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Housing in the EU: The EU as a Commodifying Force

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Abstract

This study explores the European Union's role in Europe's housing crisis. While much attention has been given to the EU's impact on other welfare state sectors, housing remains underexplored. Using Aalbers' theory of housing financialisation and Scharpf's theory of positive and negative EU integration, this study examines four modes of housing financialisation: mortgage debt, mortgage securitization, financialisation of rental housing, and financialisation of social housing companies. The findings suggest that the EU has contributed to housing commodification through channels such as mortgage market liberalisation, fiscal regulations, monetary policy, capital mobility, and competition law. A hierarchical struggle emerges between the single market and local housing administration, with EU law dominating this relationship through negative integration, since the elimination of market barriers, whether between or within member states, is at the essence of the single market project. This stands in contrast to the EU's commitments to housing as a human right. By highlighting housing as the primary surplus absorber of capitalism, and by integrating Aalbers theory of housing financialisation with Scharpf's theory of EU integration, this study underscores the essential role of housing in the broader EU integration process, i.e. housing commodification is shown to be both a driver and product of the EU's political economy. On a positive note, a theoretical argument can be made of the potential of EU housing to escape the determinism inherent to the negative integration perspective. Housing right obligations in EU treaties do exist, which offer the possibility for housing integration based on social commitments rather than market forces.

Keywords: Financialisation of housing, economic geography, EU integration, welfare state transformation, commodification, decommodification.

JEL codes: P1, P16, R1.

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1. Introduction to the EU's housing crisis

The European Union (EU) is facing a housing crisis across its member states. Housing Europe's (2023) report found that from 2010 to 2022, average rents rose by 19% and house prices by 47%, outpacing wage growth. Housing cost burdens have also sharply increased, driven by energy inflation and the rising cost of living (FEANTSA, 2023; Housing Europe, 2023).

The European Parliament also reported a 70% rise in homelessness over the past decade, exceeding 700,000 people (EP, 2020). FEANTSA, a European Commission (EC)-sponsored housing exclusion institute, estimated that at least 895,000 people are homeless in the EU, an estimate on the low-end due to limited data (FEANTSA, 2023, p. 16). Reports also show a global rise in adults living with their parents, including in the EU (Eurostat, 2023; Meen & Whitehead, 2020, Chapter 4). Additionally, studies point to increasing gentrification, segregation, and suburbanization in European cities (European Commission, Joint Research Centre, 2020; Hesse & Siedentop, 2018; Pagliarin & De Decker, 2021; Phelps, 2017; Tammaru et al., 2021) highlighting the EU's housing crisis further.

In light of the housing crisis, the EU introduced the Urban Agenda (UAEU) in 2017, reinforcing its standing commitment to fight housing exclusion, also found in its ratification of the Sustainable Development Goal 11 (SDG11), which recognizes housing as a universal right. This commitment is also reflected in the Charter of Fundamental Rights of the European Union (CFREU, 2000, art. 34 (3)) and the European Pillar of Social Rights (ESPR, 2017), both emphasising social inclusion and combating segregation. Alongside these commitments, stands the contradiction that the EU holds "... no (legal) competence to legislate in housing matters" (EP, 2024).

Despite the scope of the housing crisis and housing's critical role in social reproduction and human life, it remains relatively overlooked in the field of political economy (Aalbers, 2017, Chapter 2; Stockhammer & Wolf, 2019). Research on housing is often confined to niche study fields like real estate and urban studies, whereas broader fields have tended to focus on the labour-capital conflict. Additionally, analyses of EU integration, multilevel governance and its impact on welfare state restructuring, or of housing developments in European countries generally, often neglect the influence of the EU due to its lack of direct authority in housing policy.

This study seeks to address this gap by examining how EU policies affect housing across the union and how these align with the EU's commitments to the right to housing and social inclusion. It argues that the EU holds both legal and de facto competencies in key areas influencing housing, such as mortgage markets, state aid, fiscal regulations, monetary policy, capital mobility, and competition law. The integration process linked to these competencies will be analysed. This leads to the research question: *How does the EU impact the process of housing (de-)commodification in its member states?* To address this question, the study is structured as follows. Chapter 2 will provide a literature review, define key concepts, and clarify the study's methodology. Chapter 3 will present the theoretical foundation, followed by an overview of (de-)commodification trends in Chapter 4 and the analysis of the EU's role in Chapter 5. Chapter 6 will summarise and conclude.

2. Literature review and methodology

2.1 Literature review

There is extensive literature on the EU's role in welfare state commodification and transformation (Apeldoorn, 2013, 2009; Apeldoorn & Horn, 2018; Hermann, 2007, 2017; Lammert, 2017; Slobodian, 2018; Stockhammer, 2012). However, as Wijburg (2021, p. 1286) notes, fewer studies have connected the dots, i.e. looking at the role of the EU in the process of housing (de-) commodification - in light of the broader welfare state restructuring process. Nonetheless, some research addresses this question. Two main domains can be distinguished: one focuses on the EU's institutional role in the global financial and Eurozone crisis, often examined by economists exploring neoliberal debt-growth models (Hein et al., 2012; Stockhammer et al., 2020). This study, however, concentrates on literature examining the EU's role in housing itself, rather than its role in relation to financial crises.

In this body of literature, Barlow (1998), Priemus and Dieleman (2002), Kleinman et al. (2005) and Doling (2006) were early proponents of the idea that the EU's influence on national housing policies had grown, despite lacking formal legal competence in the area. Doling (2006) specifically argued that the EU had an indirect housing policy, primarily by promoting homeownership through mortgage market deregulation.

More recent literature has demonstrated the influence of EU financial activity and financial regulations on housing policies, such as the Commission's commitment to the Capital Market Union and mortgage securitization (Aalbers 2017, chapter 3; Fernandez & Aalbers 2017; Gabor & Kohl 2022; Kohl 2018). Other studies have examined the restructuring of housing sectors in Southern Europe due to loan conditionalities during the Eurozone crisis (Alexandri & Janoschka, 2017; Allegra et al., 2020; Lima & Xerez, 2023; Siatitsa, 2022; Tulumello, Cotella, et al., 2020). Others have explored how EU competition laws have clashed with social housing regulations in member states (Czischke, 2014; Elsinga & Lind, 2013; Lind, 2014; van de Gronden, 2011). Commentary on UAEU has also emerged, noting that while it offers soft power for progressive urban development, it has yet to lead to significant action (De Frantz, 2022; Mamadouh, 2018; Purkarthofer, 2019).

2.2 Methodology and key concepts

The aforementioned literature, alongside EU laws, documents, and initiatives, will form the core sources for this study's analysis. This study aims to connect these otherwise separate studies to provide a comprehensive overview of the EU's role, focusing on legislation that has introduced or altered policies, programs, and regulations affecting housing (de-)commodification, narrowed down to the integration process since the Maastricht treaty in 1992. The analysis is based on a systematic review of literature drawn from academic search engines like Google Scholar and SCORE, using keywords related to concepts such as: EU and housing, housing commodification and decommodification, housing financialisation, welfare state restructuring in the EU, comparative housing studies, EU competition law, the EU's Urban Agenda, the EU's Social Pillar of Rights, positive and negative integration, and EU integration.

This study will follow in the tradition of the Marxian and Polanyian interpretation of the concept (de-)commodification. Marx defined a commodity as a product of human labour intended for sale in the market (Marx, 1887, Chapter 1). Both Marx and Polanyi argued that certain goods have intrinsic value beyond market exchange which make them unsuitable for market distribution. This provided the basis of Polanyi's understanding of land, labour and money as 'fictitious commodities' (Polanyi, 1944, Chapter 6). The commodification of housing can in this sense be conceptualised as a reduction of housing to market-based values. This underpinned the theoretical basis for the welfare state in general and the progressive response and calls for decommodification to the post-1970s wave of Neoliberalism. The relationship between (de-)commodification and financialisation in this study thereby is one where financialisation is thought of as a key driver behind increased commodification, whereas (de-)commodification is conceptualised as a spectrum.

Manuel Aalbers' (2019a) four general themes of housing financialisation will be utilised as an operational framework, inspired by Tulumello, Dagkouli-Kyriakoglou, et al. (2020). By analysing EU policies in relation to these themes, conclusions can be drawn on how, or if, the EU has influenced housing de-commodification. This aligns with Aalbers' view of the state's role in either reinforcing or resisting financialisation's "wall of money" (2017, p.

134) in a commodifying or de-commodifying way. The EU, representing the state in this context, will be the primary focus within the broader multilevel governance structure. The study will also incorporate Fritz Scharpf's concept of "positive and negative integration" to cross-analyse the dynamics of the EU's interaction with the different aspects of housing financialisation.

Another important conceptual distinction in this paper is the recognition that discussions about housing prices encompass both the property's building structure and the land it occupies. Since these elements are inherently linked, both spatially and in terms of exchange value in practice, (Aalbers, 2017, p. 17), and due to capacity limitations, this paper will refer to housing as encompassing both land and building value.

The decision of a primarily qualitative research design, over a quantitative approach, such as analysing affordability trends statistically, is justified based on issues inherent to affordability measures highlighted in the literature (Meen & Whitehead, 2020, Chapter 2). For example, Eurostat data excludes mortgage repayments from housing costs, a choice intended to avoid distortions from differing mortgage systems. Yet, this exclusion skews housing affordability measurements (Turnbull, 2020).

