



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

Herman Schwartz<sup>a</sup> and Leonard Seabrooke<sup>b</sup>

<sup>a</sup>Politics Department, PO Box 400787, University of Virginia, Charlottesville, VA 22904-4787, USA.

E-mail: [schwartz@virginia.edu](mailto:schwartz@virginia.edu)

<sup>b</sup>International Center for Business and Politics, Copenhagen Business School, Steen Blichers Vej 22, Frederiksberg 2000, Denmark.

E-mail: [ls.cbp@cbs.dk](mailto:ls.cbp@cbs.dk)

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 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 special issue argues that residential housing and housing finance systems have important causal consequences for political behavior, social stability, the structure of welfare states, and macro-economic outcomes. The articles examine specific instances across a range of countries. This introduction has broader aims. First, it shows that housing finance systems are not politically neutral. We argue that the kind of housing people occupy and the property rights surrounding housing can constitute political subjectivities and objective preferences not only about the level of public spending, but also the level and nature of inflation and taxation. Second, like the varieties of capitalism literature, we show that housing finance systems also have important complementarities with the larger economy. But we diverge from the varieties literature, suggesting that 'varieties of residential capitalism' are not explained by domestic institutional complementarities alone. Rather, what we refer to as financially repressed and financially liberal systems are globally interdependent. While welfare and taxation systems show high degrees of path dependence, transnational trends in the deregulation of housing finance have altered incentives and preferences for financial institutions, home owners, and would-be home owners. Finally, the introduction offers some speculation about how pocketbooks will drive politics as the global housing busts tightens mortgage belts around the waists of average Organization for Economic Cooperation and Development home owners.

*Comparative European Politics* (2008) 6, 237–261. doi:10.1057/cep.2008.10

**Keywords:** housing; welfare state; mortgage securitization; taxation; intergenerational equity; varieties of capitalism; macro-economy



## 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.<sup>1</sup> 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 special issue argues that residential housing and housing finance systems have important causal consequences for political behavior, social stability, the structure of welfare states, and macro-economic outcomes. Put bluntly, home equity and social equity are often at odds. The country chapters show specific instances of these outcomes. This introduction has broader aims.

First, it shows that housing finance systems are not politically neutral. We argue that the kind of housing people occupy and the property rights surrounding housing constitute political subjectivities and objective preferences not only for the level of public spending, but also for the level and nature of inflation and taxation. Housing finance systems thus have important consequences for core CPE and IPE issues. Our concern is not simply a reaction to the sub-prime mortgage bond crisis of 2007 and 2008 (for analyses prior to the crisis see Schwartz, 2006; Seabrooke, 2006), but understanding how housing financial 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.

Our second major point is that housing finance systems also have important institutional complementarities with the larger economy, much as the varieties of capitalism (VOC) literature argues about manufacturing (Hall and Soskice, 2001). But we diverge from the VOC approach in four ways. First, there is no one-to-one correspondence between the degree of financial repression in the housing market systems and VOC's core categorical distinction between liberal and coordinated market economies. Second, VOC eschews causal arguments about macro-economic outcomes in favor of explaining manufacturing and export specialization. Housing market financial systems are much more connected to macro-economic 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. Third, macro-economic divergence combined with the salience of housing finance in domestic investment everywhere suggest serious limits to VOC's effort 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 phenomena tied to increased global financial



integration and to Europeanization (Doling and Ford, 2004). Political pressure for institutional isomorphism often comes externally, as with Denmark's compliance with European Commission financial directives, or other external institutions like the Organization for Economic Cooperation and Development (OECD), and lobby groups such as European Mortgage Federation. As a field of study VOC deals poorly with transnational processes, but the varieties of residential capitalism we identify do not operate in a transnational political vacuum. Fourth, the degree of financial repression is closely connected to the possibilities for social stratification, providing potential continuities in stratification in repressive systems while also the means for the reordering of intergenerational wealth concerns (and their political effects) in financially liberal systems.

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. Like welfare programs, houses convey certain property rights onto people, and social housing systems differ according to common welfare types (see Allen, 2006). But unlike the benefits from welfare programs, houses potentially are tradable assets. The political effects thus depend on specific conjunctural combination of regulation, prices, interest rates, and home ownership rates that, in turn, affect asset prices and the distribution of wealth.

