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Equality as a driver of inequality? Universalistic Welfare, generalized creditworthiness and financialised housing markets

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Abstract:
Scandinavian countries are known for their universalistic welfare states, corporatist coordination, strong economic performances and egalitarian outcomes, an institutional combination often referred to as the "The Nordic Model". However, these countries also possess volatile and increasingly vulnerable housing markets characterized by periods of sharp increases in prices and rents and some of the highest debt to income ratios in the world. The combination of a universalistic welfare state and housing market dynamics sets off a self-reinforcing process of increased stratification and re-familialisation. How did these orderly, egalitarian and welfare-oriented societies end up with housing markets that expose their citizens to increasing risk while driving inequality? The key lies in the effect the Nordic welfare state has on financialized housing markets. Successful decommodification of human lives leads to generalized creditworthiness which stimulates asset price inflation and new wealth and risk inequalities.

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1.0 Introduction

Scandinavian countries are known for their universalistic welfare states, corporatist coordination, strong economic performances and egalitarian outcomes, an institutional combination often referred to as the “The Nordic Model”. However, these countries also possess volatile and increasingly vulnerable housing markets characterized by periods of sharp increases in prices and rents and some of the highest debt to income ratios in the world. The interaction effect created when Nordic style generalized creditworthiness meets a financialised housing market sets off a process of increased stratification and re-familialisation. How did these orderly, egalitarian and welfare-oriented societies end up with housing markets that expose their citizens to increasing risk while driving inequality? This paper lays out the sequence of mechanisms set in motion by the combination of generalized creditworthiness and financialisation.

Success attracts attention. Comparative Political Economy is often more concerned with superior performance and positive reinforcement than negative spirals towards dynamic disequilibria. In fact, the discipline has been marked by a faddish tendency to focus scholarly attention towards a succession of what may be termed supermodels (Schwartz and Tranøy 2019). Influential thinking about the “Nordic model” takes a similar hue. It celebrates these models’ ability to combine desirable traits like welfare, equality, growth, export performance, fertility and female participation rates. The main theoretical orientation is institutional complementarities.

By contrast, our story highlights negative interaction effects between the institutions that regulate the markets for housing and credit. Their interaction sets off potentially self-reinforcing processes whose outcomes are paradoxical and run against welfare policy goals. Both credit and housing have been liberalised in Scandinavia over the last three decades. By liberalisation we mean that regulations are made more market-friendly, so that the general tendency is for an increasing amount of the housing stock to be sold or rented at market or near market prices. Credit market liberalisation was often quite dramatic and fairly easy to handle conceptually: regulations limiting who gets credit and determining at what terms and for which purpose were removed. Housing market liberalisation is less straight forward. Institutional variation is considerable, and the process of liberalisation has been more gradual, indeed creeping in some instances (Tranøy 2000). Still, both credit and housing markets have moved in the same direction. Historically, the three Scandinavian countries have a myriad of ownership, quasi-ownership and rental forms. Liberalisation has shifted them towards homeownership as a goal, with their rental markets becoming more residual and more expensive.

These liberalisations combined with the long period of low interest rates to increasingly financialise Scandinavian housing. Indeed, the emerging literature on the financialisation of housing sees housing not simply as another expression of the broader trend of financialisation, but rather as one of financialisation’s central drivers (Aalbers 2016). This is because housing has become one of the most important collateral assets for global financial markets. This means, among other things, that housing is increasingly judged by its market value and seen as an asset class and an investment opportunity. The consumption motive, though still dominant numerically, is thus joined and impacted by individuals pursuing an investment motive. We can thus say that the liberalisation of housing, credit (and cross border capital) contributes to an increasing commodification and financialisation of housing. We see the social consequences of rapid price increases in that Norway's largest bank now reports that 7 out of 10 first-time buyers are helped into the market by "the bank of mum and dad" (Solvang 2019) and in incessant dinner party conversations among middle aged and upper middle-class people on buying a second and third flat for investment purposes.

These developments are interesting to comparative political economy for at least three reasons: Firstly, at least since Peter Katzenstein's (1984) work on corporatism and welfare in small open economies, it has been common to emphasize virtuous cycles and complementarities between economic and welfare policies. One example is how female labour market participation in caring professions creates room for other women to leave home for work, simultaneously increasing household incomes and tax revenues that finance that welfare (Barth, Moene and Wallerstein 2003). Another is the positive feedback loop between high quality institutions and social capital (Rothstein and Uslaner 2006). Similarly, and more formalized, comparative political economy in its dominant, Varieties of Capitalism-strand has been centred on the positive effects of complementarities between interlocking institutions (Hall and Soskice 2001; Amable 2016).

What we might call the housing paradox – and this is our second point of interest – is that housing prices in Scandinavia have been rising dramatically over the past two decades, seemingly despite egalitarianism, interventionist traditions and strong welfare states. House price increases have far outpaced wage growth even though middle-class wages – unlike in many other industrialized countries – have not stagnated and income inequality, though rising, remains comparatively low. The Nordic countries now have some of the highest household debt-to-income ratios in the world, with most of that debt housing related.