Focusing solely on housing affordability may also obscure the reality that housing prices can rise even when affordability appears stable. Critical theories on gentrification and suburbanization demonstrate that increasing rents and property prices exacerbate spatial inequality, displacing lower-income households for higher-income ones (Harvey, 2008). This trend further skews measurements of housing affordability in financialised cities (Meen & Whitehead, 2020, Chapter 4).

Affordability measures also overlook key aspects, such as rising homelessness and adults living with their parents. Homelessness is not captured in affordability metrics at all, and the income of adults living at home is included in the household income of their parental homes, creating an illusion of greater housing affordability. In reality, many young people remain with their parents due to challenges in finding affordable housing (Meen & Whitehead, 2020, Chapter 4).

Furthermore, the increased participation of average households in the capitalist wage economy over recent decades—driven by rising female workforce participation and a shift from the traditional 'breadwinner' model in European societies—could create a misleading impression of household affordability (Ortiz-Ospina et al., 2018). Improvements in affordability, or a slowdown in its deterioration, may as such be driven by an increase in working hours (Meen & Whitehead, 2020, pp. 71–73).

3. Theoretical framework

3.1 The right to the city and the financialisation of housing

Harvey (2008, 2019), developed on Bourdieu's slogan "The Right to the City". Following a Marxian demand-side analysis of capitalism, Harvey sees the financialisation of housing in attractive cities around the world as a consequence of contradictions inherent to capitalism. In this view, capitalism is conceptualised as a cyclical process of several stages. First, capital is invested to obtain production inputs like raw materials and labour. These are utilised to produce products sold in the market, generating a return that includes the initial investment plus surplus value. After covering expenses like consumption, interest, and rent, the remaining profit is reinvested, restarting the cycle of surplus production.

Capitalism is here faced with the key issue of effective demand. This, in its crude version, states that since the aggregated wage-bill of consumers in capitalist economies is, by definition, smaller than the price of aggregated products, aggregate demand is not large enough to realise the surplus. One temporary 'spatial fix' to this problem, as figures such as Rosa Luxemburg and Rudolf Hilferding alluded to (Harvey, 2011, p. 10), involved exploiting non-capitalist regions through imperialism and colonialism. But with the integration of many of these regions into the orbit of capital circulation, this option is becoming increasingly exhausted at the global level. This means that capitalism is doomed to grow at a compound rate of growth:

> "... the money spent on the expansion of investment tomorrow forms the effective demand to mop up the expanded product created yesterday. Tomorrow's growth creates the effective demand for yesterday's expanded product. The effective demand problem today is thereby converted into a problem of finding profitable new investment opportunities tomorrow. This explains why compound growth is so essential to the perpetuation of capitalism" (Harvey, 2011, p. 10)

As such, capitalism has an inherent drive towards growth and the pursuit of continual expansion and commodification. Through debt, capitalism reaches into the future of tomorrow to compensate for the lack of demand in yesterday's round of circulation. Housing has as such becomes a spatio-temporal fix in this commodification process. Put in other terms, housing facilitates the continuous circulation of capital as a source of surplus realisation—when the circulation of capital in the productive sector, or when the profit rate in the non-housing financial sector, breaks down. Indeed, one of Harvey's main arguments is that this process has become increasingly prominent across the world, as cities have become the main functionary as capitalism's surplus absorber—causing economies to become increasingly addicted to rising house prices in the process (Harvey, 2008).

Aalbers (2017) argues that housing is attractive as a financial asset because of its specific characteristics that sets it apart from other commodities. It, importantly, holds a crucial role for social reproduction, providing the basis for human life and flourishing (2017, p. 5). Furthermore, housing, through land or space, is monopolistic in nature because of the finite nature of land. Economic theory often suggests that supply will follow if demand goes up, but in the market of housing this may not be true since construction companies and investors have it in their interest to maintain high house prices. Instead, they may primarily invest into the existing stock of housing through financial speculation, or restrict new construction to expensive housing (Aalbers, 2017, pp. 24, 26, 138).

This 'fictitious commodity' point about housing, of which its inherent characteristics sets it apart from many commodities in capitalism, may appear like a semantic point. But as echoed by other housing research (Harvey, 2019, pp. 28–29; Manning, 2022; Meen & Whitehead, 2020, pp. 243–244) it is at the core of the economics of housing. Whitehead has on this note pointed out that the long-run trend of housing prices can not entirely be explained by the 'wall of money' (Aalbers, 2017, p. 139) entailed by financialisation:

> "Some have pointed to the role of housing as a tradable asset as a fundamental cause of the problem; at times of low returns on financial assets, housing becomes more attractive, particularly if the risks of housing investment are inadequately taken into account. There seems little doubt that this has contributed to price trends in recent years. However, we also noted that the housing cost of capital has little long-run trend and, therefore, cannot account for the strong long-run growth rate in real house prices, which has averaged approximately 3.5 per cent per annum since 1969. To understand long-run growth we have to turn to housing's fundamental role as a consumption good" (Meen & Whitehead, 2020, pp. 243–244)

Subsequent to this analysis, Harvey (1983, pp. 14–16; 2008, pp. 34–35) and Aalbers (2017, pp. 24, 70, 72; 2019) see suburbanization and gentrification as logical consequences of these fundamental contradictions. Poorer segments of the population are pushed further out of financialised cities as a consequence of rising housing prices. This spurs on social segregation and creates the conditions for 'ghettofication'. The 'Right to the City' perspective thus functions as both a theory and a progressive slogan, highlighting cities as arenas of competing interests between social well-being and rent extraction. Aalbers emphasises the state's key role in this dynamic, noting that during the Neoliberal era, it has often enabled capital to flow into the housing market. He calls this process 'regulated deregulation', where the state actively promotes the financialisation of housing. Instead of withdrawing, the state is restructuring itself, prioritising financial interests over tenants (Aalbers, 2017, p. 550). But the fact that states in the last decades have facilitated financialisation is not a given. State regulation can, for example, preserve high levels of social housing and differentiate between speculative investments in existing housing and new construction, restricting the former (Aalbers, 2017).

Four themes of housing financialisation

Aalbers has identified four general global themes in the broad literature on housing financialisation (Aalbers, 2019a). These are the financialisation through *the rise of mortgage debt* (FMD) (and homeownership) and *mortgage securitisation* (FMS) as well as the *financialisation of rental housing* (FRH) and the *financialisation of social housing companies* (FSHC).

The *FMD* is manifested through the establishment of a direct connection between households, homeownership, and the realm of finance, with financial institutions playing a central role in facilitating finance for homeowners and lenders. FMD as such concerns the process of which homeownership has emerged as a financial asset, serving as a key store of value. The problem arises from the fact that the accessibility of this (exchange) value, and its use value, has become contingent on progressively larger mortgage loans. The rise of mortgage debt, facilitated through the rise of mortgage markets, is in other words itself contributing to rising house prices. One might intuitively think that the rise of mortgage debt is a response to rising house prices, but Aalbers' argument is that the causality primarily goes the other way in a dialectical manner (Aalbers, 2017, Chapter 3). In other words, the availability of higher mortgage loans drives up house prices, which contributes to higher mortgages and so on—eventually culminating in the dispossession of housing. Increased mortgage finance does thereby not necessarily lead to more construction but is more likely to contribute to housing price inflation, since financiers have it in their interest to primarily invest into existing housing stock (Aalbers, 2019a).

Aalbers explains that the state in this domain has regulated credit regulations, particularly to real estate financial groups, and also encouraged households to incur debt through various programs or through the expansion of mortgage credit opportunities. State influence has also been seen through central bank stimulus on the financial markets, through fiscal incentives, such as the deductibility of interests or through tax breaks and government guarantees of mortgages (Aalbers, 2019a, p. 4).

The *FMS* refers to the process in which mortgage debt is turned into financial portfolios and subsequently used as securities in financial markets. This is what has been described as part of the trigger of the 2007/2008 US financial crisis among heterodox economists (Foster & Magdoff, 2009, p. 94; Lavoie, 2012). It consisted of the securitisation of 'subprime mortgages' and speculation, resulting in a wave of mortgage defaults and the subsequent banking crisis.

The *FRH* refers to the transformation of rental markets through various ways; particularly the privatisation of existing social/public housing to financially oriented private entities. Aalbers points to the 'financialised privatisation' of Germany's public and non-profit housing stock as an example. This wave of privatisation involved the sale from 4 million units of public and non-profit housing in the late 1990s to less than 1.5 million in 2007. This has also been a process of concentration, with major players such as Vonovia or Blackstone, emerging as dominant transnational EU landlords (Aalbers, 2019a, p. 5; Janoschka et al., 2020).

This domain also encompasses the increasing relevance of financial schemes in rental markets. In many areas, financial entities have begun to act as landlords by acquiring housing unit portfolios and utilising various financial schemes. The state has generally facilitated this process by raising rent control limits, deregulating tenant protections (while maintaining regulations on private property and squatting prohibitions), thus making rental markets more attractive to investors. Additionally, the introduction of financial instruments and market stimuli has contributed to the growing 'wall of money' seeking to enter the rental markets.

Lastly, the domain of *FSHC*, refers to the process through which the ethos of public and non-profit housing has been transformed in order to follow economic business-like incentives rather than social commitments. This has involved changes in regulations and economic incentives on a state level and has also caused public housing companies to engage in financial markets (Aalbers, 2019a, p. 6).