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 housing loans or help owners 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 issue). 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 issue). In societies where housing has been rapidly privatized, access to housing extends beyond a financial and social matter to often become a source of great personal despair (see Zavisca, this issue; OECD, 2005b).

The degree of decommodification and stratification we find in housing markets diverges from the patterns that the traditional welfare state 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 (Seabrooke, 2006, 2007; Langley, 2008; Aalbers, 2008).

Finally we speculate about the current conjuncture: how will pocketbooks drive politics when rising interest rates tighten the mortgage belt around the waist of indebted home owners and falling housing prices drain away their equity? Because the boom–bust conjuncture left many people with high levels of mortgage debt at relatively low interest rates, the constituencies for a low-tax, low-inflation policy package are much larger than they would otherwise be. Much as Thatcher hoped, but for different reasons, today's housing market has conscripted more manpower into the trenches defending the neo-liberal policy line of the past two decades, even where residential property wealth is concentrated among the officer class at the expense of the troops. Additionally, because more liberal housing markets apparently delivered better macro-economic outcomes in terms of GDP and employment growth, politicians and policy makers in financially repressed housing markets have faced pressure to introduce elements of liberal housing finance systems, particularly mortgages securitization. This has pushed the repressed financial institutions that partly constitute the package of complementary institutions VOC labels coordinated market economies in a hybridized direction (Campbell and Pedersen, 2007). Indeed, as the contributions by Tranøy and Mortensen and Seabrooke demonstrate, the politics of housing has become extremely sensitive within high-income, high-welfare societies that have traditionally had low levels of residential owner-occupation. Concerns over types of housing loans and exposure to global economic vulnerabilities have moved front and center in the political debate, with many overtly socialist political parties now fearing that any suggestion of increasing property taxes would make them unelectable.

The following sections map out the comparative and international political economy of residential capitalism. We first locate housing within extant comparative and international political economy (CPE and IPE, respectively) literatures to compare them to the usual welfare systems and VOC typologies. We then discuss the importance of framing and discourse for understanding why home owners within the countries discussed do not simply respond to market incentives but also enter into uncertainty given established social norms



about how the economy should work. We conclude by briefly highlighting how the articles within this Special Issue speak to our key themes and call for further research on varieties of residential capitalism.

### **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. In the 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 (Mosley, 2003; Abdelal, 2007). Pride of place goes to analyses of deregulation, pure financial flows, and speculation-driven financial crises. The 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 to 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 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., Zysman, 1983; Hall and Soskice, 2001). 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 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).

IPE and CPE's analytic neglect of residential property markets is odd. In many advanced industrial economies the family home is *the* key asset in a given household's portfolio, as the financial press recognized this past decade. As early as 2002, *The Economist* was hailing houses as *the* driver of the global economy, asking if houses had saved the world from the post-internet bubble recession.<sup>2</sup> Key international institutions agree on the macro-economic centrality of residential property. The International Monetary Fund and the World Bank have been interested in residential property markets as means to revenue stability and economic development in emerging markets. The OECD (2005a) has specifically criticized member states' governments for permitting property booms to potentially rob further wealth creation, and has strongly advocated the removal of implicit government subsidies that sustain public residential property markets.<sup>3</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.

Our point here is not that IPE and CPE's extant foci are wrong, but rather that they each ignore a major source of political behavior and macro-economic outcomes that leads to omitted variable bias. Nor is our point that the usual analytical tools from CPE and IPE cannot be applied to understanding change in residential property markets. On the contrary, this Special Issue 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 article, and Schwartz's, also shows how that understanding sheds light on some persistent problems explaining the core macro-economic 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. Second, how are houses financed? What access is there to mortgage credit within a system? This includes access to first-time home owner 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 non-bank 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 effect the national economy. All three of these issues also generates everyday politics about what is appropriate and legitimate as who owns, who has credit access, and who is paying which taxes changes in a given country (Hobson and Seabrooke, 2007).