Our third point of interest is a welfare paradox. The interaction effects between housing and credit have produced endogenous decay in terms of welfare outcomes, i.e. increased stratification and re-familialisation. In 2018 Sweden ranked third in the world on housing unaffordability measured by the price to income ratio (IMF Global Housing Watch 2018). In terms of median rent costs as percentage of disposable income, Norway ranked first among OECD countries (OECD 2018a). In all three countries, young home-buyers increasingly have to rely on "the bank of mum and dad" in order to step onto the property ladder, despite living in the very countries that are supposed to provide equality of opportunity. With high housing prices, the value of the property you may inherit when your parents die becomes a significant factor for the wealth you are able to accumulate in your lifetime. As house price increases are far greater in urban areas than in rural areas, the value of inherited property will increase geographical differences in wealth. Piketty's (2014) argument that inheritance will become more important as predictor of economic welfare in the 21st century looks like it may come to apply in Scandinavia as well. Housing, which was once a central pillar of the social democratic project, has broken almost entirely free from the broader Scandinavian welfare state.

What mechanisms link these famously equal societies with high debt levels and increasing housing inequality? Arguably, no other market discriminates as strongly on income and wealth differentials as the credit market, where both present and future income and wealth are taken into account when financial institutions grant loans. But the generous welfare state, coordinated wage bargaining, labour market regulations and the pooling of risk that constitute the Nordic model make large parts of the population creditworthy borrowers compared to other societies. This generalised creditworthiness combines with favourable tax regimes to drive growth in mortgage debt and housing prices. Put simply, a generous and universal welfare state characterized by a relatively equal income distribution creates a large pool of creditworthy potential buyers whose income, pension and healthcare security makes them willing and able to take on quite high debt levels. The demand for homeownership creates a vicious cycle of rising prices financed by ever larger mortgages.

The next section speaks briefly to some of the literature that has explored linkages between welfare and housing policies. Section three follows the historical trajectory of residential capitalism in the three Scandinavian countries, highlighting some of the differences between their respective housing markets before and after liberalisation. While Norwegian housing markets have been fully liberalised, both Sweden and Denmark retain a substantial non-private rental sector. These have been partially liberalised in recent decades and now have an uneasy coexistence with the broader housing market. Section four discusses the implication of these changes, by looking at how current trends in housing might drive a wedge in the broader social democratic project. Section five concludes.

2.0 Welfare states and housing

Housing sits rather uneasily in the broader literature on welfare states – and housing has been called everything from "the wobbly pillar" (Torgersen 1987) of the social democratic welfare state to the "cornerstone" of asset-based welfare (Malpass 2007). It is a sector that is never fully public but also never fully private, and frequently cuts across the conventional ideal type political economies, such as coordinated and liberal market economies (Schwartz and Seabrooke 2009). As a topic is has largely been neglected in the broader field of political economy (Aalbers and Christophers 2014; Johnston and Kurzer 2019, this issue). We are interested in the complex ways in which a housing system is both part of a broader policy regime, and how housing may affect that same policy regime when credit and housing markets are liberalised.

2.1. Welfare states and housing as a trade-off

A classic concern in the housing literature that emerged from the early 80s and into the 90s is the effect of housing policies and home ownership on political support for, and the development of, the welfare state (Kemeny 1980; Esping Andersen 1986; Castles 1998; Kemeny 2005, Stamsø 2010; Ansell 2014). This strand of research argues that holding a large asset like a home usually is relative to income and other assets, will reduce a voter's disposition to support welfare related taxes. The posited mechanisms vary from negativity towards higher taxes particularly in the early (and expensive) stage of the life cycle (Kemeny 1980) to the narrower argument that income from owner occupancy reduces support for public pensions (Castles 1998) to the twist that the link between support for right-of-centre welfare policies and homeownership only holds when rising housing prices increase the owner-occupants' ability to hedge against other forms of life-risk (Ansell 2014). Van Gunten and Kohl (2019, this issue) find that the negative relationship between home-ownership and support for redistribution is only found in the data up to the 1980s, then the relationship turns neutral, and is actually positive in most countries today.

These significant differences notwithstanding, the causal chain suggested by all three is still one that runs from homeownership as an asset, to electoral support for the welfare state. In contrast, our core argument runs from the welfare state, via asset price inflation in the housing market, to welfare *outcomes*.

2.2. Welfare states and housing: reversing the logic

Thus, it can be said that we reverse the logic of the original literature when we look at how the welfare state shapes housing policy and market developments. In Scandinavia, the welfare state has affected increasingly liberal housing markets by creating a steady supply of creditworthy borrowers. In turn, this supply of borrowers is generating increasingly unequal housing outcomes, in a process of stratification and familialisation that runs directly counter to the ideological underpinnings and aims of the Scandinavian welfare states. We look first at the decommodifying policy regime that emerged in the post-war decades, and then at what happened when highly liberalised housing finance systems are introduced to relatively egalitarian societies.

One advantage of our comparison is that it shows that a strategy of owner-occupancy can be aligned with a redistributive, decommodifying political strategy. This was possible in a policy environment that limited profit-taking in both housing and credit markets, Second, this gives us a point of departure for thinking about what happens when these limits no longer hold. What happens in societies that collectivize risk and distribute income and therefore also creditworthiness relatively equally when they confront a world of sustained low interest rates and large amounts of capital seeking investment opportunities?

2.3. Equality as a driver of inequality - The dynamics of liberalised housing in Scandinavia

Liberalised housing is beginning to create inequality dynamics in the Scandinavian countries. This section seeks to tease out the potentially dangerous dynamics that are triggered when you introduce liberalised credit markets into relatively equal societies. We present a stylised model of the mechanisms that link egalitarian welfare, credit markets and unequal housing while connecting these mechanisms to the broad macro trends - rising house prices and price/incomes ratios, and the rise of familial help for the young entering the market.