3.2 Positive and negative integration

In line with Aalbers concept of 'regulated deregulation' as a cornerstone of neoliberalism in practice, some scholars have developed a theory of EU integration based on a similar notion. Scharpf (1998, 2010) has through his account of 'positive and negative integration' criticised political scientists for: "... having too long focused only on aspects of intergovernmental negotiations while ignoring (or, at least, not taking seriously enough) the establishment, by judge-made law, of a European legal order that takes precedence over national law". Scharpf's distinction between negative and positive integration makes a separation between measures geared towards enhancing market integration by removing national barriers to trade and competition distortions (negative integration), and collective European policies designed to influence the conditions governing market operations (positive integration).

From this distinction, Scharpf argues that negative integration has been the primary driver in the EU integration process. This is rooted in the foundational rules embedded in the Treaties of Rome and the inherent nature of the EU project concerning the establishment of the single market, the free movement of capital, services and workers, and the consequential ban on capital controls and market competition distortions. This served as the foundation through which neoliberalism could gradually be expanded, with little political contestation, through treaty infringements and decisions and rulings from the Court of Justice of the European Union (CJEU) and the EC (Scharf, 1998, pp. 8-12).

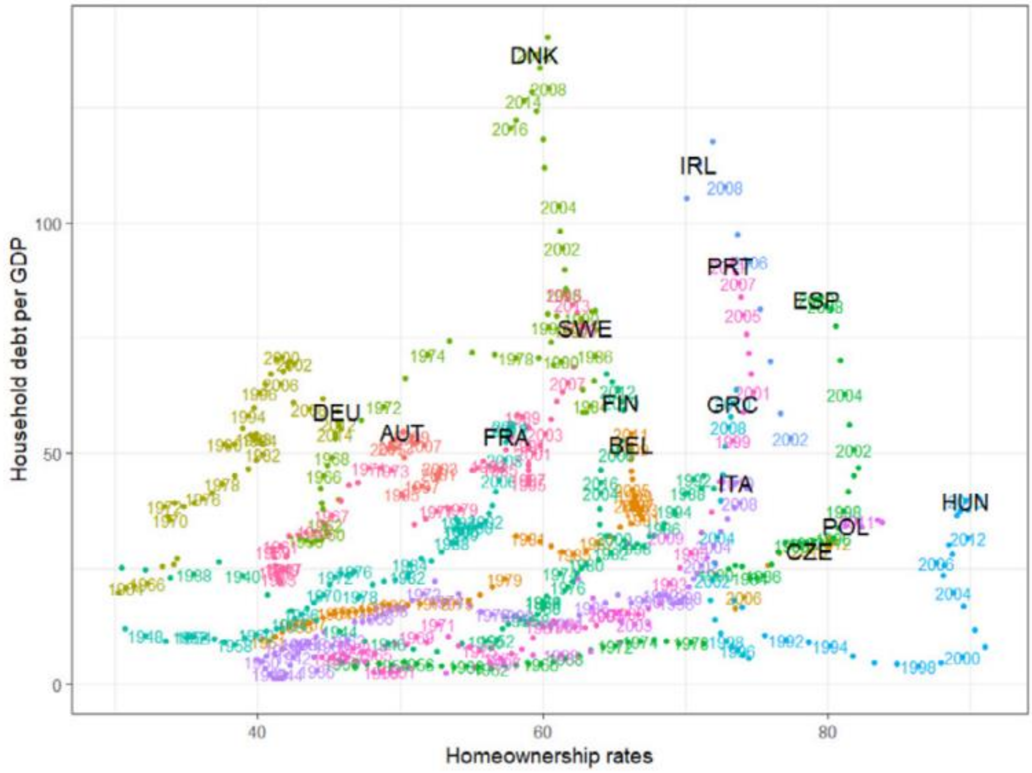
In contrast, positive integration relies on the consensus of national governments within the Council of Ministers and the EP, making it susceptible to the challenges inherent in European intergovernmental policy making. This has limited the problem-solving capacity of national policies, due to supranational legal supremacy, while European 'positive' policies face constraints due to the absence of intergovernmental agreement (Scharf, 1998, p. 12-20).

Scharpf (1998) argues that this constitutional asymmetry has contributed substantially to the fundamental transformation in the political economy of the EU's member states, particularly concerning the welfare state transformation and commodification. The asymmetry results in an inherent inclination within EU law toward favouring economic market freedoms over other considerations, such as fundamental rights, including national social rights and national policies aimed at achieving more social objectives.

4. Housing (de-)commodification trends in the EU

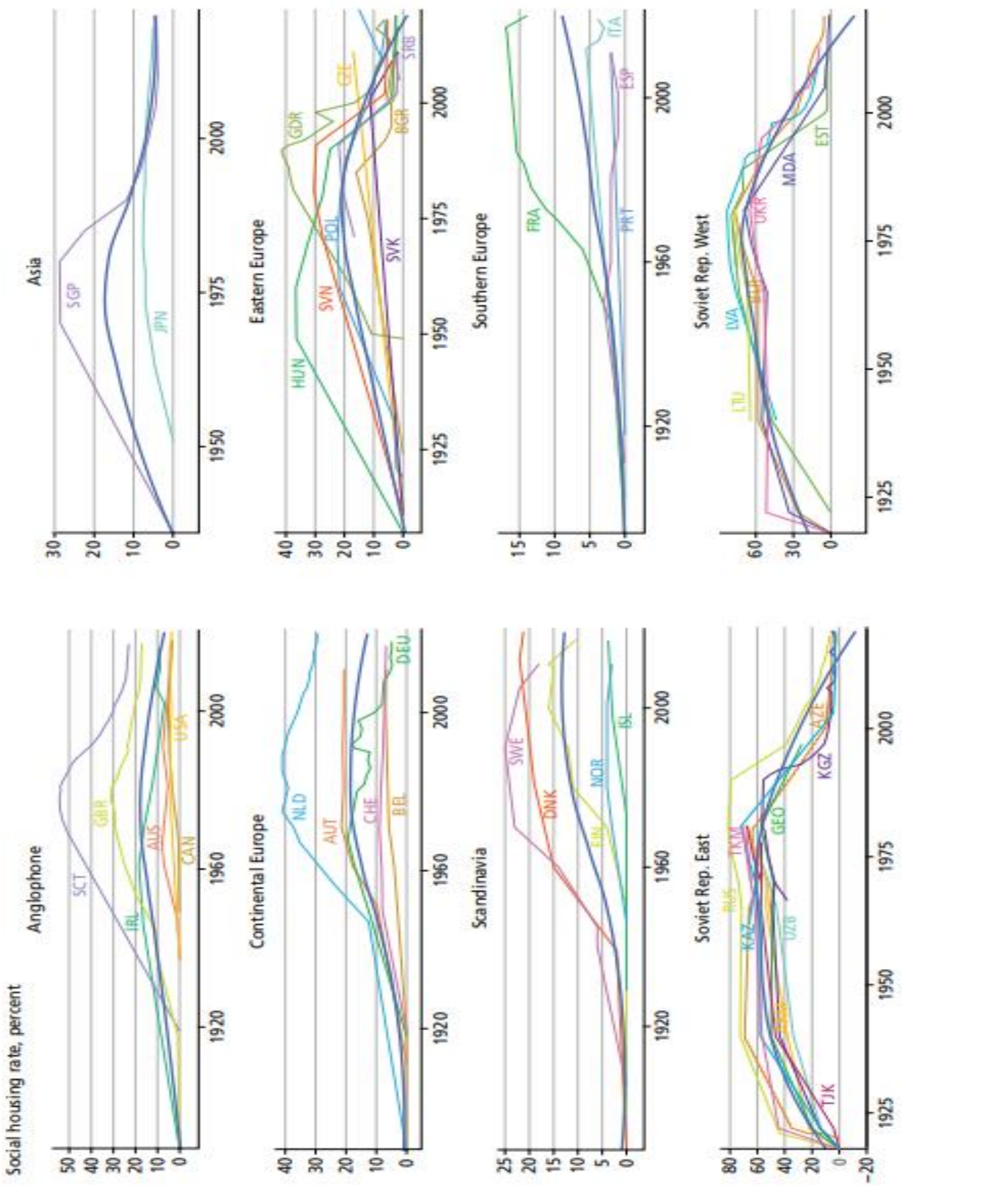
Comparative European housing studies show a clear shift toward market-oriented, commodifying models since the late-1970s (Aalbers & Holm, 2008; Kholodilin et al., 2022; Malpass, 2014; Marcinkiewicz, 2023; Poggio & Whitehead, 2017; UNECE, 2015). This trend varies across different tenures: private renting, owner-occupation, and social housing. Most countries have seen credit market liberalisation and rising mortgage debt (see Figure 1). As Gabor & Kohl (2022, p. 24) note, Figure 1 shows that much of the increase in home ownership occurred without significant mortgage debt increases, and much of the rise in mortgage debt happened without corresponding home ownership growth, or even with declines (vertical movement). This confirms that more debt does not necessarily lead to greater housing inclusion (as highlighted in 3.1). In the category of social housing tenure, a large privatisation can be observed (see Figure 2), while private renting regulations, such as rent controls, have also, to some degree, undergone liberalisation (see Figure 3).

Figure 1. Mortgage debt and homeownership rates in percentages.