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 or only 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 partisan preferences for the party



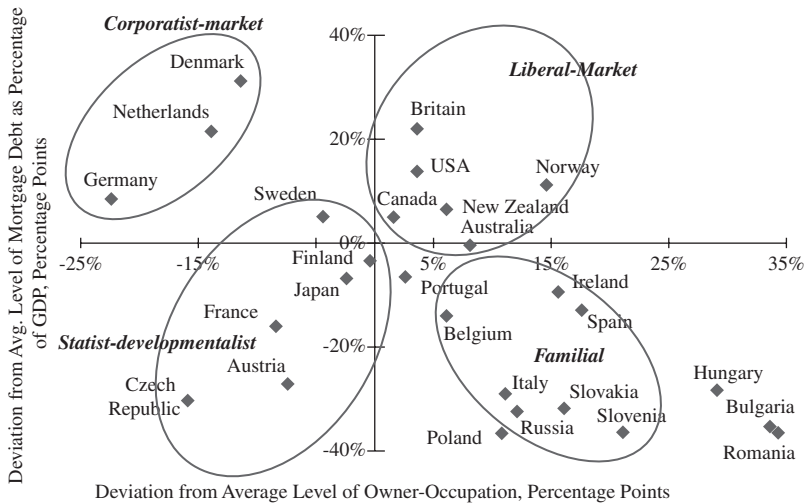
that best protects property or property values regardless of which party that happens to be. Housing creates durable, structural effects on politics, much like pension systems. Because the big political questions often revolve around structural or institutional issues, housing finance systems have substantial and long-term political consequences.

### **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 is. The second is the degree to which housing finance is ‘liberal’ or ‘controlled,’ measured by the level of mortgage debt to GDP, but also reflecting the degree of mortgage securitization. As we will see, this reveals how stratified home ownership is and also suggests the potential macro-economic consequences of different housing market financial 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 to better reflect the role of state developmentalism (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, e.g., 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 displays the degree to which the 19 OECD and eight Eastern European 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



**Figure 1** Relative deviation from average OECD levels of mortgage debt to GDP and owner-occupation prevailing 1992–2002 (percentage points).

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 the common distinctions made in the welfare states and VOC literature.

What makes these groupings coherent? By capturing the interaction of owner-occupancy and financing regimes, Figure 1 suggests the four ideal-types displayed in Figure 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 post-war 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-occupancy or high mortgage debt expose people to market pressures or inhibit welfare state development? Gøsta Esping-Andersen used the degree of decommodification in social policy to typologize welfare states as social democratic, conservative, and liberal ideal-types. Later modifications added a southern European variant and a ‘wage earner’ variant, encompassing Australia and New Zealand and possibly Ireland and



(#s in each box are unweighted average % level for group for the indicator)		<i>Owner-occupation Rate</i> (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 2** An analytic understanding of Figure 1 for 19 OECD countries.

Finland (Castles, 1985; Castles and Mitchell, 1992). But in Figure 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 (Tranøy, this issue, suggests reasons why this occurs). These countries combine early home ownership, a liquid market for houses, and mortgage securitization.

By contrast, 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 non-bank 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. The southeast quadrant is a set of familialist countries that lack both social housing and securitization. However these do not encompass all of Esping-Andersen’s conservative 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 in Figure 1, because similar levels of political power for labor are not associated directly with similar levels of owner-occupancy, but rather with a general tendency to be below the average level of owner-occupancy.

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 will conform 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 these 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); Castles and Ferrera (1996) and Frank Castles (1998, 2002) over the salience of owner-occupied housing for the development of the welfare state suggests this 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 housing costs over their entire lifetime, making essentially level payments each year. The arrival of children in the middle of renters' life-cycle 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 20th 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 20s accumulating a down payment and then its 30s and 40s paying off a



mortgage. Italy, where a 50% down payment and a 10-year amortization schedule is common, provides an extreme example of this kind of compression.

Kemeny argued, all other things being equal, that this front-loading of housing costs made home owners 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 also would not favor extensive government borrowing, since this would inevitably raise interest rates and thus the monthly cost of a mortgage (Watson, this issue). 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 home ownership 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 home ownership if politics and policy favored social spending over home ownership (Kemeny, 2005, 60).

Frank Castles' (1998) critique of Kemeny and Esping-Andersen provided a more compelling causal argument and tested a more precise micro-foundation for home owners' relative hostility to welfare spending. Castles noted that countries with low levels of old-age pension provision also typically had high rates of private home ownership. 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 home ownership 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 affected pensions, but not necessarily other aspects of the welfare state. Countries or individuals could trade-off home ownership against robust public pensions. Causally, settler societies with high levels of home ownership 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 home-owning 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. As such, home ownership split the natural elderly constituency for expanded pensions.

