories. Securitization allows banks to refresh their capital and shift interest rate risk off their books and onto the buyers of mortgage-backed securities (MBS). This allows banks to originate yet more loans and earn the bulk of their income from transaction fees. It also shields banks from the maturity mismatch between short-term time deposits and long-term mortgages. This contrasts with the model in which banks hold mortgages to maturity and make money off the interest rate spread between deposits and loans. Securitization can also remove credit risk, depending on the kinds of guarantees banks must make when selling loans on. Buyers of MBS are typically pension and insurance funds matching predictable long-term assets against their equally predictable long-term liabilities. Thus Castles’ observation about houses and pensions returns full force: there is not only a causal harmony between private homeownership and private pension funds but also a direct institutional complementarity: because his archetypal owner-occupier societies often have securitization, they also have larger *private* pension systems as well, and use MBS rather than taxation as the conduit for intergenerational transfer of income.

After the Second World War, only the U.S. and Denmark had non-repressive housing finance systems, because they were the only systems

Table 1.1 Housing market characteristics, 19 OECD countries

	Owner- occupation, % households*	Social rental, % of households*	Private rental, % of households*	Change in Owner- occupation as % of households, 1980-latest*	Residential mortgages as % of GDP (1992)**	Residential mortgages as % of GDP (2004)**	Typical loan-to- value ratio (%) (2002)***	Maximum loan-to- value ratio (%) (2002)***	Typical loan term (2002)***	Mortgage securitization possible?	Home equity release possible?	Absolute change in number of women working, 1980-2004, as % of 1980
Austria	56	21	20	+6	-5.0	20.3	60	80	20-30	No	No	42.8
Belgium	74	7	16	+9	19.9	31.2	83	100	20	No***	No	36.2
Denmark	51	19	26	-2	70.1	88.4	80	80	30	As covered bonds	Yes	18.9
Finland	60	14	16	0	37.1	37.8	75	80	15-18	No (?)	Yes	4.4
France	54	17	21	+9	21.2	26.2	67	100	15	Yes but limited	Not used	33.5
Germany (West)	43	7	50				67	80	25-30	As covered bonds	Yes, but not used	
Germany (all)	40^			+5	41.0	52.2				As covered bonds	No	57.2
Ireland	78	9	16	+1	20.3	52.7	66	90	20	Yes but limited	Yes but limited use	131.4

Italy	69	5	11	+16	3.2	15.3	55	80	15	Only recently	Not used	34.2
Netherlands	53	36	11	+13	43.2	111.1	90	115	30	Yes	Yes	128.8
Norway	78				46.1	56.0		80	15-20	No	No	38.6
Portugal	64	3	25	+23	c. 20.0	52.5	83	90	15	No	No	55.5
Spain	85	1	10	+9	12.9	45.9	70	100	15	New but rising	Yes but limited	110.0
Sweden	41	27	13	+4	50.8	51.6	77	80	<30	Yes but limited	Yes but limited	6.3
United Kingdom	69	22	9	+11	52.8	75.3	69	110	25	Yes	Yes	28.6
Australia	72				78.0	301.0	65		25	Yes	Yes	86.7
New Zealand	70				146.0	267.0				No	Yes but limited	116.5
Canada	64				42.7 <sup>^</sup>	43.1 <sup>^</sup>	75		25	Yes	Yes but limited	71.8
United States	68				45.0	65.0	78		30	Yes	Yes	53.7
Japan	60				25.3	36.8	80		25-30	No	No	22.1

Sources: \* Allen 2006, European Central Bank, 2004, plus Catte, Girouarde, Price, and Andre, 2004; 138 for non-EU countries; \*\* Hypostat 2006; \*\*\* based on MacLennan, Muellbauer, and Stephens, 1998; 70 and OECD, 2004b; <sup>^</sup> Cattie et al., p. 138. Empty cells reflect unavailable data. \*\*\*\* We have coded 'No' where securitization is permitted but an insignificant share of the market.