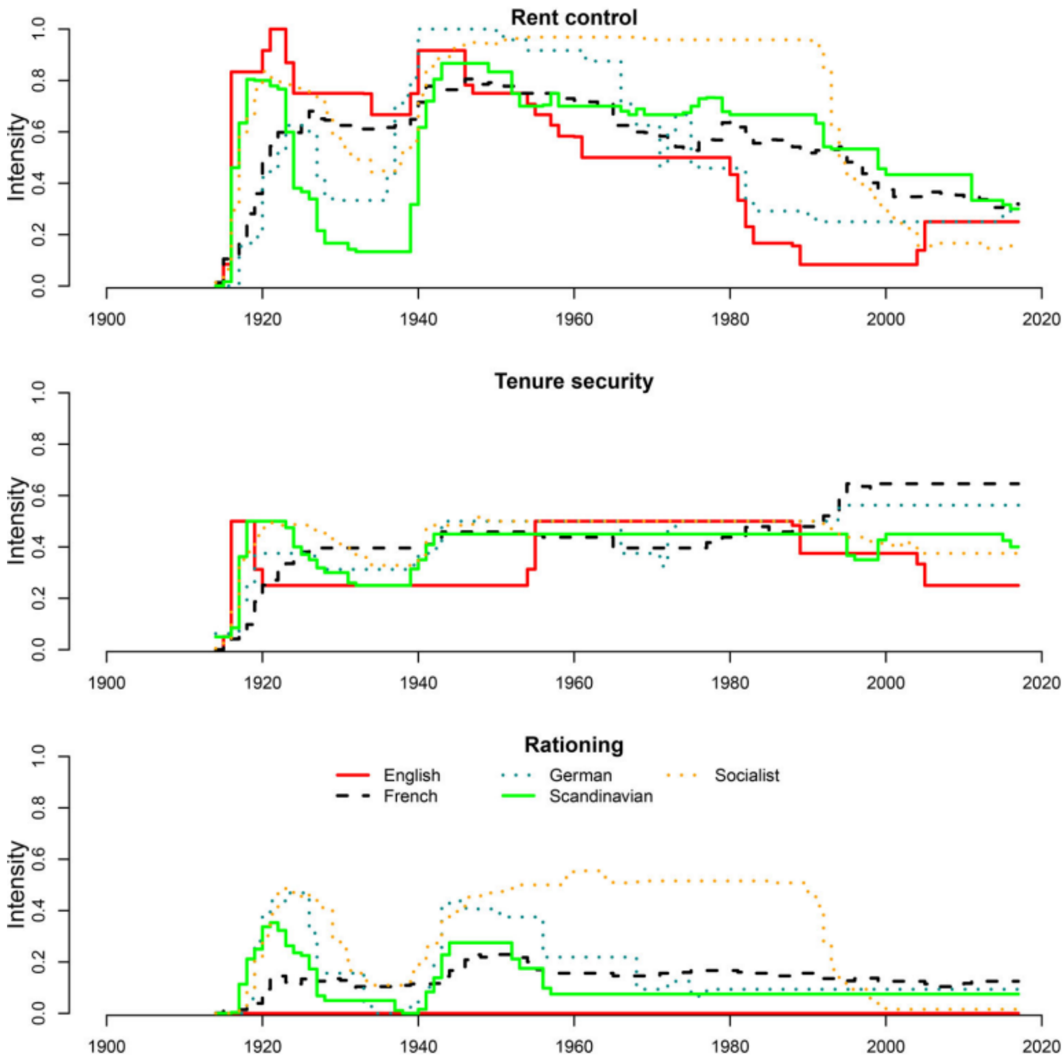
Source: Gabor & Kohl (2022, p. 24).

Figure 2. Social housing as a percentage of overall housing supply in various regions.



Source: Kholodilin et al. (2022, p. 9). More visualisations at: dataverse.shinyapps.io/socialhousing/

Figure 3. Rent regulation intensity in European regions.



Source: Kholodilin (2023, p. 717). German = German speaking countries, Socialist = the so-called socialist countries of the former east-bloc.

The share of social housing and the private tenancy regulation schema, make up the overarching themes in the classification of European housing regimes into two main models, *the universalist* and *the targeted* (see Table 1). The *universalist approach* aims to provide quality, affordable housing for all, regardless of income, often through municipal housing companies (MHC) or nonprofit organisations. Rental rates are set based on costs and social values in both the public and private sectors. The key goal of universalist systems is to foster social cohesion and prevent spatial segregation, such as gentrification, suburbanization, and ‘ghettofication’ (Czischke, 2009, 2014; Malpass, 2014).

The *targeted approach,* on the other hand, assumes that the market will generally meet housing needs, with social housing reserved for households that the market fails to serve. This model has considerable diversity in the size and nature of the social housing sector and in allocation criteria. In some countries, social housing is available to households below a certain income threshold, including some low-middle-income residents, classified as *generalist*. In others, it is limited to the most vulnerable, known as *residual* (see Table 1) (Czischke, 2009, 2014; Malpass, 2014).

A key trend in housing policy is the rise of targeted housing regimes. Universalistic models have increasingly been scrutinised across the EU and redirected towards more focused, targeted approaches (see Table 1) (Czischke, 2014; Di Feliciantonio & Aalbers, 2018; Kholodilin et al., 2022; Malpass, 2014; Marcinkiewicz, 2023; Poggio & Whitehead, 2017; Scanlon et al., 2014; UNECE, 2015). Table 1 classifies social housing regimes of UNECE (United Nations Economic Commission for Europe) countries. The arrows represent classification changes and potential changes following, at the time, recent policy shifts from 1980-2014 (UNECE, 2015, p. 27).

Table 1. Classification of UNECE countries by housing regime models and current trends.

% of social housing	Region	Universal	Targeted	
		Universal	**Generalist**	**Residual**
>20%	Europe	The Netherlands →	Austria	
11%-19%	Europe	Denmark → Sweden →	Czech Republic (New) France* Finland*	United Kingdom France Finland
	SEE & EECA		Russia (New)	
5%-10%	Europe		Belgium* Germany* → Poland → Slovenia Italy →	Belgium Germany Estonia Ireland Malta
	North America		Canada*	Canada United States of America
0%-4%	Europe		Luxemburg Greece → Spain → Slovakia*	Hungary Cyprus Portugal Slovakia Bulgaria Lithuania Latvia Romania Estonia
	SEE & EECA		Belarus (New) Serbia (New) Ukraine (New)	
	Middle East			Israel Turkey

Source: UNECE (2015, p. 26).

5. Analysis of the role of the EU

The role of the EU in the housing sector can be analysed through the domains identified by Aalbers (2017). These are not exclusive or separate from each other, as Aalbers acknowledges. For example, the FMD is going to have the obvious effect of decreasing the relative size of the rental housing sector and thus intersect with the FRH. The following analysis will for this reason cut across the different dimensions to some degree and also address particularly intersecting matters in its own chapter, 5.3, before summarising in 5.4.

5.1 Financialisation through the rise of mortgage debt and mortgage securitisation

The establishment of cross-EU mortgage markets

The EU has played a role in the process of FMD in various ways. As briefly touched upon in chapter 2, Doling (2006) highlighted early on that the EU's deregulation of mortgage markets marked a hidden, but 'de facto' housing policy. Doling derived his argument from the observation that the EU was implementing financial reforms towards liberalisation throughout the 1990s and 2000s across Europe, with the aim of creating a single market for financial services, including one for mortgage finance (2006, p. 340). The 'Second Banking Directive' established a framework in which financial institutions were to undergo supervision by their respective national governments. Once licensed, these institutions gained the freedom to establish branches in other EU countries. Furthermore, in 2003, the European Commission (EC) formed the 'Forum Group on Mortgage Credit'. Its objective was to suggest both legislative and non-legislative measures aimed at enhancing the integration of EU mortgage markets (Doling, 2006, pp. 340–341)

Since this development entailed a broadening of credit possibilities, it also fuelled a growing burden of debt for individual households (see Figure 2). This further exposed people to exploitative lending practices and insecure housing as a result of rising mortgage debt. Indeed, following this, research has reported an increase in evictions across the EU (Feantsa, 2022; HousingEurope, 2021). This was particularly enhanced during and after the GFC as a result of the mortgage debt crisis (Alexandri & Janoschka, 2017)—further stressing the notion of 'accumulation of dispossession' inherent to the process of FMD.

The EU push towards mortgage debt was done based upon the recognition by the EU that liberalised- (or regulated -deregulated) mortgage markets were important for the efficiency and stability of macroeconomics and growth (Doling, 2006 p. 340). As such, it seems reasonable to conclude that the EU has long favoured an increase in homeownership and private renting, and a consequential relative decline in public social housing. Moreover, as highlighted by Aalbers (see section 3.1.1), Kohl (2018), and Allegra et al. (2020, p. 12), since the rise of mortgages serves to sustain financial markets rather than being facilitated by them, it can be argued that the EU has actively contributed to the financialisation of housing through its push for mortgage market integration.

The EU has in more recent years further consolidated this view through the elimination of interest rate ceilings, the ease of credit controls, and the lift on restrictions on entry into the mortgage market (Rolnik, 2013, p. 1062). In 2015 came the latest addition to this development, with the introduction of the ‘Capital Markets Union’ (CMU, 2015).