While Castles and Kemeny disagree somewhat on details, they agree on the central premise about private home ownership: down payments and mortgages have important political consequences because they crowd out taxes early in a voter's life cycle. The level of home ownership shapes citizen attitudes on the



extent of commodification or decommodification of housing markets and time-horizons about welfare maximization. But the critical dimension with respect to decommodification is not simply the degree to which housing is socially or privately rented, and the degree of rent control. Societies with high levels of home ownership 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 over 20% of the entire housing stock and in excess of half of the rental stock. Indeed, even after 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 (ECB, 2003). Simply looking at the level of owner-occupancy does not tell us whether home owners are exposed to the market. Do we really think that Italians or Spaniards, who on average are more likely to own their own home 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.

### **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, including revealing 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 and, in turn, this 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 (OECD, 1995).

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. Housing finance markets also clearly vary in the degree to which financial repression is present, but with types and outcomes that differ from VOCs. 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 macro-economic 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 macro-economically because they provide a significant drain on savings, and may also stimulate housing-related consumer demand. All OECD states thus have clear regulations for housing financial systems, including limits on lending and deposit interest rates, quantitative limits on mortgage credit, and strict limits on loan-to-value ratios for mortgages (Girouard and Blöndal, 2001).<sup>4</sup> Table 1 displays the predominant features of the major OECD cases.

In addition, many OECD 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 was 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 '*repressed*' if securitization is not possible or minimal. Table 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 categorization much as they do from the typical Esping-Andersen welfare state categorizations. 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 pension companies.

Securitization allows banks to refresh their capital and shift interest rate risk off their books and onto the buyers of mortgage-backed securities. This allows banks to originate yet more loans and earn the bulk of their income from transaction fees. 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 home ownership and private pension funds but also a direct institutional complementarity: because his archetypical owner-occupier

**Table 1** Housing market characteristics, 19 OECD countries

	<i>Owner-occupation, % households<sup>a</sup></i>	<i>Social rental, % of households<sup>a</sup></i>	<i>Private rental, % of house holds<sup>a</sup></i>	<i>Change in owner- occupation as % of households, 1980-latest<sup>a</sup></i>	<i>Residential mortgages as % of GDP (1992)<sup>b</sup></i>	<i>Residential mortgages as % of GDP (2004)<sup>b</sup></i>
Austria	56	21	20	+6	c. 5.0	20.3
Belgium	74	7	16	+9	19.9	31.2
Denmark	51	19	26	-2	70.1	88.4
Finland	60	14	16	0	37.1	37.8
France	54	17	21	+9	21.2	26.2
Germany (West)	43	7	50			
Germany (all)	40 <sup>^</sup>			+5	41.0	52.2
Ireland	78	9	16	+1	20.3	52.7
Italy	69	5	11	+16	3.2	15.3
Netherlands	53	36	11	+13	43.2	111.1
Norway	78				46.1	56.0
Portugal	64	3	25	+23	c. 20.0	52.5
Spain	85	1	10	+9	12.9	45.9
Sweden	41	27	13	+4	50.8	51.6
United Kingdom	69	22	9	+11	52.8	75.3
Australia	72				78.0	301.0
New Zealand	70				146.0	267.0
Canada	64				42.7 <sup>^</sup>	43.1 <sup>^</sup>
United States	68				45.0	65.0
Japan	60				25.3	36.8

Table 1 Continued

	Typical loan-to-value ratio (%) (2002) <sup>c</sup>	Maximum loan-to-value ratio (%) (2002) <sup>c</sup>	Typical loan term (2002) <sup>c</sup>	Mortgage securitization possible?	Home equity release possible?	Absolute change in number of women working, 1980–2004, as % of 1980
Austria	60	80	20–30	No	No	42.8
Belgium	83	100	20	No	No	36.2
Denmark	80	80	30	Yes	Yes (1993)	18.9
Finland	75	80	15–18	No (?)	Yes	4.4
France	67	100	15	Yes but limited	Not used	33.5
Germany (West)	67	80	25–30	As covered bonds	Yes, but not used	
Germany (all)				As covered bonds	No	57.2
Ireland	66	90	20	Yes but limited	Yes but limited use	131.4
Italy	55	80	15	Only recently	Not used	34.2
Netherlands	90	115	30	Yes	Yes	128.8
Norway		80	15–20	Yes but limited	No	38.6
Portugal	83	90	15	No	No	55.5
Spain	70	100	15	New but rising	Yes but limited use	110.0
Sweden	77	80	<30	Yes	Yes	6.3
United Kingdom	69	110	25	Yes	Yes	28.6
Australia	65		25	Yes	Yes	86.7
New Zealand				Yes	No	116.5
Canada	75		25	Yes	Yes but limited use	71.8
United States	78		30	Yes	Yes	53.7
Japan	80		25–30	No	No	22.1