Table 1.2 Households' mortgage debt and interest burden, by housing market type

	% of household disposable income						Variable interest rates as % of all loans
	Mortgage debt			Interest payments			
	1992	2000	2003	1992	2000	2003	2002
Australia	52.8	83.2	119.5	4.8	6.4	7.9	73
Canada	61.9	68.0	77.1	5.9	5.7	4.9	25
New Zealand	67.0	104.8	129.0	6.9	9.3	9.4	n/d
UK	79.4	83.1	104.6	4.4	3.7	3.0	72
US	58.7	65.0	77.8	4.9	5.2	4.5	33
<i>Average</i> <sup>*^</sup>	<i>61.1</i>		<i>82.9</i>	<i>4.9</i>		<i>4.5</i>	
Denmark	118.6	171.2	188.4	10.6	9.9	8.3	15
Germany	59.3	84.4	83.0	3.9	4.0	3.0	72
Netherlands	77.6	156.9	207.7	5.0	8.4	8.2	15
<i>Average</i> <sup>*</sup>	<i>65.3</i>		<i>107.4</i>	<i>4.4</i>		<i>4.1</i>	
Finland	56.7	65.3	71.0	7.1 <sup>^^</sup>	2.9	1.9	97
France	28.5	35.0	39.5	1.7	1.4	1.1	20
Japan	41.6	54.8	58.4	2.5	1.3	1.4	n/d
Sweden	98.0	94.4	97.5	5.0	4.2	3.3	38
<i>Average</i> <sup>*</sup>	<i>40.7</i>		<i>55.2</i>	<i>2.5</i>		<i>1.4</i>	
Ireland	31.6	60.2	92.3	2.3	3.0	2.5	70
Italy	8.4	15.1	19.8	0.7	0.8	0.7	56
Spain	22.8	47.8	67.4	1.6	2.2	1.7	75
<i>Average</i> <sup>*</sup>	<i>14.0</i>		<i>38.1</i>	<i>1.1</i>		<i>1.1</i>	

Notes: \* weighted average for this group using share of OECD GDP in 2003; ^ Data for Norway unavailable; ^^ reflects GDP crash after collapse of Soviet Union

Source: Compiled from OECD, 2005b, 131.

that permitted the creation of securities from housing loans and thus relatively long-term mortgage instruments. They also grew out of unique institutional arrangements that followed state-led and community-led responses to widespread economic crises (Seabrooke, 2008). They also did not systematically limit the volume of credit going into housing. But by the 1990s, most of the countries in the upper half of Figure 1.1 had created either long-term mortgages, a covered bond market based on housing loans, or MBS. By contrast, countries with short-duration mortgages or no MBS mostly populate the lower half of Figure 1.1, although in some MBS issues skyrocketed after EMU (Aalbers, 2006, 17; Stephens, 2000).<sup>4</sup>

However, countries with financially repressed housing finance markets do not display a one-to-one correspondence to VOC's CMEs, where block-holders and financial repression characterize industrial credit. Germany, the Netherlands, and Denmark – all CMEs for VOC – all permit mortgage securitization. Indeed, these three countries accounted for 70% of covered bonds in the European market in the late 1990s, with the Danes relatively speaking the most securitized, although their “mortgage bond system ... can be thought of as a variant of a securitization, somewhere in between an MBS and a German pantbrief system” (Davidson et al., 2003, 487). In the past 15 years the Danes have been able to double foreign investment into their mortgage bond system while not altering the “balance principle,” which is that all residential property loans must be supported by bonds that must, in turn, be supported by existing mortgages (this system also keeps risk with the borrower and provides only a “pass through” securitization service, see Seabrooke, 2008). In general, the European pool of securitized mortgages was only half the size of the U.S. pool; indeed, in 2005 Australian MBS issues exceeded German issues (Aalbers, 2006, 17; Hardt, 1998, 7). In other words, not all CMEs have CMF (controlled mortgage finance). However these three countries also had substantial social rental sectors, which insulated non-homeowners somewhat from housing market pressures.