Capital Markets Union and mortgage securitisation

Since the establishment of cross-border mortgage markets, further negative integration processes have emerged in regard to the FMS with the introduction of CMU. The CMU comprises more than thirty legislative pieces and policy interventions, focused on establishing new capital structures in the EU. The official objectives of the CMU are centred around stimulation of the EU’s sluggish growth and the support of small and medium-sized enterprises (SMEs) (CMU, 2015).

However, several critical analyses of the proposal (Engelen & Glasmacher, 2018; Fernandez & Aalbers, 2017; Gabor & Kohl, 2022, Chapter 4) highlight the inclusion of SMEs in the CMU as a means of political legitimation with low alignment with the actual motivation behind the initiative. Instead, they argue that the CMU revolves around addressing the sluggishness in growth in the EU through increasing credit availability. With EU banks recovering from the crisis and relying on the European Central Bank (ECB) for support, the CMU is as such about establishing a pan-EU capital market as an alternative funding avenue. The CMU accomplishes this through the regulated deregulation of national barriers surrounding the movement of collateral. At the core of this securitisation proposal is the reduction of capital requirements for securitised assets, such as mortgage securities, leading to a subsequent decrease in the cost of funding for both banks and investors.

As highlighted by various commentators, this is on the one hand, unlikely to fix the EU’s growth stagnation which is rooted not in credit supply problems but on the demand side, inherent in the contradictions of neoliberal debt-driven growth (Braun et al., 2018; Engelen & Glasmacher, 2018; Stockhammer et al., 2020, p. 31). On the other hand, for the relevance of this paper, following Aalbers’ theory on the relationship between mortgage markets and housing prices, it is likely to contribute both directly to increases in housing prices (in the private rental sector) and to the spiral between mortgage debt and owner-occupied housing prices.

This can be summarised as a case of FMS, with the role of the EU contributing towards a regulatory financial mortgage framework in the CMU in which particularly beneficial treatment is given to mortgages compared to other financial assets (through the decrease in capital requirements on mortgage assets). In other words, European legislation has the power to impact how European-wide investors structure their investments, which they, through the CMU, have funnelled towards mortgages and real estate (Engelen & Glasmacher, 2018; Fernandez & Aalbers, 2017; Gabor & Kohl, 2022, p. 65).

Moreover, through the CMU, the EU is actively pushing countries who previously were not, or to a lesser extent, engaging with mortgage securitisation into mortgage securitisation. The CMU is as such set to navigate around existing national institutional obstacles, which have shielded key Eurozone countries like Germany, France, and Italy from the housing-centred financialisation observed in nations such as Spain, Ireland, the UK, and the Netherlands (Braun et al., 2018; Fernandez & Aalbers, 2017). This thereby integrates housing finance from its previous national, institutional model into an EU-wide model.

5.2 Financialisation of rental housing and social housing companies

‘SGEIs’ and competition laws

As Aalbers has pointed out, the decline and privatisation of social housing has been a key aspect in the FRH, fuelled by the forces described in 5.1. The EU has contributed to this commodification in additional ways. One aspect of this relates to EU competition law. The essence of this concerns to what extent government support for social housing is compatible with EU competition law and the prohibition of state aid (TFEU, 2012, art. 107). This law came into force with the Maastricht treaty in 1993 (or the Treaty on European Union) and is as such a fundamental aspect of the European Union’s initial objectives to establish a single market. Its explicit goal is to prevent unfair advantages for various economic entities.

Three legal concepts play a crucial role in comprehending the EU influence on housing in this matter: services of general interest (SGI), social services of general interest (SSGI), and services of general economic interest (SGEI). These legalities provide exceptions to the general competition laws of the EU. SGI entails that public authorities possess the authority to categorise specific services as ‘general interest’, thereby imposing ‘public service obligations’. SSGI, a type of SGI, entails legal or complementary social protection regimes, along with services deemed vital for fostering and preserving social cohesion. If the SGI is ‘economic’, it is classified as an SGEI. This means that if the service lacks an economic aspect, it falls outside the purview of EU regulations. If the service engages in the provision of goods and/or services within a particular market, this is constituted as an economic activity and makes the fact that the activity may be ‘social’ irrelevant (Czischke, 2014).

Social housing has here been classified as an SGEI. However, the application and interpretation of what *kind* of social housing is classified as SGEI has evolved over time during the last two decades. In particular, it has developed after two cases which have set a precedent on the issue. These were cases where landlords, real estate firms, and lobbying groups filed complaints to the Commission about the national social housing regimes in Sweden and the Netherlands (Elsinga & Lind, 2013).

In the Swedish case, the European Property Federation filed a complaint to the EC in 2002, expressing concerns about Sweden’s allocation of state aid to support its social housing sector (‘allmännyttigt boende’ in Swedish). In 2007, following deliberation, the Swedish centre-right parliament at the time determined that EU competition law prohibits a system where municipal housing companies’ rent determines private sector rents. This was the case in Sweden’s collective bargaining system, designed based on the labour market model where tenants’ unions and MHCs negotiated rents with each other, based upon the principle of societal good (almännyttan), which served as the normative rent-setting level.

To preserve the collective bargaining system, the committee proposed that private landlords must be active participants in negotiations. Additionally, the committee emphasised that Sweden could comply with EU laws through two pathways. The first proposed that municipal housing companies act in a ‘business like’ manner, similar to private actors in the market. The second option suggested a shift towards exclusively renting to individuals with low incomes (Czischke, 2014; Elsinga & Lind, 2013; Lind, 2014; Scanlon et al., 2014, Chapter 6).

The results came with the Municipal Housing Companies Act in 2011, which ushered in housing liberalisation and followed the former option. It made state aid, such as favourable loans or tax advantages, to municipal housing companies illegal. While the companies remained as joint-stock companies with the municipality as the sole owner, they now operate independently, distinct from municipal departments, with their own boards overseeing day-to-day operations beyond political control. Instead, as according to the new legal framework, public companies are no longer obliged to adhere strictly to the cost-rent principle. They are now rather encouraged to charge market rents, including a defined profit margin. Additionally, MHCs are required to seek a market rate of return on investment, aligned with industry practices and risk levels. Despite not mandating MHCs to maximise profits, the law introduces the possibility of differentiated rents, potentially increasing more rapidly in attractive areas and contributing to socio-spatial segregation. As explained, the re-regulation also transformed the previous rent-setting system in which private landlords now are present during negotiations. This altered the previous normative role of rents set by the public housing companies (Eliasson, 2010; Holmqvist & Turner, 2014; Lind, 2014).

In the Dutch case, the association of Dutch institutional real estate investors, filed a complaint with the EC in 2007. The complaint contended that housing associations, who received state aid primarily through loan guarantees, had constructed an excessive number of homes (2.3 million) compared to the eligible housing allowances (1.2 million), creating an unfair market and violating the principles of the European single market. Private landlords argued that state aid allowed housing associations to enter the private rental market, beyond that of its social obligations (Elsinga & Lind, 2013; Elsinga & Wassenberg, 2014).

Following the EC's investigation, Dutch authorities committed to changing its social housing system and ensuring it targeted a specific group of socially disadvantaged individuals. Commercial activities would no longer benefit from state aid, requiring social housing companies to operate under similar conditions as private competitors. To ensure that supported housing was allocated based on need, the Dutch authorities implemented a new, transparent allocation procedure. In 2009, the EC found the system compliant with state aid rules.

The Dutch government introduced two significant changes. Firstly, it imposed a new income ceiling, requiring at least 90% of new contracts for social dwellings renting for under ≈€652 per month to go to households earning below ≈ €33,000 per year. The remaining 10% could be allocated to households earning more or facing urgent housing needs. Each housing association had to formally declare how it would allocate this 10%. Secondly, state guarantees were restricted to SGEI, no longer covering all borrowing by housing associations. This led them to seek loans at higher interest rates for dwellings with rents above €652 per month.

As such, both Sweden and the Netherlands were impacted by EU legislation on the matter, but the countries chose different responses in their re-regulation. Sweden chose to re-regulate their social housing sector towards acting in 'business like manners', which effectively undermined the social ethos upon which its social housing regime was originally built. The case of Sweden can thereby be thought of as a case of FSHC. It can also be thought of as a case of the FRH, since its previous rent-setting system was overhauled through the introduction of private landlords in rent negotiations. This meant that the previous normative role of the rents set by the MHCs was eliminated. Elsinga and Lind (2013, p. 969) and Eliasson (2010) have argued that this essentially meant the end of below market rents in Sweden's social housing sector and a convergence between the private landlord rents and those set by the MHCs.

In the Netherlands, the change centred around setting a maximum income for social housing while retaining the flexibility to allocate 10% of the dwellings to individuals with incomes exceeding the specified limit. Since the re-regulation meant an enforcement away from the universalist approach, it meant that the social housing sector effectively had to shrink in size. This happened in two ways. Some of the MHCs were privatised, which thereby represents a case of FHC. The other part of this shrinkage came from the fact that some MHCs no longer received state subsidies. Similar to the Swedish case, this meant that their below-market-rent social ethos disappeared; which can be recognized as a case of FSHC (Christophers, 2013; Czischke, 2014; Eliasson, 2010; Elsinga & Lind, 2013, pp. 968–969; Hedin et al., 2012; Lévy-Vroelant et al., 2014).

The issue of the SGEI and EU competition have as such largely followed a negative integration process, as described in Scharpf's (1998) framework; through which the ethos of competition has reigned supreme vis-a-vis the universalistic housing models. In terms of the EU's role in this regard, this can be described as a 'commodifying' impact in the countries which were classified closer to the universalist housing regime (see Table 1). However, for the countries in the targeted section, the role of the EU in relation to the SGEI have thereby rather consolidated the existing targeted social housing regime through the emergence of the precedent in the SGEI's legal framework.