Three features of the Nordic welfare state help produce creditworthy borrowers. First, a high degree of income equality shrinks the ‘bad credit’ tail of the distribution. Secondly, high replacement ratios and extensive social insurance mean that unemployment, health problems or retirement will not reduce an individual’s ability to repay a mortgage to the same extent it does in other countries. Finally, the Nordic welfare state includes high female labour force participation as one of its key features, and two-income families are more creditworthy borrowers.

While unregulated credit markets are in essence the markets that most brutally discriminate on economic terms, there was less to discriminate on in the Scandinavian countries compared to other states. Broad swaths of the population had decent and, importantly, similar incomes and extensive social insurance through the welfare state. This made them attractive borrowers. As a consequence, the majority of home-buyers in Scandinavia were “chasing the same housing” and producing more equality in housing outcomes than in many other countries.

However, once liberal credit and housing markets are introduced, this changes. While credit markets have less to discriminate over in societies that enjoy a high degree of income equality and social protection programs, the non-trivial differences that do exist are accentuated and propelled by liberalisation.

Rising house prices and debt levels encourages higher risk-taking and speculation, but all speculation is not the same. It may be useful to distinguish between defensive and offensive speculation (Tranøy 2009). Imagine two stylised or ideal-type buyers. The first-time buyer might be afraid that if she delays her entry onto the housing ladder, house prices will only have risen even more, and it will be even harder to climb on. She thus accepts a higher price and debt level than she may be comfortable with, gambling that house prices will keep rising and interest rates will remain low. She would be a defensive speculator. An offensive speculator is someone who is not looking to buy a primary dwelling, but instead wants to reap profits from rising house prices, either through short-term flipping or as a longer term buy-to-let investment.

Rising house prices thus hit different parts of the population differently. Both types of speculation push up prices and debt levels, but they emerge from different motivations and have different implications for those concerned.[1] As house prices continue to rise faster than wages, inequality dynamics are set in motion. Two fault-lines are deepened in this process. The first is generational, between older haves and younger have-nots. This in turn increases the demand for help from "The Bank of Mom and Dad" (BoMad). The second fault line is geographical. Financialisation and urbanisation may not be causally linked, but they are running in tandem, widening the price gap between urban and non-urban property. The most pronounced difference thus appears between those seeking entry into urban markets with and without parents possessing urban housing capital.

Scandinavian countries have traditionally had the sets of policies that make it easier for the young to leave the parental home early (Flynn 2019, this issue). However, the first-time buyer may now find it more and more difficult to get on the property ladder. Even on a median income, a single person household can today find it difficult to buy even a small apartment in one of the three Nordic capitals without parental help. Those at the top of the income distribution, who already own their primary dwelling, will increasingly see property as an attractive investment and an important part of their asset portfolio (along with stocks and bonds). When this is investment in residential property, we can expect a growth in the buy-to-let market, and a higher proportion of landlords owning more than one property.

These dynamics will also impact the renter. Even if the relative proportion of owner-occupiers to renters were to remain the same, rising house prices in general, and the increase of the buy-to-let market in particular, may drive rents up, as has been the case in Norway. Thus, the poor and the young who were renters even under the old regime will now have to pay more. Rising prices that increase the differential between subsidized/social housing and market prices tend to put upward pressure on more decommodified institutional arrangements. Another effect of price increases is that both renters and buyers in the lower parts of the income distribution may be driven out of central urban areas. They will have little chance of buying, and no longer even be able to rent in

[1] Both groups take on increased risk, but defensive speculators have less margin of error and risk losing more if markets turn or life events like unemployment, disability, death or divorce force them to reprioritize.

the cities in which they work and study, but instead be “forced commuters” of the kind we see in much larger cities elsewhere in the world, and in countries that have higher income inequality.

All three countries’ tax regimes favour homeownership. The favourable taxation of housing compared to other assets makes housing a more attractive investment. These taxation policies were introduced under a different policy regime, when housing and credit markets were better regulated, and part of the national housing policy efforts towards expanding homeownership (primarily in Norway) and securing affordable housing. While other regulations have been removed, the favourable tax treatment of mortgages and housing have to a large extent remained, and property taxes in all three countries are far below the OECD average.[2] This gives large advantages to homeowners, and to those investors buying to let. This system has regressive effects as higher income groups get higher tax deductions, and there are no deductions for renting.

3.0 The Scandinavian housing markets – a brief historical overview

In the literature on the Nordic model, housing rarely features centrally, with Esping-Andersen (1985) as a notable exception. The omission of housing is perhaps not surprising, as one would be hard-pressed to identify a distinct Nordic or Scandinavian model of housing. Housing was a central part of the broader social democratic project in all Scandinavian countries. Yet, the housing policies differed to an extent that a specific “Nordic model of housing” cannot be identified (Bengtsson 2006; Ruonavaara 2012). What the Scandinavian housing systems did have in common when the post-war welfare systems were developed was a view of decent housing as a social right (rather than as an investment asset), and a general scepticism toward the private rental market.

In this section we very briefly introduce some aspects of Scandinavian housing systems, both under the more decommodified period, and after liberalisation. We shall see that despite persisting differences in the tenure distribution of these three housing systems, the combination of a strong welfare state and financialised housing markets have produced similar outcomes in terms of increased unaffordability of homeownership (rising price/income ratios), increased indebtedness, and an increase in the use of bank of mum and dad.