By contrast, all of VOC's LMEs have LMF (liberal mortgage finance). In LMEs, securitization enables banks to shift interest rate risk onto the ultimate purchaser of the MBS. This permits banks to make large, long-term, fixed-interest loans. In turn this permits borrowers to take on quite large amounts of debt because the fixed interest rate cushions borrowers against balance-sheet risk (the risk that rising interest rates will trigger higher mortgage payments and throw them into default). This leads to high levels of mortgage debt in proportion to GDP. While these levels of debt are actually lower than those in our corporatist market economies, this reflects the combination of higher average inflation levels in liberal economies and stricter land-use policies in crowded northwestern Europe.

When banks cannot shift interest risk onto some other entity, and instead must hold mortgages to term, they ration lending and borrowers avoid debt in order to control their balance-sheet risks. Banks that cannot securitize mortgages typically shift the bulk of risk to the borrower through higher interest rates, variable interest rates, prepayment penalties, and big down payments. Thus Italy and Austria, which lack securitization, have the highest effective mortgage interest rates in Western

Europe, the lowest levels of mortgage debt to GDP, and loan-to-income (LTI) ratios that are half the average European level. Before European Monetary Union (EMU), Italian borrowers were also confronted by punitive interest rates as a result of high inflation. And foreclosure in Italy also typically takes an excruciating (for creditors) six years, followed by Portugal, France, and Belgium at around a still lengthy two years (Catte et al., 2004, 144; Hardt, 1998; Neuteboom, 2004). Where banks ration lending most housing is financed from personal savings, which compresses consumption.

Securitization and long-term mortgage loans interact with the commodification of housing through owner-occupation. The more mortgage resources are available, the bigger the market for housing will be. And the greater the possibility of borrowing, the more reliant the average buyer will be on early-life-cycle income to service that mortgage. By contrast, where banks must carry the credit and interest rate risk, mortgages tend to be small and buyers rely on their own resources to finance houses. Thus one of the consequences of Italy's specific mortgage system is that much housing is self-provided, with families and friends pitching in weekend labor and pooled savings to expand dwellings as families grow. Families live together as intergenerational units for longer periods of time. In addition, housing also serves as a sink for income and capital generated in the black market (Castles and Ferrera, 1996, 178, 180–1). The open market for dwellings is thus thin.

VOC's CMEs require not just financial repression but also large block-holders to act as monitors for firms. Is this also true of mortgage markets? Europe's socially rented housing is mostly controlled by powerful block-holders, who act like the controlling shareholders in VOC's CMEs (Gourevitch and Shinn, 2005). But it is easy to overstate their influence on the market. Even in the LMEs, powerful institutions or organizations exert tremendous influence precisely because of the risks involved in pricing and floating mortgage bonds and the economies of scale involved in the servicing of mortgages. The sheer size of the U.S. market and an alleged orientation towards free markets might suggest an unstructured and competitive market. But in fact a few giant players structure the MBS market. Two government sponsored (but private) agencies, "Fannie Mae" and "Freddie Mac," set the rules for most mortgage origination and also did most of the securitization of mortgages until 2005 (Schwartz this volume; Seabrooke, 2006, 125–9; Aalbers, 2008, 157–8). The private market is also concentrated. One U.S. mortgage giant, Countrywide, accounted for 8% of all *global* private asset-backed securities (ABS) originations in 2005, while the top ten private

issuers accounted for 38.1% of all ABS issues in this nearly \$2 trillion market.<sup>5</sup> Similarly, pension funds loom large in the Danish private rental market, which accounts for about 20% of all dwellings, just as real estate investment trusts (REITs – a kind of real estate mutual fund) loom large in U.S. commercial and residential rental markets.

What matters, then, is not the presence of block-holders, but rather their orientation towards the market. This is why socially constructed ideas about the purpose of housing and the logic of appropriateness governing housing block-holders matter. So while we suggest that the institutional complementarities literature provides important analytical tools for mapping varieties of residential capitalism (once amended), not all can be explained by the economic fundamental or by exploring the logic of institutional frameworks. Indeed, within this volume we also point to the importance of understanding how political and economic elites can use “ideas as weapons” to frame change in residential property markets (Blyth, 2002; Campbell, 2004), as well as how more broadly changing attitudes and conventions about these markets can provide clear impulses to those in power (Seabrooke, 2007).