<sup>a</sup>Judith Allen, EU Housing Statistics 2004 (years vary) plus Pietro Catte, Nathalie Girouarde, Robert Price, and Christopher Andre, 'The Contribution of Housing Markets to Cyclical Resilience,' *OECD Economic Studies* #38, 2004/1, 138 for non-EU countries.

<sup>b</sup>Hypostat (2006).

<sup>c</sup>Based on MacLennan, D., Muellbauer, J., and Stephens, M. (1998) 'Asymmetries in housing and financial market institutions and EMU', *Oxford Review of Economic Policy* 14(3): 54–80; Catte *et al.* (2004, 138).



**Table 2** Households' mortgage debt and interest burden, by housing market type

	% of household disposable income						Variable interest rates as a % of all loans
	Mortgage debt			Interest payments			
	1992	2000	2003	1992	2000	2003	
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<sup>a,b</sup></i>	<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
the Netherlands	77.6	156.9	207.7	5.0	8.4	8.2	15
<i>Average<sup>a</sup></i>	<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>c</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<sup>a</sup></i>	<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<sup>a</sup></i>	<i>14.0</i>		<i>38.1</i>	<i>1.1</i>		<i>1.1</i>	

<sup>a</sup>Weighted average for this group using share of OECD GDP in 2003.

<sup>b</sup>Data for Norway unavailable.

<sup>c</sup>Reflects GDP crash after collapse of Soviet Union.

Source: Compiled from OECD (2005a, 131).

societies often have securitization, they also have larger *private* pension systems as well, which use MBS as the conduit for intergenerational transfer of income, rather than taxation.

After World War II, only the US and Denmark had non-repressive housing finance systems, because they were the only systems that permitted mortgage securitization and 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 had created either long-term mortgages or MBS or both. By contrast, countries with short duration mortgages or no MBS mostly populate the lower half of Figure 1,



although in some MBS issues skyrocketed after EMU (Stephens, 2000; Aalbers, 2006, 17).<sup>5</sup>

However, countries with financially repressed housing finance markets do not display a one-to-one correspondence to VOC's CMEs, where blockholders and financial repression characterize industrial credit. Germany, Holland, 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. 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 US pool; indeed, in 2005 Australian MBS issues exceeded German issues (Hardt, 1998, 7; Aalbers, 2006, 17). In other words, not all CMEs have controlled mortgage finance (CMF). However, these three countries also had substantial social rental sectors, which insulated non-home owners somewhat from housing market pressures.

By contrast, all of VOCs LMEs have liberal mortgage finance (LMF). In liberal mortgage economies, 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 EMU, Italian borrowers also confronted punitive interest rates on account of high inflation. And foreclosure in Italy also typically takes an excruciating (for creditors) 6 years, followed by Portugal, France, and Belgium at around a still lengthy 2 years (Hardt, 1998;



Neuteboom, 2004; Catte, *et al.*, 2004, 144). 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 the mortgage resources available, the bigger the market for housing. And the greater the possibility of borrowing, the more reliant the average buyer on early life cycle market 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. And housing also serves as a sink for income and capital generated in the black market (Castles and Ferrera, 1996, 178, 180–181). 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 liberal mortgage economies, 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 US 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 issue; Seabrooke, 2006, 125–129; Aalbers, 2008, 157–158). The private market is also concentrated. One US mortgage giant, Countrywide, accounted for 8% of all *global* private asset backed securities originations in 2005, while the top 10 private issuers accounted for 38.1% of all ABS issues in this nearly \$2 trillion market.<sup>6</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 (a kind of real estate mutual fund) loom large in US 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 governing logic of appropriateness guiding 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 exploring the logic of institutional frameworks. Indeed, within this issue we also point to the importance of understanding how ideas about residential property markets can be used as weapons by political and economic elites (Blyth, 2002), as well as how broader changing attitudes and conventions about these markets can provide clear impulses to those in power (Seabrooke, 2007).