Additionally, it is important to note that there are concerns raised about the possibility that politicians may have taken advantage of the EU's intervention (Gruis & Elsinga, 2014, p. 468), in both the Dutch and the Swedish case. In other words, there is a nuance in the balance of responsibility between the EU and the national policymakers in terms of which level was the driving force in the re-regulating process. This is an important point. But it can also nonetheless be argued that even if the driving force came from the level of national capital interest, *the use of the EU legislation* as a legitimisation can as such still be thought of as a commodifying impact.

Regulated deregulation in the adjustment and austerity programmes in response to the Eurozone crisis

A broad range of literature has critically analysed the role of the EU in the aftermath of the GFC and the Eurozone crisis in the general welfare state restructuring of debt-bondaged countries. A similar restructuring can also be observed in relation to the FRH in the commodifying direction. This was primarily manifested through the pro-cyclical austerity pressures and conditionalities attached in the adjustment programs, particularly in the 'Memorandum of Understanding' and the 'Troika'[1] in the affected Southern European countries and Ireland (Alexandri & Janoschka, 2017; Allegra et al., 2020; HousingEurope, 2017; Scanlon et al., 2014, p. 435; Tulumello, Dagkouli-Kyriakoglou, et al., 2020). The privatisation of the social housing sector was one of the heaviest conditionalities in the economic adjustment programs of Spain, Portugal, Italy, Cyprus and Ireland, and subsequently caused a decline in social housing (Allegra et al., 2020, Chapter 3.4; Berglund, 2018; EC, 2011, pp. 87–88; FEANTSA, 2017; Lima & Xerez, 2023; Murphy & Hearne, 2019; Tulumello, 2019, p. 66; Tulumello, Cotella, et al., 2020; Tulumello, Dagkouli-Kyriakoglou, et al., 2020, p. 50).

Greece, who did not have a developed social rental housing sector before the 'memorandum', saw its only social housing entity, the Workers' Housing Organization (OEK), being dismantled in 2012 during the second bailout after the explicit demand outlined in the Memorandum of Understanding signed with the EU institutions (Alexandri & Janoschka, 2017, p. 8; CECODHAS, 2012, p. 6).

In addition to the fiscal adjustments and the privatisation of the social housing sector, the conditions in the bailout adjustment programs also manifested themselves through the FHR by its emphasis on the necessity of a general market-oriented transformation of the rental sector. Allegra et al. (2020) and Antunes (2020) have in the Portuguese case pointed towards the 'reform of the urban rental market' in 2012 in which regulated deregulations came in the form of the termination of public-controlled rental-setting and the simplification of tenant eviction. Moreover, the bailout conditionalities also contributed to a permissive short-term rental re-regulation of the former system and a conversion of a large set of buildings into tourist facilities. This contributed to the 'touristification' of housing and the rising social exclusion and gentrification consequences associated with short-term rentals, such as Airbnb (Antunes, 2020, p. 9).

Worth mentioning is that the degree of constraints in these liberalisation reforms, enrolled in relation to the economic restructuring, varies between countries. For example, Murphy and Hearne (2019) highlighted that the centre-right government at the time of the

[1]The term "troika" refers to the unified decision-making body established by: the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF). Its formation occurred in the aftermath of the European debt crisis, serving as an ad hoc authority tasked with overseeing the bailouts of Cyprus, Greece, Ireland, and Portugal.

bailout did have considerable autonomy in the liberalisation of its social housing—suggesting, perhaps similar to the cases of Sweden and Netherlands, that national capital interests might have utilised the bailout momentum in accordance with their interests.

Nonetheless, negative integration forces seem to have played a major role in the overall restructuring process of the various housing regimes as outlined in this section. In other words, when the dialectical market forces of mortgage debt collapsed in on itself, the EU integration process sided with the creditors rather than the social ethos.

Fiscal constraints in the Stability and Growth Pact

As emphasised by several commentators, the EU's fiscal budget is still relatively small in comparison to that of national budgets. The EU's influence in the fiscal domain on housing may instead primarily be observed through the EU's fiscal conservative structure in the Stability and Growth Pact (SGP), which puts constraints on the social housing sector of its member countries (Elsinga et al., 2014; Santos et al., 2018, p. 5).

In short, the SGP imposes penalties on countries failing to comply with fiscal rules, indirectly establishing constraints on social spending, including social housing. The Commission has recently released its fiscal recommendations for Member States in 2024. These programs are expected to outline Member States' medium-term fiscal and structural plans, including details on how they intend to adhere to the 3% of GDP deficit limit and achieve plausible continuous debt reduction and long-term alignment with the 60% debt-GDP rule. Member states facing substantial or moderate debt challenges are encouraged to establish fiscal targets for debt reduction (EC, 2023; HousingEurope, 2023, p. 31). These proposals raise concerns as they might compel budget cuts in some member states, hindering their capacity to invest in social housing. Indeed, most of the privatisation in the social housing sector across various member states in Europe, was historically legitimised and motivated by fiscal and budget constraints (Elsinga et al., 2014).

The constraints imposed on housing through the SGP may thereby serve as another example of the struggle for positive integration to emerge—since a loosening of these restrictions are constrained by intergovernmental conflicts. This struggle has been particularly shaped by a polarisation between what has been coined the 'Frugal Four' countries of Austria, Denmark, Sweden, The Netherlands, with the addition of Germany, and other less fiscally conservative countries (Bergsen, 2020). This point as such also applies to the previous section, in relation to the Eurozone bailout restructuring process.

Recent EU housing funding

Concerning EU funds, there are no specific social housing funds that exclusively support investments in social housing in the EU. However, there are a variety of funds that may be used by social housing providers to perform renovation work, embodied through the 'New Renovation Wave strategy' launched by the EC in 2020 (EC, 2020). For example, renovation funds under the Cohesion Policy (ERDF, ESF+, JTF) or other funds such as the Modernization Fund, Innovation Fund, and soon the Social Climate Fund (EC, 2024a). This may perhaps be described as a welcomed shift away from the austerity discourse. However, following Aalbers (Aalbers, 2017, p. 138), it is worth pointing out that purely investing into the existing stock may have counterproductive effects in terms of further asset inflation, as highlighted by Delclós & Vidal (2021).

However, there is proof of a certain shift towards a degree of positive integration in recent years, reflected in funding and policy initiatives of the current EC. In terms of funding, there existed no funds for construction up until recently. However, the European Investment Bank (EIB), through the InvestEU programme and part of the broader Cohesion Policy, has emerged as an ally for many housing providers across the EU. HousingEurope has highlighted that loan conditions imposed by the EIB may limit accessibility for affordable housing companies (HousingEurope, 2023, p. 30). Nonetheless, during the period 2020-2022, EIB loans totalling over 2 billion euros were disbursed (HousingEurope, 2023, p. 30). Moreover, in some countries, governmental entities have leveraged EU funds from Resilience and Recovery Funds (Belgium, Italy, and Spain) to build affordable housing (HousingEurope, 2023, p. 17).

5.3 Intersecting dimensions of EU influence

Cross-border capital mobility

The issue of the SGEI's and its ties to the EU's 'negative integration' forces embodied in the EU's competition laws, was touched upon in the previous chapter. Another fundamental aspect to the establishment of the single market, is the establishment of capital mobility across EU countries. Such efforts involve the regulated deregulation of financial markets in mortgage and securitisation markets, as discussed in 5.1 in relation to the CMU. However, it is also worth considering the cross-country mobility of capital outside the domains of mortgage markets, through which 'institutional investors' (Gabor & Kohl, 2022, p. 46) may also invest in the rental sector directly. Indeed, as highlighted by Gabor and Kohl (2022), the EU-wide housing market is now increasingly shaped by the concentration of ownership through the emergence of transnational, 'institutional investors', such as Blackstone, the world's largest institutional landlord.

A broad range of literature has in the same token highlighted the impact of the cross-border mobility of capital in the EU on the housing sector. Fernandez et al. (2018) have argued that it ultimately is the freedom of capital that has enabled financial speculation in urban housing sectors across the EU:

> "The dogma that the cross-border mobility of capital should be guaranteed above all else, and which has been institutionalised in the EU constitution and international agreements, must be replaced by a more realistic approach to the free movement of capital. Such approach takes account of the effects of post-crisis monetary policies, the increase in market based financing, the speculative and herd-like behaviour of financial markets, and the structural weakness of less developed economies in the face of the contemporary financialised system of capitalism" (Fernandez et al., 2018, p. 63)

This is of course not exclusive to capital mobility within the EU, as broader trade agreements in the age of globalisation have contributed to similar housing-inflation tendencies (Aalbers et al., 2020; Rolnik, 2013); as furthermore self-evident with the GFC. The EU, through article 63 of the Treaty on the Functioning of the European Union (TFEU), prohibits capital controls or restrictions, including in the realm of housing. Implementing targeted taxes and/or limitations on real estate purchases by non-resident investors, akin to measures adopted in nations such as Canada, Australia, and New Zealand, is as such prohibited in the EU (Vidal, 2019):

> "Article 63 of the Treaty on the Functioning of the European Union requires that all restrictions on the movement of capital between EU countries and between EU countries and non-EU countries be prohibited unless they are necessary to pursue legitimate public interests." (TFEU, 2012, art. 63)

It is worth highlighting that exceptions to these standards do exist. In Denmark's membership process with the EU, they opted-out from the laws on capital mobility through protocol No. 32 to the TFEU (TFEU, 2012), permitting Denmark to limit the purchase of second homes by non-nationals (Vidal, 2019). Uncoincidentally, this is what allowed Copenhagen to defend itself against the speculative practices of Blackstone in recent years (Christophers, 2022; O'Brien, 2022).