3.1 Differences in decommodified housing in Scandinavia

Decommodified housing, as a stylized model, has two key dimensions. First, the relationship between income or wealth and the ability to own your own home is weakened as housing resources are distributed in a more equitable way than would be the case in a more commodified market. Second, stable price growth reduces both risks and potential for windfall profits. The

[2] In Denmark, almost all interest expenditure is tax deductible at a value that reduces the cost by one third. (Danske Bank Markets, 2018). In Norway, 25 % of interest expenditures has been tax deductible (as of 2018, it is 23 %). There is no limit on the value of the deduction. In Sweden, 30 % of interest expenditures is tax deductible up to SEK 100.000, and 21 % on costs exceeding SEK 100.000. In Sweden there is 22% tax on any capital gain from selling your home, whilst in Denmark and Norway this is not taxed at all, as long as the property sold has been your main residence for a minimum period (Nordea Markets, 2017). On property tax: In 2017 the tax amounted to 1,0 % of GDP in Sweden, 1,3 % in Norway and 1,8 % in Denmark, compare to 4,2 % UK and US (OECD 2018d)

sum of regulations and other interventions in the market have the effect of controlling price development in a way a less regulated market does not.

In the post-war decades, housing policy was an integral part of the broader Scandinavian social democratic project. Housing was seen first and foremost as a social right, provided through a high degree of state intervention in markets, in the form of regulation of rents and house prices, subsidies for renters and homeowners, land allocation, regulation of credit and bond markets, and comprehensive universal welfare benefits. There were housing shortages, especially in urban areas, and policy was geared toward construction of new housing. Among these policies were subsidies public provision of lots and infrastructure, cheap credit directed at housing and generous tax breaks. Subsidies and regulation of housing targeted both the demand (credit controls) and the supply side (price and land allocation).

In Norway, then as now, homeownership was the ideal, either in the form of freeholding or tenant-ownership/co-operatives. One of the reasons why homeownership is more common in Norway than in the rest of Scandinavia is that urbanisation occurred later there, and homeowners received generous and universal subsidies through tax subsidies, mortgages, grants, and low interest loans. In 1946, the government established a state bank for housing, *Husbanken*. Loans and grants from Husbanken were not means-tested but given to all housing projects that conformed to established criteria. Construction of housing was strictly regulated in terms of requirements for size, access to natural light, views from windows and so forth. During the peak in the 1970s, Husbanken funded around 70 % of all single home construction projects (compared to around 15-20 % today).[3] An organisation for co-op housing was also created. The co-op sector, *borettslag*, became an important tool for providing affordable housing in urban areas. This tenure form received generous subsidies both when acquiring plots and through cheap credit. In order to pass subsidies on to the next buyer, the re-sale price of borettslag-apartments were also regulated. This was done in order to pass on the subsidies to the next buyer. The Norwegian government owned few residential properties outright, and the public rental sector was small and primarily residual compared to Sweden and Denmark that developed large public or quasi-public rental sectors with universalistic aims (Stamsø 2009).

In Sweden, the housing shortage posed an even greater challenge. The Social Democrats rolled out the famous “Million homes program” between 1964-1973. It aimed to build one million homes in a country which then had a population of eight million. Sweden’s housing policy was much less geared toward homeownership, and instead pursued a policy of tenure neutrality between public rentals, co-operatives and freeholding. The Swedish form of co-op housing, *bostadsrätt*, was similar to the Norwegian one. They were subsidised on one end, and price regulated at the other end when apartments were sold to new tenant-owners. Like Norway, large national organisations that became important players in housing policy represented the interests of Swedish co-op tenants. Unlike Norway, Sweden created a large public rental sector, *Allmännyttan*, that was explicitly designed as a tenure form available to all Swedes, irrespective of income. This universalistic feature means that this public rental sector was very different from the means-tested social housing sectors in other countries.[4] *Allmännyttan* typically consisted of

[3] https://husbanken.no/om-husbanken/historikk/.

[4] This sector is sometimes labeled “social housing” in the literature, although with its universalistic aim it is very different from, say, council housing in the UK. An illustration of the labeling problem with this sector is illustrated

multi-story buildings owned by municipalities and managed through municipal housing corporations and offered decent housing at rents below market price in most cases. Sweden also retained a considerable private rental sector, but it took a corporatist form. Rents were to be negotiated through local "rent panels", and not in the market. General rent levels for social housing sector were negotiated at the national level, with representatives from the Swedish Tenants Union and the municipal housing companies, and representatives of private landlords determining reference rents. Swedish housing policy was thus embedded in civil society in a way that was rather unique in an international context (Ruonavaara 2012). In practice, the negotiated private rental markets did not always work as intended, with an emergent "black market" for renting.

Denmark, like Sweden, did not push homeownership to the same degree as Norway. Denmark also has a cooperative or tenant-owned housing sector, but this part of the housing sector is small compared to both Sweden and Norway's and concentrated mainly in Copenhagen (7 % nationally, and 35 % of dwellings in the capital). Denmark also established a large non-private rental sector, but this took a different form than Sweden's. The housing was not owned by the municipalities in Denmark, but instead by non-profit housing associations that were regulated and subsidized by the government. There were also rent controls in the private market for some of the housing stock. The homeownership rate in Denmark was, and still is, the lowest of the three countries, despite Denmark having the largest mortgage market/GDP ratio. Denmark's mortgage system is also very different from that of its neighbours. Quasi-public financial institutions that issue covered bonds securitize Danish mortgages. This system pre-dates the roll out of the welfare state. The right to securitize mortgages was given only to a handful these *realkredit* institutions, the oldest of which dates back to the 18th century (Schwartz 2019, this issue).