### **From Complementarities to Consciousness**

In the countries examined here, housing is either seen 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 also provide a means to trace social change. Within liberal mortgage finance systems the ‘financialization’ of everyday life with regard to residential property markets has been extensive, providing new constraints and opportunities for the fulfilment of social wants and desires (Froud, *et al.*, 2007; 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 issue) 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 5-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 (Hay and Rosamond, 2002).

These choices create strong possibilities for stratification. Esping-Andersen’s social democratic welfare states are marked by the absence of programs that stratify citizens by income (like liberal welfare states) or status (like conservative welfare states). But because housing is most households’ largest asset, liberal mortgage markets are inherently stratifying. A liberal housing finance system that permits high levels of mortgage debt also permits households to leverage their investment in housing. If housing prices are rising strongly, these households can accumulate assets much, much faster than unleveraged households. Wealth inequalities thus cumulate more rapidly, at the same time that borrowers are exposed to global interest rate shocks and the abrupt de-leveraging that is now occurring in housing markets everywhere.

This wealth accumulation shows why the Castles and Kemeny arguments do not provide a clear road map for exploring the politics of housing now. Kemeny and Castles provide plausible interpretations of the effects of different



		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	<p><b>Corporatist Market</b></p> <p>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 inter-generational equity as housing market outsiders are priced out of accommodation.</p>	<p><b>Liberal Market</b></p> <p>Highly commodified: Houses as assets; strong stratification of the market: Owner-occupiers vs renters. Market based self-help. High property tax revenues. Problems of inter-generational equity as housing market outsiders are priced out of accommodation. Many of these economies were also 'Frontier' societies.</p>
	Low	<p><b>Statist-developmental</b></p> <p>Housing (not houses) as social right, but financial repression reduces market segmentation / stratification (?); plus private organizations control rented housing. Low property tax revenues.</p>	<p><b>Familial</b></p> <p>Non-commodified but not de-commodified: Houses as a familial social good, but not as a social right. Stratification from access to formal sector employment. Non-market self-help. Low property tax revenues.</p>

**Figure 3** A political understanding of Figures 1 and 2.

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 home ownership and particularly by securitization make houses into assets, they create the same dynamic for a broader range of households. And asset prices are of course vulnerable to changing interest rates. Moreover, both Castles and Kemeny ignore the macro-economic consequences of housing, which matter for the potential scale of taxation and spending by affecting the level of employment and output. All these mean 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 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 home ownership; rising housing prices (with considerable country-by-country variation); integration of global financial markets; and the rise of neo-liberal discourses emphasizing the self-management of assets and justifying market-driven income and wealth disparities (Hay, 2006). 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 privilege housing market insiders. 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 home buyers using flexible rate loans. Because most people buy houses based on the 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 increased purchasing power. 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 US, 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.

The level of home ownership mediates the effects of falling interest rates. The larger the pool of home owners, 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 macro-economic 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 article explains this phenomenon for the US). 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; Schwartz and Becker, 2005). 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 deregulation of Dutch mortgage lending to permit second incomes to qualify for LTI limits, and to permit new mortgage products allowing the use stock market equity 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 US market, where both incomes have always been counted in LTI ratios, saw an even sharper increase in the number of hours worked after 1982. Both economies thus have seen increased polarization of income, wealth and work hours between 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 towards 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.

## **Conclusion**

The key aim of this Special Issue is to demonstrate that residential property markets must be included as both a source of knowledge on comparative



political economy through studying different systems, as well as within international political economy to trace the diffusion of policy and ideas. And this is not simply because houses saved the world or because the family home is normally *the* store of wealth for citizens in the OECD. In addition, studying residential property markets provides an insight into ongoing processes of commodification and decommodification, and gives substance to the often mercury-like concept of neo-liberalisation. Indeed, we may even find that those in residential property markets are willing participants in making their own futures less certain, with the hope of greater self-governance and wealth in the end.

### About the Authors

**Herman Schwartz** is Professor at the Department of Politics of the University of Virginia. He is author of *In the Dominions of Debt* and *States versus Markets*, and co-edited *Employment Miracles* with Uwe Becker and *Crisis, Miracles and Beyond* with Erik Albæk, Leslie Eliason and Asbjørn Sonne Nørgaard. He is currently completing a book manuscript entitled *Subprime Nation? American Economic Power, Global Capital Flows and Housing* for Cornell University Press.