#### 1.4 From complementarities to consciousness

In the countries examined in this book, housing is seen either as a social right or as a means to wealth. No individual country presents a pure form, but social ideas about what is legitimate, fair, and appropriate for behavior in relation to residential capitalism vary between these poles. These attitudes provide a means to trace social change as they inform and respond to the political framing of residential capitalisms. Within LMF systems the “financialization” of everyday life with regard to residential property markets has been extensive, providing new constraints and opportunities for the fulfillment of social wants and desires (Aalbers, 2008; Langley, 2008). In systems where there is a “sea change” in thinking about the role of housing, we should expect to see some political conflict, not only in formal politics but also in society. Mortensen and Seabrooke’s description (this volume) of the rapid transformation of Danish housing cooperatives (*andelsbolig*) from a system based on socialist principles to a system based on capitalist principles within a five-year period provides a case in point. In general, citizens’ understanding of their economic and, given the “welfare trade-off,” social choices shapes the framing of political debates about the transformation of residential capitalism within national political economies, and within regional institutions (Rosamond, 2005).

These choices create strong possibilities for stratification. Esping-Andersen's social democratic welfare type is marked by the absence of programs that stratify citizens by income (like liberal welfare states) or status (like conservative welfare states). But housing in liberal mortgage markets is inherently stratifying because housing is most households' largest asset. By permitting high levels of mortgage debt, liberal housing finance systems also permit households to leverage their housing investment by committing only a small amount of purchase money (down payment) while borrowing the bulk of the house price. When housing prices are rising strongly, these households can accumulate assets much, much faster than unleveraged households. Wealth inequalities thus cumulate more rapidly as prices rise. However, this price rise also exposes borrowers to global interest rate shocks and the abrupt de-leveraging and loss of unrealized wealth that we now see occurring in housing markets everywhere.

This wealth accumulation shows why the Castles and Kemeny arguments do not provide a clear road map for exploring today's housing politics. Kemeny and Castles provided plausible interpretations of the effects of different levels of owner-occupation on the *formation* of welfare states. But both missed the interaction of growing asset accumulation not just by the middle classes but also by slices of the working class. Nearly 30 years ago Peter Drucker noted the growing political importance of funded pensions, which were accumulating large shares of the equity market on behalf of workers. Because housing finance systems characterized by high levels of homeownership and particularly by securitization make houses into assets, they create the same dynamic for a broader range of households. Castles and Kemeny also ignore the macroeconomic consequences of housing. Asset prices are not only vulnerable to changing interest rates but they also help to create macroeconomic swings, which in turn affect tax revenue and spending through the level of employment and output. All this means they have less to say about the politics of housing now than they did about the politics of housing two generations past. We sketch out those politics in Figure 1.3.

Those politics are strongly affected by the economic conjuncture of the past 20 years, but they affect countries in the different quadrants differently. The past 20 years have seen the following trends: secularly declining nominal interest rates; rising homeownership; rising housing prices (with considerable country-by-country variation); integration of global financial markets; and the rise of neoliberal discourses emphasizing the self-management of assets and justifying market-driven income

		Owner-occupation rate (reflects size of social rental sector and thus commodification; partial disconnect from global capital markets as a consequence)	
		Low	High
Mortgages as a % of GDP (reflects securitization as a cause and stratification as a consequence; but also a stronger connection to global financial markets)	High	<b>Corporatist market</b> Housing (but not houses) as social right, but strong stratification of the market: Owner-occupiers vs. renters; plus defamilialization; plus public organizations control rented housing. Low property tax revenues. Problems of intergenerational equity as housing market outsiders are priced out of accommodation.	<b>Liberal market</b> Highly commodified: Houses as assets; strong stratification of the market: Owner-occupiers vs. renters. Market based self-help. High property tax revenues. Problems of intergenerational equity as housing market outsiders are priced out of accommodation. Many of these economies were also 'Frontier' societies.
	Low	<b>Statist-developmental</b> Housing (not houses) as social right, but financial repression reduces market segmentation/stratification (?); plus private organizations control rented housing. Low property tax revenues.	<b>Familial</b> Noncommodified but not de-commodified: Houses as a familial social good, but not as a social right. Stratification from access to formal sector employment. Nonmarket self-help. Low property tax revenues.