Figure 1 approx here (see last pages of this document)

3.2 Liberalisation hits Scandinavia – Reforms of housing, credit and taxation

Beginning in the 1980s, right-wing governments in all three countries liberalised housing markets as part of their broader liberalisation and privatisation projects, and these changes were mostly not reversed under subsequent left-wing governments. Sweden has switched from a policy of tenure neutrality to that of promoting homeownership (Christophers 2013). While supply side subsidies ('bricks and mortar') are all but gone in all three countries, demand subsidies remain in the form of a means-tested housing allowance and very favourable tax treatment of mortgage debt. Denmark and Sweden have nominally retained their large non-private rental sectors, although these have been liberalised. All countries have experienced rapidly rising home prices (Figure 1), increased debt levels (Figure 2) and increased price to income ratios (Figure 3).

Figure 2 approx here (see last pages of this document)

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with the IMF classifying this sector as "public rental" in its tenure distribution data, while the OECD classifies it as "private rental".

Norway
Rent controls were gradually loosened and finally abolished in 2000.[5] Price controls for sales in the co-operative sector were removed, and those who had obtained such apartments during the de-commodified period were able to turn around and make large windfall profits by selling at market prices. As a result, prices for these co-op apartments are now more or less the same as for comparable freeholder properties. Since liberalisation, home prices have risen dramatically, especially in urban areas. Yet, homeownership rates have not declined as a result, and even increased slightly. The average age of first-time buyers in Norway has declined slightly over the past two decades (Finanstilsynet 2017), in contrast to the "Generation Rent" trends we can see in countries like the UK. Household debt to income levels have grown considerably.

A much larger portion of first-time buyers now report getting help from their parents than was the case fifteen years ago (Finanstilsynet 2017). Data from Statistics Norway show that half of buyers in their 20s received family help in the period 2010-2015, and 40 % of those in their 30s (Gram Dokka 2018). Norway's largest bank, DNB, reported that 70 % of their mortgage customers aged 18-33 received parental help in 2018, and the bank sees that trend as rising further in 2019 (Solvang 2019). Receiving help from parents when buying a home is associated with lower loan-to-value ratios and with higher property values (Halvorsen and Lindquist 2017). This suggests that while young people without access to parental wealth are still getting on the housing ladder, they are doing so with more debt and for less valuable housing than their more privileged peers.

In recent years, authorities have attempted to put a brake on the housing boom by introducing minimum down payment requirements and maximum loan-to-income ratios, though this has yet to curb the boom. As for offensive speculation, more households are investing in property markets, with 10 % of Norwegian households now owning a second property (Løyland Omholt 2018). To halt the increasing buy-to-let phenomenon in Oslo (the offensive speculation), the right-wing government in 2017 instituted a 40 % down-payment requirement for this type of purchase in Oslo, as well as less favourable tax treatment for mortgages for buy-to-let nationally.

Figure 3 approx here (see last pages of this document)

Sweden
In Sweden, liberalisation has gradually replaced the policy of tenure neutrality by promoting and privileging homeownership. Some elements of the old regime still remain. Christophers (2013) calls these 'islands of regulation' in an otherwise liberalised market, creating a "monstrous hybrid" of a housing policy.

The homeownership rate in Sweden has increased over this period. The proportion of freeholders has remained stable, and the tenure change comes from a decline in the proportion of public rental housing and a proportional rise in co-op housing. Sweden has pursued its own variant of Thatcher's "Right to buy" policy. Beginning in the early 1990s, tenants of public housing were invited to convert their rented apartments to tenant-ownerships at a price 40-60 % below market price. The new homeowners could then turn around and sell these apartments in the market and

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[5] Rents in private rental are now market rents, and rents in the small social sector are determined from averages of nearby comparable dwellings and are close to market rates.

reap windfall profits. At first this policy was introduced by the Social Democrats in Stockholm, but they did not actually start selling off property before Moderaterna won the city in the 1991 election. Since then, the Social Democrats have opposed and Moderaterna have supported this selling off-policy. After a bout of selling under Moderaterna in Stockholm in 1998 the issue garnered national political attention. The Social Democrats in Riksdagen passed a "Stop Law" that allowed the central government to withhold financial support to municipalities that were selling off property. This law did not entirely stop the selling, however. Christophers (2013: 892) estimates that between 2000 and 2009, the conversion of 30 000 municipal apartments in Stockholm to co-op apartments entailed a wealth transfer of 50bn SEK from the Stockholm taxpayer to these 30 000 new homeowners. In Stockholm, the selling was stopped under Social Democratic rule in 2014, and the topic of selling allmänyttan-apartments remains an issue that divides the Social Democrats and Moderaterna today (Svenska Bostäder 2018; Socialdemokraterna 2018).

Swedish municipalities still own approximately 20 % of the country's housing stock, constituting half of the rental sector (see table 1 for tenure distribution). Through liberalisation the municipalities have sold off the most attractive part of their housing stock, illustrating the pressures that social housing programs come under when housing becomes an increasingly valuable market asset.