**Leonard Seabrooke** is Professor in the International Center for Business and Politics, Copenhagen Business School, and Adjunct Senior Fellow, Department of International Relations, RSPAS, The Australian National University. His book publications comprise *US Power in International Finance* (Palgrave, 2001), *The Social Sources of Financial Power* (Cornell University Press, 2006), *Global Standards of Market Civilization* (co-edited with Brett Bowden, Routledge/RIPE, 2006), and *Everyday Politics of the World Economy* (co-edited with John M. Hobson, Cambridge University Press, 2007). Len Seabrooke's research interests are in political economy, economic sociology, and international economic governance.

### Notes

- 1 This project has been in generation since 2005. Our thanks to the University of Oslo Department of Political Science, the Research Council of Norway, and the think-tank Res Publica for sponsoring our final workshop in Oslo in April 2008. We also thank Ingrid Hjertaker, Lars Mjøset, Gunnar Trumbull, Sjur Kasa, Trygve Lie, and Øyvind Berge for their comments on papers. Our special thanks go to the editorial team at *CEP* for their patience and support for this project. Early versions of the papers were presented at the International Studies Association Annual meeting in March 2007.
- 2 'The houses that saved the world — house prices and the world economy,' *The Economist*, 30 March 2002.
- 3 On the former see the OECD (2004) argument about the Netherlands.



- 4 The pervasive regulatory laxity of the second Bush administration is an obvious exception.
- 5 EU-wide MBS issues increased 10-fold from 1995 to 2005, and tripled during 2001–2005.
- 6 [http://www.abalart.com/Public/MarketPlace/Ranking/index.cfm?files=disp&article\\_id=1044674725](http://www.abalart.com/Public/MarketPlace/Ranking/index.cfm?files=disp&article_id=1044674725).

## References

- Aalbers, M.B. (2006) 'The geography of mortgage markets', Amsterdam Institute for Metropolitan and International Development Studies, Working Paper, Amsterdam.
- Aalbers, M.B. (2008) 'The financialization of home and the mortgage market crisis', *Competition & Change* 12(2): 151–169.
- Abdelal, R. (2007) *Capital Rules: The Construction of Global Finance*, Cambridge, MA: Harvard University Press.
- Allen, J. (2006) 'Welfare regimes, welfare systems and housing in Southern Europe', *European Journal of Housing Policy* 6(3): 251–277.
- Blyth, M. (2002) *Great Transformations*, Cambridge: Cambridge University Press.
- Blyth, M. (2003) 'Same as it never was: temporality and typology in the varieties of capitalism', *Comparative European Politics* 1(2): 215–225.
- Campbell, J.L. and Pedersen, O.K. (2007) 'The varieties of capitalism and hybrid success: Denmark in the global economy', *Comparative Political Studies* 40(2): 307–332.
- Castles, F.G. (1985) *The Working Class and Welfare*, Sydney: Allen and Unwin.
- Castles, F.G. (1998) 'The really big trade-off: home ownership and the welfare state in the new world and the old', *Acta Politica* 33(1): 5–19.
- Castles, F.G. (2002) 'Developing new measures of welfare state change and reform', *European Journal of Political Research* 41(5): 613–641.
- Castles, F. and Ferrera, M. (1996) 'Home ownership and the welfare state: is Southern Europe different?' *European Society and Politics* 1(2): 163–185.
- Castles, F.G. and Mitchell, D. (1992) 'Identifying welfare state regimes: the links between politics, instruments and outcomes', *Governance* 5(1): 1–26.
- Catte, P., Girouard, N., Price, R. and André, C. (2004) 'Housing markets, wealth and the business cycle', OECD Economics Department Papers, No. 394, OECD Publishing.
- Doling, J. and Ford, J. (eds.) (2004) *Globalisation and Home Ownership: Experiences in Eight Member States of the European Union*, Delft: DUP Science, Housing and Urban Policy.
- Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*, Princeton: Princeton University Press.
- European Central Bank. (2003) *Structural Factors in the EU Housing Markets*, Frankfurt a.m.: European Central Bank.
- Froud, J., Leaver, A. and Williams, K. (2007) 'New actors in a financialised economy and the remaking of capitalism', *New Political Economy* 12(3): 339–347.
- Germain, R. (1997) *The International Organization of Credit*, Cambridge: Cambridge University Press.
- Girouard, N. and Blöndal, S. (2001) 'House prices and economic activity', OECD Economics Department Working Papers, No. 279, OECD Publishing, Paris.
- Gourevitch, P. and Shinn, J. (2005) *Political Power and Corporate Control*, Princeton, NJ: Princeton University Press.
- Hall, P.A. and Soskice, D. (2001) 'An Introduction to Varieties of Capitalism', in P.A. Hall and D. Soskice (eds.) *Varieties of Capitalism*, Oxford: Oxford University Press, pp. 1–66.
- Hardt, J. (1998) *European Integration: Prospects for the Mortgage Lending Industry*, Brussels: European Mortgage Federation.