Furthermore, following the second line of the treaty concerning the 'legitimate public interests', these are governed by the rules surrounding the SGEI complexities similar to the dimension of competition laws. These have generated cases where the legal framework surrounding capital mobility was challenged and brought to the CJEU. Gronden (2011, pp. 148–150), Reynolds (2015), and Domurath (2019, pp. 412–414) analysed two such housing cases, the 'Sint Servatius' and the 'Libert' cases. In the Sint Servatius case, a Dutch housing provider sought to invest in Belgian real estate but faced a restriction requiring prior authorization from the Dutch Ministry of Housing. The CJEU, noting this as a hindrance to the free movement of capital, deemed the requirement disproportionate due to broad discretionary powers given to national authorities. The court did not explore whether the prior authorization could be justified as the 'granting of special rights' under SGEI, but rather relied upon the principle of capital freedom of movement (Gronden, 2011, pp. 148-150).

In the Libert case, some French individuals, companies and associations filed a complaint against the regulation in the Flemish Region, which required authorization for land development projects based on a 'sufficient connection' with the commune. This aimed to combat gentrification and mandated a 'social obligation' on developers to provide social housing units. While the CJEU recognized the public interest in social housing, it deemed the measure disproportionately restrictive to all four market freedoms (capital, goods, services, and workers). In line with previous precedent concerning EU's non-universalist position on social housing, the court suggested less restrictive alternatives, such as subsidies exclusively for low-income individuals (Reynolds, 2015, p. 280). Moreover, the burden of proof in both of these cases fell on the 'social obligation' side of the coin which had to prove the necessity of the social obligation vis-a-vis the hegemonic position of freedom of capital (Reynolds, 2015, p. 280; Domurath, 2019, p. 445).

The aspect of capital mobility in the EU has as such been a process which, on the one hand, through the foundation of the EU, created pressure on housing sectors from the get-go. On the other hand, it has through negative integration, as in the cases of Sint Servatius and Libert, further consolidated the economic notion of housing, rather than its social function; and has as such contributed to the commodification of housing. This has consequently exerted intersecting impacts in the various domains of financialisation of housing.

ECB, price stability and quantitative easing

For the purpose of this study (providing an overview on the channels of EU influence on housing), a comprehensive review on the relationships between monetary policy and housing, is beyond the scope of this paper. However, this section aims to briefly address the ECB's interpretation of its mandate, as according to the TFEU. This reads:

> "The primary objective of the European System of Central Banks (hereinafter referred to as 'the ESCB') shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union" (TFEU, 2012, art. 127)

The ECB has interpreted these treaties as best serving the general economic policies in the Union by only targeting price stability (Arestis & Chortareas, 2006; Issing, 2002). The point here is to highlight that there is no legal basis for the argument that the ECB is legally unable to assume a broader coordinated social responsibility policy, as suggested through examples such as the 'greening of the ECB' (Schoenmaker, 2021; Steinbach, 2022). The same critique can be applied in the case of housing, especially considering that housing is classified as an SGEI, i.e., as an economic activity, and therefore would be covered under the 'general economic policies' section of the treaty.

To exemplify this point, the ECB has through its Quantitative Easing (QE) programme, in its struggle to combat deflationary and recessionary forces during the Eurozone crisis, had a political knock-on impact on housing. This follows from Aalbers' notion on the relationship between the price of or availability of money, and housing:

> "Economists like to say that supply creates its own demand, and they might be correct in this case. The supply of money, namely the wall of money, creates the demand for... well, money. If the price of money, namely the interest rate, is low enough, it will be used either to construct, develop, buy-up, rent out, sell or buy housing. This is the general mechanism" (Aalbers, 2017, p. 139)

From this it follows that loose monetary policy, i.e., policy that increases the availability and accessibility of money for private financial investors, will have a knock-on effect on both the mortgage markets and rental housing. At least in combination with a housing market that is liberalised, i.e., with the deregulation of planning regulations separating investment into new construction and investment into the current stock (as is the case in many EU countries).

To clarify this issue, in the context of the EU, as emphasised by Post-Keynesians (Lavoie, 2022, pp. 197–199), the monetary policy and banking structure of the ECB has faced challenges in stimulating the economy during recessions (such as the Eurozone crisis) because of commercial banks maintaining interest rate markups. Moreover, commercial banks have tended to direct ECB-powered loans toward larger corporations and investors, rather than towards smaller businesses. Larger investors, in response, often invest in financial assets, such as housing, rather than contributing to the real economy, as emphasised by the perspective on financialisation (see 3.1).

In the case of Quantitative Easing (QE), the ECB has deviated from the conventional path of relying on commercial banks in its simulation efforts by directly engaging with financial markets. However, as several analysts have noted (Coppola, 2019, p. 16; Fernandez et al., 2018; Sokol, 2023), the core issue has persisted—QE tends to inflate asset prices, such as housing, with limited positive effects on aggregate demand in the productive sector of the economy.

The point here is to highlight that the setup of the ECB and the monetary system in the EU, is political in nature, which has inflationary effects on housing. For the Eurozone countries, the introduction into the EU meant the surrender of national banking autonomy and the subsequent central banking regime of the ECB concerned exclusively with price stability. The setup of the ECB *could* expand its scope of influence to social issues, such as housing. This is not to suggest that expansionist monetary policy is inherently bad—any reasonable demand-side analysis of capitalism recognizes its necessity. Rather, the issue arises with the combination of a liberal housing market and an expansionary monetary policy which primarily channels credit into the hands of richer financiers with a low propensity to consume, who use it to acquire existing housing stock.

Further signs of change? The Urban Agenda for the EU

As briefly hinted at in 5.2, there is some evidence of a change in EU action on housing. As part of its regional policy agenda, the European Commission introduced the UAEU with the Pact of Amsterdam in 2016. The UAEU adopts a coordinated approach to address priority urban issues through dedicated partnerships with various European stakeholders (EC, 2024b). One part of this is the partnership on housing (HousingPartnership, 2018), which consists of a variety of different entities, including representatives of selected EU member states, cities, housing providers, tenants, and EU institutions and programmes.

In 2018, the housing partnership presented their conclusional action plans on necessary actions to be taken at the EU level (See Table 2).

Table 2. Housing Partnership Action list.

Action 1: Guidance on EU regulation and public support for housing
Action 2: Capacity building – workshop on state aid rules and investment in affordable housing
Action 3: Revision of the SGEI decision with regard to the narrow target group of social housing
Action 4: Database of good practices for the supply with affordable housing
Action 5: Policy guidance for the supply of affordable housing in Europe
Action 6: Exchange programme for urban housing professionals
Action 7: Monitoring system for affordable housing in the European Union
Action 8: Knowledge exchange on affordable housing at Member State level
Action 9: Recommendations on the improvement of EU housing market data
Action 10: Gender dimension with respect to affordable housing and energy poverty
Action 11: Recommendations on EU funding for affordable housing
Action 12: Recommendations on the European Semester and affordable housing

Source: HousingPartnership (2018, p. 7).

As highlighted by several commentators, these action plans have, however, not yet materialised into meaningful impacts (De Frantz, 2022; Purkarthofer, 2019), with the exception of the improvement in data monitoring (HousingEurope, 2023 p. 29). This suggests that the UAEU so far should be conceived as a soft power instrument of future potential. Although the Urban Agenda can be conceived, cynically, as ‘another non-binding strategic policy document’, it is designed and aspires to influence not only regulations but also funding instruments. It has through its selection of memberships partnered with housing de-commodification advocates. With that said, the actual impact of the UAEU partnerships still hinges upon the ability of the partnership in persuading decision-makers at the various levels of multi-governance (Purkarthofer, 2019, p. 100).

With this in mind, it is worth noting that during the workshop in Brussels in May 2018 (see Action 2), the EC declared that the current Commission had no plans for a revision in regard to the main action proposal, the SGEI revision. Nonetheless, the EC acknowledged that there ‘probably was a market failure in housing’ (HousingPartnership, 2018, p. 25).

De Frantz (2022) has on this matter highlighted that a core issue of the EC and the UAEU is to be found in its *irreconciliation of competing interests*. The EC through the UAEU explicitly seeks to integrate its aims of economic growth with social sustainability in a way that does not adequately address the competing interest at stake at the level of the city. As such, the UAEU should be conceived as a positive development, but its outcome is likely to become unfruitful if the EC does not acknowledge the competing interest inherent to their ethos of: on the one hand, profits, competitiveness, capital mobility, and the pursuit of the single market, and on the other, social inclusion in European cities.