Government budgets clearly show the shift in Swedish housing policy: In the late 1980s housing was a net cost for the government of around 25-35 billion SEK annually. A decade later housing provided a net income of 31 billion SEK (Christophers 2013: 896). Parental help is now more common among young homebuyers, and parental wealth has become an important predictor of tenure form for young people in Sweden (Öst 2012). Survey indicate large increase in the use of BoMad among young home-buyers, with 23 % stating they received parental help in 2017, up from 13 % in 2009. If we add those that stated they used an inheritance not from their parents (from grandparents or others) to buy, we have a third of homeowners stating they received familial help to buy a home (SBAB 2017). These data do not include those whose parents guaranteed their mortgages, yet data from Norway suggests this is an important form of familial help (Gram Dokka 2018).

Table 1 approximately here. (see last pages of this document)

Denmark

Danish housing markets have also been liberalised over the past thirty years, but without any major changes in tenure distribution. The opposition successfully stopped attempts by right-wing governments to fully privatize the non-private rental sector, although more moderate reform proposals subsequently passed (Christophers 2013). Denmark has long had a corporatist housing system that does not promote private landlords. While a private individual landlord faced a tax of 28 % on rental income, a pension fund owning property was only taxed 15 % (Mortensen and Seabrooke 2009). Denmark has had a modest increase in homeownership overall, yet significantly, homeownership among the young in the bottom of the income distribution has declined. In 1985, 55 % of young adults in the lowest income quartile owned their own homes. In 2006 that proportion had dropped to 21 % (Nielsen and Jensen 2011). In the same period the homeownership rate among the same age cohort in the top quartile of the income distribution remained roughly the same (65 vs. 62 %). Denmark is unusual in that it has a low homeownership rate compared to other countries yet has the highest mortgage debt to income ratios in the world. As Bohle and Seabrooke write (2019, this issue), homeownership in Denmark remains a firmly middle-class affair. This distribution of mortgage debt complicates the more alarmist interpretations of the high household debt levels in Denmark.

In Denmark, the use of BoMaD, has also grown in recent decades. The most common form of help is parents buying flats outright for their children, *forældrekøb*. Here, parents buy (typically) an apartment for their child to live in while at university, and in many cases the child pays a below market "rent" to her parents. After some years the ownership of the apartment is often transferred to the child as a family gift, which is taxed at a considerably lower rate than capital gains generally. In the larger cities of Denmark, forældrekøb is a considerable phenomenon. In 2011, 20 % of apartment purchases in Copenhagen were forældrekøb (Valgreen-Voigt 2018). After new mortgage rules were introduced in 2015, this phenomenon slackened somewhat but is still considerable. Forældrekøb today makes up almost half of smaller apartment sales in urban areas (Danske Bank 2019). Of course, not all parents can buy homes from their children, and data shows that those who do forældrekøb are predominantly white Danes with average income and wealth twice the national average (DST 2016). Over time, these dynamics are likely to increase stratification in Danish housing and is a sign of increasing familialisation.

4.0 The problem of Scandinavian housing – equality driving inequality?

Many industrialized countries are in a housing crisis, as rising prices and rents coincide with stagnant or declining incomes and reduced public benefits. None of the Scandinavian countries share this predicament. This does not mean that their housing systems are not the source of problems, or that these problems do not pose a threat to their broader political economies.

While wages have been rising across the income distribution, housing prices have been rising even more. Sweden ranked third globally on price-to-income ratio in 2018. Norway ranked 9th, and Denmark 19th (having come down following their housing bust in 2009). Increased unaffordability has not yet caused a decline in homeownership, but an increase in debt and in the reliance on parental help. The Norwegian case suggests that homebuyers with parental help enter the market with less debt and for more valuable housing than those without. For those renting, rents are high. In 2018 Norway ranked first on rental unaffordability (median rents as percentage of disposable income) in the OECD. Sweden was fourth and Denmark ninth (OECD 2018a).

Scandinavian countries all have relatively low levels of income inequality[6], although these have been rising in recent years, particularly in Sweden. Financialised housing markets are seen as one of the drivers of this rise in inequality (Belfrage and Kallifatides 2017). While data on wealth inequality is harder to come by, and statistical agencies in Scandinavia have only recently begun publishing such data, we know that wealth inequality is much higher than income inequality in Scandinavia, and more in line with inequality levels seen in other countries (Aaberge 2018). If the trends we have outlined continue, we can expect this wealth inequality to increase, and the

[6] In 2015 Norway had an income GINI of 27.5, Sweden 29.2 and Denmark 28.2 (Data from OECD).

importance of inheritance along with it. As prices in the three capitals and other major cities continue to grow faster than national averages, there will also be an increasing urban-rural divide in the value of inheriting family property.[7] The compound effect of these two phenomena being felt by many of the often well-educated young people from rural areas who are trying to settle in major cities, thus potentially negatively affecting the social mobility for which the Scandinavian countries are known.

Re-familialisation in housing markets is a clear trend in OECD countries (Flynn and Schwartz 2018). That this is also happening in Scandinavia, despite remaining social protections and relative income inequality, represents something of a paradox. We have argued that the sources of these dynamics are found in the interaction of the generalized creditworthiness that these welfare states give their citizens, with the price and debt dynamics that liberalised housing markets tend to create. Increased housing unaffordability, rising debt levels, and the reinforcing inequalities that come from the use of bank of mum and dad may over time come to form an existential threat to the Nordic model.