Figure 1.3 A political understanding of Figures 1.1 and 1.2

and wealth disparities. How have these influences filtered through each type of housing system?

Falling nominal interest rates since 1991, abetted by financial integration, have created a strong potential for increased stratification in liberal housing markets. Because houses are effectively assets in liberal financial markets, falling interest rates bestow capital gains on housing market insiders. (Houses behave like bonds – falling interest rates push their price over par.) In liberal mortgage markets, banks have an incentive to extend as much credit as consumers demand, and face little

risk for doing so. Instead risk is passed on to investors buying those mortgages as MBS, or retained by homebuyers using flexible rate loans, as in the Britain, or term loans with frequent balloon payments, as in Canada, where payments are due every five years (in balloon payments, the entire mortgage is due at one time). Because most people buy houses based on a monthly payment they can afford, falling interest rates mean that people can “afford” a higher purchase price. This leads to a normal asset style re-pricing of dwellings as people bid up the cost of housing based on their target monthly payment. This re-pricing conveys windfall gains on housing market insiders, while burdening new entrants with increased debt. Because on net nearly all insiders are older established households while new entrants are younger households, re-pricing creates a massive transfer of wealth upwards in both age and income terms. And where incumbents cash out and spend home equity, as in the U.S., intergenerational inequality can become even more extreme as inheritances disappear.

Re-pricing also will increase the share of housing in the average person’s portfolio unless other financial assets appreciate at the same rate. This makes housing market incumbents more sensitive to any change in interest rates that might decrease the value of their house. New entrants are also sensitive to rising interest rates. If they have bought using a variable rate mortgage, any increase in rates can be doubly crippling, increasing their monthly debt burden while decreasing the value of a house in which they have little equity. The only hedge new entrants have is to increase their work burden. This explains part of the pressure towards dual income households over the past two decades.

The level of homeownership mediates the effects of falling interest rates. The larger the pool of homeowners, the bigger the effect of falling interest rates. We would expect that intergenerational or insider-outsider stress would be greater in the northeastern “liberal market” quadrant than in the “corporatist-market” quadrant. The positive macroeconomic effects of rising housing prices might ameliorate this stress, if owners can tap into their equity to finance new consumption and thus spur rapid economic growth (Schwartz’s first chapter explains this phenomenon for the U.S.). However the public in the corporatist market quadrant is less tolerant of the rising inequality that accompanies this kind of “barrister-barista” (well-paid professionals vs. low-paid service personnel) growth.

Our archetypical case for these phenomena is the Netherlands. Although conventional accounts credit the Wasenaar wage-restraint accord for the Dutch employment miracle, the reality is much less clear.

Wiemer Salverda has argued that much of the increased labor participation came from the substitution of part-time youth employment by older, married female workers. Salverda argues that “[t]he number of two-earner households increased by 1.5 million while at the same time the number of one-earner households was more than halved, falling by one million” (Salverda, 2005, 50). Meanwhile the share of work hours going to women older than 25 increased by nine percentage points at the expense of workers under 25. Both processes occurred simultaneous with changes in Dutch mortgage markets permitting second incomes to qualify for loan-to-income limits, and allowing new mortgage products that used long-term appreciation in equities (shares) to fund the principal balance on mortgages. Dual income couples could bid for more expensive houses; doing so increased the pressure on married women to enter the labor market to make housing more affordable. The U.S. market, where both incomes have always been counted in LTI ratios, saw an even sharper increase in the number of hours worked after 1982. Housing trends thus exacerbated the trends towards increased polarization of income, wealth, and work hours between established well-to-do dual income couples and younger, unmarried entrants into labor and housing markets.

These stratifying effects were muted in countries with repressed housing finance. Banks that are unable to shift risks off their books are unlikely to abet borrowers buying up in the market. This dampens housing prices, slows stratification by wealth, and puts less pressure on married women to enter labor markets. Housing-market-driven stratification is slower as household income is not polarized between dual income owning and no income renting households. Italy and Austria again are archetypical of a familial model combining high levels of self-provided housing with very low levels of mortgage debt. Italian banks cannot externalize the risks from mortgage lending; the Austrian state diverts a considerable volume of saving toward a large, state owned industrial sector. Falling interest rates have little effect on people carrying relatively small mortgages and little consumer credit in general. Given less pressure to generate more income to fund housing, these societies also generally have lower female and especially married female labor force participation.