6. Summary and conclusion

This study has shed light on the EU's impact on housing (de-)commodification through showcasing key processes in its 'housing integration' process. Figure 4 illustrates this visually. As a reminder, the abbreviations FMD, FMD, FRH and FSHC stands for the various kinds of financialisation correspondingly: financialisation of mortgage debt, financialisation through mortgage securitisation, financialisation of rental housing and financialisation of social housing companies. This is, all in all, a complicated picture, which is not meant to be a quantitative depiction. The different columns in Figure 4 should be thought of as a continuum, since the different 'types of financialisation' are not disconnected from each other. For example, the financialisation of mortgages in general will have a knock-on effect on the relative decline of the social housing sector. Nonetheless, the left and right positions of each policy indicates what kind of financialisation that the policy has corresponded to. The blue and the red colour represent what kind of influence each policy has on the spectrum of (de-)commodification.

Figure 4. Illustration of the influence of the EU on the (de-)commodification of housing.

FMD FMS	FRH FSHC
Establishment of cross-EU mortgage markets	SGEI's and competition laws
CMU and mortgage securitization	Fiscal constraints in the SGP
	Regulated deregulation in adjustment and austerity programs during Eurozone crisis
	Recent EU housing funding initatives, e.g. InvestEU.

EU influence intersecting across all dimensions
ECB, price stability & QE
Cross-border capital mobility
UAEU and the Housing Partnership

= Commodifying influence = de-commodifying influence

CMU = Capital Markets Union (see 5.1), SGEI = Services of general economic interest (see 5.2), SGP = Stability and growth pact (see 5.2), QE = Quantitative Easing (see 5.3), UAEU = Urban Agenda for the EU (see 5.3).

In response to the research question, it appears that the EU, in facing the 'wall of money' inherent to the process of the financialisation of housing, has contributed to further commodification of the housing sector. By pushing the housing sector towards commodification, the EU is contributing to spatially exclusionary processes, such as gentrification and suburbanisation; directly against the ethos of social inclusion as emphasised in the EU commitments to housing issues (ESPR, 2017). This can partly be explained by the structural asymmetry inherent to the EU integration process, as highlighted by the perspective on negative and positive integration.

Limitations to this conclusion do exist. This study has aimed to provide an overview on the channels of EU influence, but variations of this influence exist between different national housing systems in the various member states (as highlighted by the section on the SGEI and its commodifying effect on the universalist housing systems). Moreover, geographical dimensions to this conclusion also exist, in particular in regard to the influence of the restructuring of Eurozone crisis-struck countries.

In the broader sense, this study follows the same line of thinking as Doling's assessment of the EU's housing policy in 2006:

> "Whereas it is clear that the EU does not have legal powers to formulate housing policy, it is equally clear that it makes policies in areas for which it does have legal powers to do so and which have important impacts upon national housing systems. The mortgage market objectives are a case in point. Every transaction in the mortgage market, the amounts of money lent and the terms and conditions, has direct impacts on supply and demand in the housing market. Changes to financial markets, whether or not they are coordinated at the EU level, will almost certainly have impacts on housing markets. There is a sense, therefore, in which the EU – if it does almost anything in the economic or social sphere - cannot avoid having an impact on housing systems" (Doling, 2006, p. 346)

While some might object that such indirect effects do not equal a housing policy, this is actually the point. The EU needs to develop a de-commodifying housing policy, since if they do not, housing will be shaped by the negative integration forces inherent to other EU policy areas.

In terms of more specific findings, various aspects have been identified in the EU's 'housing integration' process. In relation to the FMD and the FMS, the EU's push for mortgage market integration, elimination of interest rate ceilings, and easing of credit controls in the foundational years of the union contributed to rising mortgages. The mortgage securitization process in the CMU in more recent years, is likely to further increase mortgages, and through regulated deregulation, eliminate border-barriers that were previously present in various financial housing systems across the EU.

Following the theory on the financialisation of housing, this is deeply problematic since it not only increases systemic risk, but also because 'state subsidisation of mortgages', whether through governmental mortgage tax benefits or through increase in the credit supply, does not improve affordability since they contribute to the granting of ever larger mortgages. This subsequently leads to rising housing prices in both the owner-occupied and private rental sector, and a consequential relative decline in the social housing sector (Aalbers, 2017, p. 146).

In relation to the FRH and FHSC, several findings have emerged. Importantly, the SGP imposes constraints on the social housing sector across the EU. These constraints were further enshrined in the Eurozone crisis where the EU assumed a commodifying role in the restructuring process. EU influence in this process may be summed up as a case where the EU was reacting to a situation which was, at least partially, caused by the FMD (GFC). Instead of learning from the dangers of housing financialisation, EU integration forces contributed to further financialisation of housing.

Furthermore, the theory on positive and negative integration can teach us that pressure in the fiscal domain is not only coming from negative integration, but also from the resistance to positive integration pressure, as a result of intergovernmental tensions. In other words, the centrifugal forces of EU disintegration have manifested themselves largely around the fiscal domain. The lack of a European common identity and a subsequent split between credit and deficit countries, in combination with the discursive dominance of a biased 'framing' of the Eurozone crisis on the side of the creditor, has as such functioned as an underlying intergovernmental deadlock in the reform process of the SGP.

Furthermore, the development of the EU's targeted interpretation of what social housing ought to be, through the emergence of the SGEI, has had a commodifying impact both in terms of FRH and FHSC. The cases of Netherlands, Sweden, and the Libert and Sint Servatius cases, can be seen as emblematic cases of negative integration in action that consolidated the 'targeted' discourse of the economic notion of housing, rather than its social function. The simple fact that housing is considered as an SGEI, rather than as an SSGI, may be seen as a further argument in favour of this analysis.

In the intersecting dimension, the cross-border capital mobility inherent to the foundation of the EU should be thought of as an important factor in relation to the emergence of institutional European landlords and a concentration of housing ownership across the EU. Another important factor, as highlighted in 5.3, raised concerns regarding the influence of the surrender of central banking autonomy, that the insurrection of the Eurozone entailed. The important aspect in this regard, for the purpose of this study, is to highlight that the ECB is exclusively targeting price stability, regardless of the social exclusionary consequences of such a housing-price-inflationary approach.

The points raised in these last two paragraphs brings us to two key conclusional aspects of this study. Firstly, as pointed out by Domurath (2019), in the configuration of EU law, a de facto hierarchical struggle exists between the internal market and the local administration of housing sectors. EU law dominates this relationship through negative integration, since the elimination of the barriers to the movement of capital, whether it is between member states (cross-border mobility) or within countries (competition laws), is the essence of the single market project. This is the process through which the freedom of capital plays a significant role in enabling housing commodification in urban housing sectors throughout the EU.

Secondly, there is at the same time a theoretical argument to be made which allows an analysis of the future of EU housing, to escape the determinism inherent in the positive and negative integration perspective. This argument was touched upon in the discussion on the ECB and revolves around the notion that social considerations and obligations also exist in the various treaties of the EU institutions; most notably through the fact that housing is ratified as a social right in the Charter of Fundamental Rights of the EU (CFREU, 2000). Indeed, this has been emphasised by some analysts (Kenna & Simón-Moreno, 2019), highlighting that every member state and EU institution has ratified treaties that include housing rights obligations, which as such leaves the door open for future positive housing integration.

This positive notion may be strengthened by the recent developments in relation to funding in the EU, particularly through the InvestEU programme. The introduction of the UAEU may also be seen in the same optimistic light, signalling a potential shift, at least in discursive terms, away from the austerity dogma and a welcomed strengthening of ties between the level of the city and democracy (Barnett, 2014). However, it is again worth noting that the UAEU has not yet resulted in much materialisation or ‘legal space’ (Domurath, 2019, p. 416).

Moreover, the irreconciliation of the competing interest at stake on the level of the city, serves as an emblematic case in how theory matters. This is reflected in the EC’s decision to maintain their policy concerning the SGEI, despite the recommendation by the Housing Partnership group (HousingPartnership, 2018). On this matter, Atkinson and Zimmerman referred to the European Urban Policy in 2016 in the following way: “Currently what we term ‘European urban policy’ has become trapped in the ambivalence of linking competitiveness and social cohesion through a place-based approach” (2016, p. 423). De Frantz (2022) made a similar assessment in response to the UAEU. The conclusions of this study stress the same sentiment in regard to the EU's overall indirect housing policy. Put in other terms, by failing to recognize the connections between housing and urban exclusion, and the debt-led growth model pioneered in the EU, the UAEU risks being impactless.

Additionally, following Polanyi's notion that a complete commodification of housing is anticipated to either ruin it or render it unusable. We can assume that a range of public and private entities are likely to challenge housing commodification when it runs too far. This may arguably have been observed in recent times with initiatives emerging in many European cities (Balmer & Bernet, 2015; Wijburg, 2021). Subsequently, from a cynical lens, the UAEU can also be seen as a hegemonic accommodation and domestication of this counter-hegemonic pressure, in the Gramscian sense (Burawoy, 2003). This should stress the need for continuous critical reviews of the EU's housing policy.

In the broader perspective, by taking Aalbers' and Harvey's theory of the fundamental relevance of housing to the political economy of capitalism seriously, and integrating it with the theory of positive and negative integration, this study has also aimed to highlight the relevance of housing in the EU integration process. Put in other terms, it is through this merger possible to assert the following: if negative integration, and the capital-class coalitions which set the negative integration process rolling, has been crucial for the EU integration process, then it can be argued that housing must have also been crucial for the EU integration process. This conclusion can be deduced by considering again, the inherent contradictions of capitalism and its continuous pursuit of surplus realisation; in which housing functions as a 'spatial fix'. This study thereby hopes to further inspire studies on the role of housing in the context of the political economy of EU integration.

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