5.0 Conclusions

A bird's eye view of the Scandinavian countries gives us a picture of three welfare states that still decommodify human lives with respect to pensions, health, life risks in general and education, but no longer when it comes to housing. While these countries remain different in terms of tenure composition, they are experiencing a similar set of problems in their housing markets.

One of the key concerns of this article is what happens when these institutional spheres – income equalizing policies and liberalized housing market policies – interact. Rather than take homeownership rates as given and examine their effects on voter preferences, our approach has been to look at the welfare state systems that produced these original housing systems. We have seen how original decommodification policies (tax treatment of mortgage debt and low interest rates) have affected housing outcomes and produced policy drift in more liberal credit and housing markets. When a still functioning universalistic welfare state meets liberalised housing, it helps drive credit growth through the mechanism of generalized creditworthiness. The interaction of the creditworthiness and the willingness to take risk that a generous welfare state enables provides extra fuel for housing booms. This in turn has consequences for both distribution and financial risk, at the individual level and for the system as such.

In terms of distribution we see increased cleavages between and within generations as housing affordability is reduced and the significance of inheritance and parental help increases. Meanwhile risk is increased at the micro level for households that feel compelled to engage in defensive speculation. In terms of stability at the macro level, risk increases as debt grows faster than income. As these countries still differ in homeownership rates, and whether or not they have a non-private rental sector, differences in how these mechanisms play out on the ground are worth investigating. Still, a common trend towards increased inequality in the distribution of

[7] At the end of 2018, both Copenhagen and Stockholm prices per m^2 were 1.5 times the national average, while Oslo's were 1.7 national average (Data from Boligsiden DK, Svensk Mäklarstatistik and Eiendom Norge, all 2019)

renting opportunities, wealth and risk, re-familialisation and recommodification are sufficiently strong to merit our attention.

It's not that Governments in Scandinavia are unconcerned with rising home prices and increasing debt levels. The issue is more if their approaches and understandings are encompassing enough to be able to address the problems we have highlighted here. Norway and Sweden have both tightened lending requirements in an attempt to slow their housing booms, while the financial crisis temporarily took care of Denmark's. As tightening the credit market might disproportionately harm those young buyers without access to family wealth, Scandinavian governments will increasingly have a hard time balancing macro concerns with the housing market with ideals of equality of access to homeownership. When and if the era of low interest rates comes to an end, many households may confront much higher housing-related costs. In a worst-case scenario this could lead to a full-blown crisis. Even a more moderate scenario would entail significantly reduced aggregate demand and therefore growth and employment, and ultimately the sustainability of the welfare state.

Our argument is built upon a paradox, we claim that equality can drive inequality. Logically, this raises the question if increased inequality over time can kill off the mechanisms we have depicted. This could conceivably happen if inequality produced reduced housing prices and redistributed wealth back to those who are missing out now. Housing prices may well fall at some point, but we do not find the second part of that scenario convincing. If a crash or a strong "correction" should occur, we need to ask who will be most exposed? Not only wealth, but also risk is unevenly distributed. The losers would be the defensive speculators we have described and some of the financially less solid offensive speculators. The winners would be the wealthier speculators who could expand their portfolios on the cheap and a random cohort of first-time buyers who happened to enter the market at the right time. The underlying institutional arrangement would not, however, go away. As long as the Nordic Model remains biased towards homeownership and continues to produce the kind of equality which facilitates generalized creditworthiness, the market would most likely pick up and the housing wealth inequality producing dynamic we have described, would remain in place.

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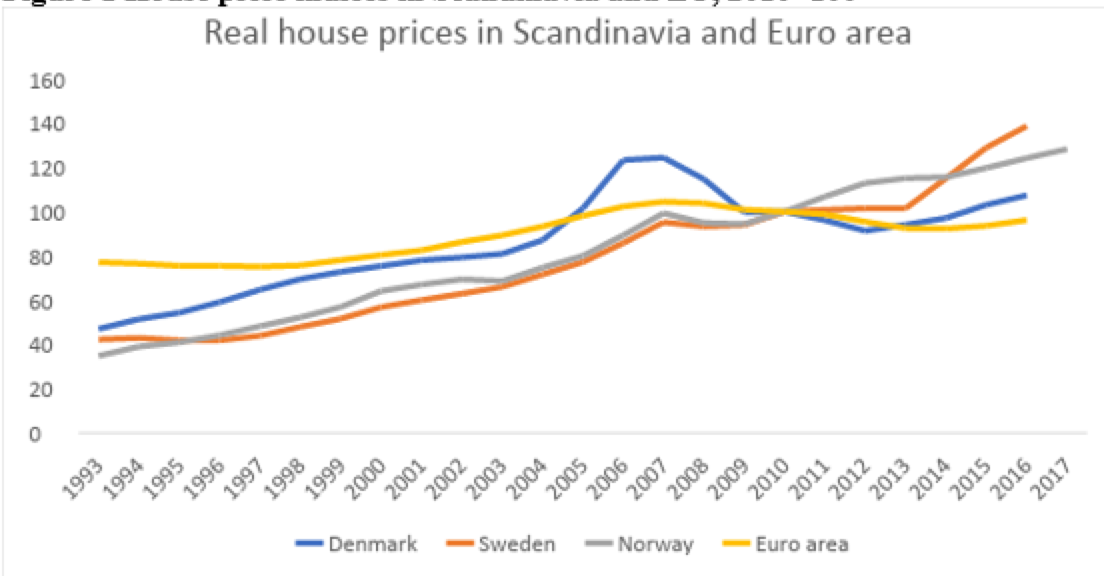
Figure 1 House price indices in Scandinavia and EU, 2010=100