- Hay, C. (2006) 'What's globalization got to do with it? Economic interdependence and the future of European welfare states', *Government and Opposition* 41(1): 1–22.
- Hay, C.S. and Rosamond, B. (2002) 'Globalization, European integration, and the discursive construction of economic imperatives', *Journal of European Public Policy* 9(2): 147–167.
- Hemerijck, A. (2002) 'The Self-Transformation of the European Social Model(s)', in G. Esping-Andersen (ed.) *Why We Need a New Welfare State*, Oxford: Oxford University Press, pp. 173–213.
- Hobson, J.M. and Seabrooke, L. (2007) *Everyday Politics of the World Economy*, Cambridge: Cambridge University Press.
- Kemeny, J. (1980) 'Home ownership and privatisation', *International Journal of Urban and Regional Research* 4(3): 372–388.
- Kemeny, J. (2005) "'The Really Big Trade-Off' between home ownership and welfare: Castles' evaluation of the 1980 thesis, and a reformulation 25 years on", *Housing, Theory, and Society* 22(2): 59–75.
- Langley, P. (2008) *The Everyday Life of Global Finance*, Oxford: Oxford University Press.
- Malpass, P. (2008) 'Housing and the new welfare state: Wobbly Pillar or cornerstone?' *Housing Studies* 23(1): 1–19.
- Mosley, L. (2003) *Global Capital and National Governments*, Cambridge: Cambridge University Press.
- Neuteboom, P. (2004) 'A comparative analysis of the net cost of a mortgage for homeowners in Europe', *Journal of Housing and the Built Environment* 19: 169–186.
- OECD (1995) *Securitisation: An International Perspective*, Paris: Organisation for Economic Cooperation and Development.
- OECD (2004) *Economic Survey — Netherlands 2004*, Paris: Organisation for Economic Cooperation and Development.
- OECD (2005a) *OECD Economic Outlook No. 78*, preliminary edition, Paris: Organisation for Economic Cooperation and Development.
- OECD (2005b) *Housing Finance Markets in Transition Economies*, Paris: Organisation for Economic Cooperation and Development.
- Salverda, W. (2005) 'The Dutch Model: Magic in a Flat Landscape?', in U. Becker and H. M. Schwartz (eds.) *Employment 'Miracles'*, Amsterdam: Amsterdam University Press, pp. 39–64.
- Schwartz, H. and Becker, U. (2005) 'Introduction: Miracles, Mirages, and Markets', in U. Becker and H.M. Schwartz (eds.) *Employment 'Miracles'*, Amsterdam: Amsterdam University Press, pp. 11–38.
- Schwartz, H.M. (2006) 'Explaining Australian economic success: good policy or good luck?' *Governance* 19(2): 173–205.
- Seabrooke, L. (2001) *US Power in International Finance: The Victory of Dividends*, Basingstoke: Palgrave Macmillan.
- Seabrooke, L. (2006) *The Social Sources of Financial Power: Domestic Legitimacy and International Financial Orders*, Ithaca: Cornell University Press.
- Seabrooke, L. (2007) 'The everyday social sources of economic crises: from 'Great Frustrations' to 'Great Revelations' in interwar Britain', *International Studies Quarterly* 51(4): 795–810.
- Seabrooke, L. (2008) 'Everyday politics and quasi-public institutions in the international financial order', mimeo, International Center for Business and Politics, Copenhagen Business School, March.
- Stephens, M. (2000) 'Convergence in European mortgage systems before and after the EMU', *Journal of Housing and the Built Environment* 15(1): 29–52.
- Uzuhashi, T. (2003) 'Japanese model of the welfare state: how has it changed during the 'lost decade' of the 1990s', *Japanese Journal of Social Security Policy* 2(2): 1–11.
- Zysman, J. (1983) *Governments, Markets, and Growth*, Oxford: Martin Robertson.