Financialisation, home-ownership, and how democracy became a threat to economic growth

By Democratic Audit UK

A consensus on the desirability of promoting 'financial inclusion'has occurred over recent years, with both main parties similarly keen to promote home ownership – despite the methods used to pursue this goal often making the issue of access to afforable housing worse. ***Craig Berry*** *argues that this broad agenda – financialisation – carries with it big risks.*

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All recent governments in the UK have pursued 'financial inclusion' at the individual level, as part of the broader agenda around 'asset-based welfare', that is, efforts to enable individuals to play an enhanced role in ensuring their own long term financial security through asset ownership. The plans put forward by the Conservative Party and the Labour Party in the run-up to the 2015 general election suggest that, whoever leads the next government, we can expect more of the same.

There is an urgent need to consider, therefore, the potentially regressive implications of what is invariably presented, across both sides of the political spectrum, as unambiguously progressive. In an article recently published in *Policy and Politics*, I argue that the implications for the meaning and practice of citizenship are almost wholly negative from a progressive perspective.

Financial inclusion ostensibly refers to the ability of individuals to participate in the financial system. For the groups furthest away from inclusion, this generally means access to banking services, and moving away from cash budgeting. The broader aim of financial inclusion, however, is to ensure that more people are able to access credit, so that they can use debt to participate in the housing market, or support consumption more generally.

By increasing participation in the financial system, and subjecting greater numbers of people to risks associated with engaging with the financial system, financial inclusion also serves to advance the process of financialisation, which refers to the increased role of finance in individuals' daily lives as well as the economy in general. It is probably fair to say that there are risks in being financially *excluded*, and that as citizens we should look to the state to protect us from these risks.

But financialisation is itself risky, at both the individual and societal levels. As a set of public policy instruments, financial inclusion therefore represents the state intensifying the risks for citizens in participating in the mainstream economy – reversing the conventional understanding of the nature of social citizenship.

All of the major parties are clamouring to be the champions of home-ownership. In addition to extending its Help to Buy mortgage scheme, which I have written about here, the Conservatives plan to introduce Help to Buy ISAs, to help people save for the mortgage deposits which the parent Help to Buy scheme heavily discounts. They also intend to extend Right to Buy privileges to housing association tenants. Labour have said they will review Help to Buy, but proceed with the Help to Buy ISA, and also scrap stamp duty for virtually all first-time buyers – advancing the coalition government's radical and highly regressive reduction in stamp duty in late 2014.

All of these policies are based on the idea of unlocking the dream of home-ownership for disadvantaged groups, but they have to be seen in a context in which housing provision has been thoroughly individualised. Valorising home-ownership, both as a good in itself and as a way of allowing as to accumulate wealth to cater for other social needs, underlines the state's withdrawal from protecting us from a range of welfare-related risks.

It is clear that this discursive agenda, rather than actual support for home-ownership, is the real intent of financial inclusion, because in economic terms, these policies are highly self-defeating. By pushing up house prices it makes home-ownership less affordable. In any case, very few of us are home-owners in any meaningful sense, since we mortgage our property from the banking sector (and banks have an exclusive on the entire value of the property should we fail to maintain mortgage payments).

But that, of course, is precisely the point. In a financialised economy, the housing market plays an incredibly important role in funding consumption, by making the already rich feel even richer. Indebtedness among younger and poorer groups is a price worth paying, so the argument goes, if it means older and wealthier groups consume more. The state no longer protects the most vulnerable groups from the the risk of housing market collapse, but rather concentrates on adding fuel to the fire.

Financial inclusion clearly intensifies the 'responsibilisation' of citizenship (most evident in welfare-to-work policies, which are based on the notion that individuals have a duty to find a job – any job – in return for social security payments). Housing is our responsibility, and moreover, welfare in general is our responsibility, which we are expected to exercise by accumulating housing-related debt. The state may appear to be supporting our capacity to shoulder this burden through policies such as Help to Buy, but in practice it is merely facilitating greater exposure to the associated financial risks to serve its over-riding objective of securing economic growth at all costs.

The right to *participate* in the financialised economy is, from the perspective of citizenship, no kind of right at all, insofar as participation intensifies rather than alleviates threats to individual well-being. What is missing from the financial inclusion agenda is any sense that we, as citizens of a liberal democracy, have any right to shape financialisation through collective decision-making processes.

Of course, democratic oversight of financialisation would fundamentally contradict its logic, because it would probably subject the process to evaluation based on non-financial criteria. Furthermore, the crucial issue is not whether such changes *should* occur, but rather whether it is conceivable that they might. Essentially, to redraw the boundaries between state and citizens in this fashion would require a transformation of the model of economic growth within which financialisation is a central component. Where once democracy and economic growth might have been seen as compatible, or even mutually reinforcing, now democracy serves to threaten the particular finance-centred growth model which structures the UK economy.

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