Source: OECD 2018b

Figure 2. Household debt to income, 1995-2015

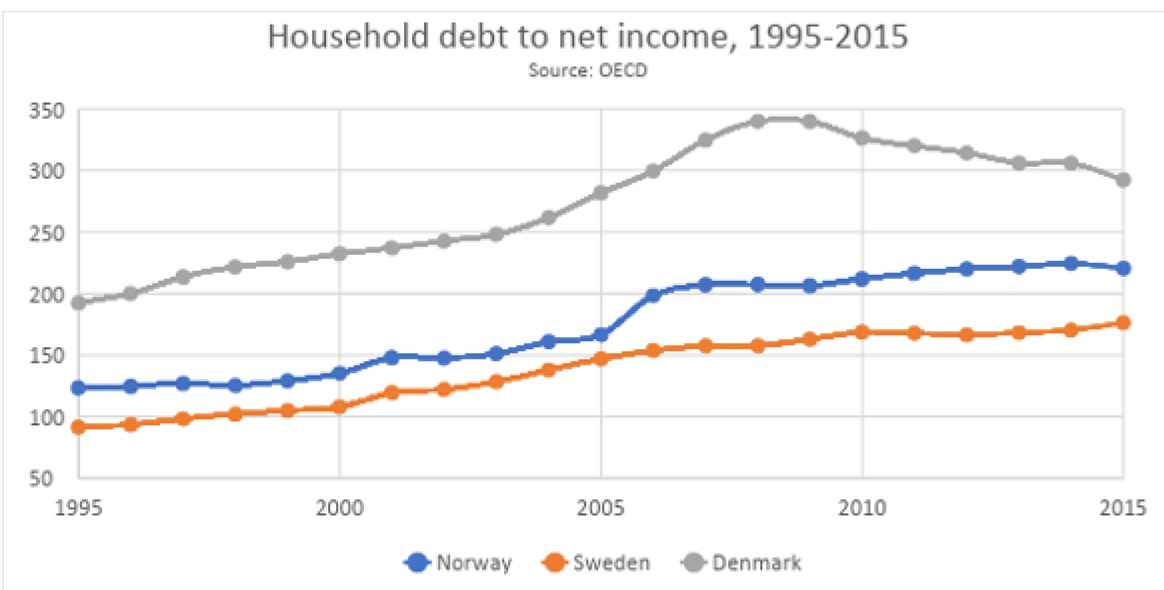


Figure 3. House price to income ratio 1971-2017

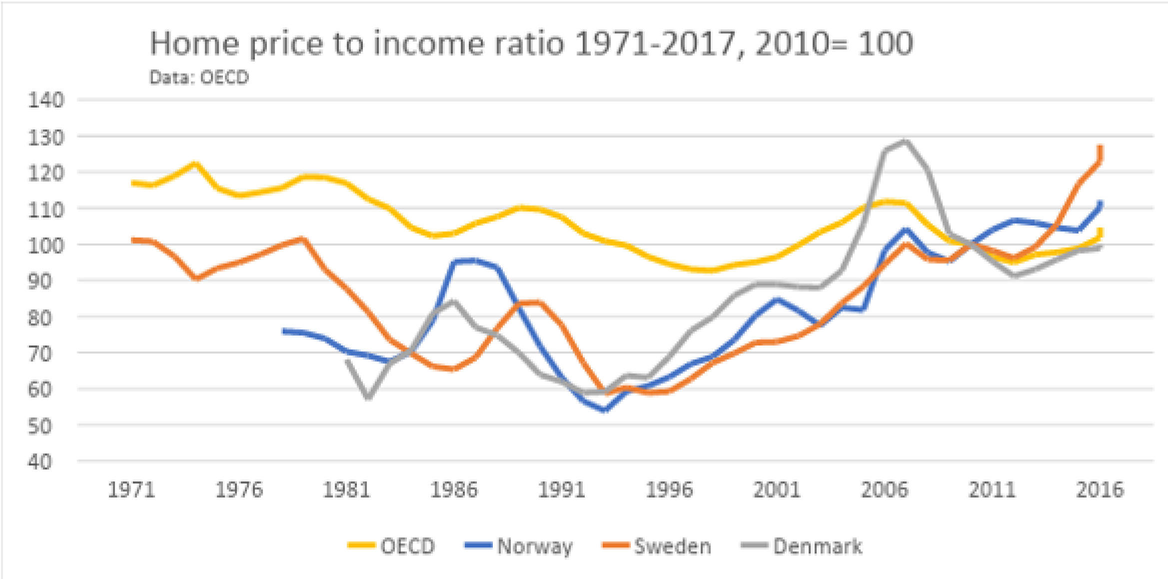


Table 1. Key numbers in Scandinavian housing, 2016 or 2017.

	Norway	Sweden	Denmark
Homeownership rates, by households	77.3% (2016)	62% (2016)	50% (2017)
Homeownership rates, by individual	83%	65%	62%
Private rental, by households	18.1%	20% (2016)	15.6
Social housing, by households	4.6%	18% (2016)	22.2
Public expenditures on housing, % of GDP (2013)	0.1%	0.5%	0.7%
Housing allowance, % of GDP (2015)	0.09%	0.,45%	0.48%

Source: Statistics, Norway, Statistics Sweden, Statistics Denmark, The statistics portal, OECD (2018a).