## **Tentative conclusions**

This volume aims to demonstrate that residential property markets must be included as both a major causal driver of the [macroeconomic?]

outcomes that CPE and IPE analyze and a constitutive factor for political preferences. This is not simply because the houses that *The Economist* celebrated as saving the world in 2002 turned around and destroyed, if not the whole world, certainly its financial system in 2008. It is not simply because the family home is normally *the* store of wealth for citizens in OECD member states and a place where people spend an enormous amount of time. Rather, residential property markets also matter for understanding ongoing processes of commodification and de-commodification in dynamic capitalist economies. Residential property's imbrication in financial markets means that it can serve as a prism diffracting the otherwise homogenous concept of neoliberalization into discrete wavelengths.

During the Bretton Woods era, houses were largely delinked from markets even though construction generated a substantial macroeconomic stimulus. Massive programs for building social housing in Europe produced shelter in forms that were largely isolated from open financial markets and totally isolated from global capital markets. Even in the U.S., where the bulk of housing construction and transaction took place in private markets, houses functioned as a form of forced pension saving, and their occupants largely understood them in those terms. Privately held housing (and regulated social housing) constituted one leg of a pension stool whose other two legs were the basic pension and various forms of earnings related pensions. During this period, new labor market entrants also became new housing market entrants within a short time and with little difficulty.

The post-Bretton Woods shift in homeowners' perceptions of houses away from literal and figurative shelter in old age toward houses as a perpetual ATM or cash-point machine is a telling indicator of a massive shift in the political and macroeconomic significance of housing. The following chapters detail those shifts. Aalbers (the Netherlands and Italy), Broome (New Zealand), Mortensen and Seabrooke (Australia and Denmark), Tranøy (Norway), and Watson (Britain) show how mortgage finance markets and political attitudes towards taxation and inflation changed in tandem in as houses left the shade of Bretton Woods for the sunlit fields of the neoliberal market. Pollard shows how the same process played out on housing's supply side in France and Spain, with the state shifting resources from direct provision towards private construction. Schwartz's chapters bookend these case studies by laying out the macroeconomic consequences flowing from different housing finance systems beginning in 1991 and ending with the housing induced financial crisis of 2007.

Many participants in this brave new world of residential property markets willingly accepted a greater risk of long term financial insecurity in exchange for the hope of greater self-governance and long-term wealth. Nonetheless, as the framing devices above suggest and the chapters below show, the initial starting conditions either tempered or exaggerated households' ability to treat their houses like an asset or credit card, just as they tempered or exaggerated the macroeconomic stimulus emanating from housing. Similarly, the structure of residential property finance either enabled or inhibited financial innovation in different countries, allowing banks and nonfinancial firms to shift risks in unexpected ways. The essays below attempt to detail these divergences.

## Notes

1. Decommodification refers to the degree to which people have access to housing and other basic necessities by virtue of a social right, rather than as a function of their market income. In addition, because more liberal housing markets seemed to deliver better macroeconomic outcomes in terms of Gross Domestic Product (GDP) and employment growth, politicians and policymakers in financially repressed housing markets faced pressure to introduce the elements that make housing finance systems "liberal," particularly the securitization of mortgages.
2. On the former see the OECD 2004a argument about the Netherlands; on the latter see Erlandsen, Lundsgaard and Huefner, 2006 on Denmark.
3. The pervasive regulatory laxity of the second Bush administration is an obvious exception.
4. EU-wide MBS issues increased tenfold from 1995 to 2005, and tripled in 2001–2005.
5. [http://www.abalert.com/Public/MarketPlace/Ranking/index.cfm?files=disp&article\\_id=1044674725](http://www.abalert.com/Public/MarketPlace/Ranking/index.cfm?files=disp&article_id=1044674725)

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