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FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Paper Series

No 199

Summary report on the impacts of financialisation and of the financial crisis on household well-being

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ISSN 2052-8035

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Summary report on the impacts of financialisation and of the financial crisis on household well-being

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Abstract: This contribution begins by offering framings of how to understand the relationships between financialisation and households, especially insofar as this impinges upon well-being. It follows with a number of case studies, entitled as follows: Finance and Well-Being through the Prism of Housing; Gendered Impact of Pension Reforms: An Interpretation of Survey Findings; Connecting Households with Global Finance via Their Water Bills; and The Financial Crisis and Health Financialisation.

Key Words: financialisation, well-being, housing, water, health

Date of publication as FESSUD working paper: December 2016

Journal of Economic Literature classification [G00, H11, I31, I38]

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Acknowledgments:

The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800.

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1 Introduction

This contribution begins within this introduction by offering framings of how to understand the relationships between financialisation and households, especially insofar as this impinges upon well-being. It follows with a number of case studies, entitled as follows:

> Finance and Well-Being through the Prism of Housing; Gendered Impact of Pension Reforms: An Interpretation of Survey Findings; Connecting Households with Global Finance via Their Water Bills; and The Financial Crisis and Health Financialisation.

This all brings together, not only select elements of work as it has evolved under WP5, but also results from WP8, WP11 and WP12 which are themselves in various stages of completion at the time of drafting. Whereas WP5 has been targeted on well-being, with some focus on designated case studies of housing and pensions, WP8 has targeted housing together with water. Health has been studied under WP11. Although there is some overlap, the countries taken for comparative analysis in WP5 (Germany, Poland, Portugal, Sweden and the UK) differ from those for WP8 (Poland, Portugal, South Africa, Turkey and the UK), and WP11 has primarily taken the UK as point of departure. And, whilst WP5 has concentrated on households (with a survey) and discussion groups, the other work packages have tended to be more systemic in their analyses.

But what all of these work packages do share in common is their pre-occupation with financialisation. As a relatively new concept, it has been rapidly deployed across the social sciences albeit unevenly and through application of different methodologies and conceptualisations – although it is significantly and remarkably absent from mainstream economics. Unsurprisingly, the depth and breadth of the understanding of financialisation has developed within the Fessud project itself, in the literature more generally, and through the interaction between the two. Much of this literature takes the definition of financialisation from Epstein (2005, p. 3) as point of departure: "the

increasing role of financial motives, markets, actors and institutions in the operation of the domestic and international economies".

But, as argued in Bayliss et al (2015a), whilst this definition has had the positive effect of inspiring the presence of financialisation across the social sciences, it has also endowed it with an amorphous content with an in-built tendency to strip it of causal content other than through guilt by association. Just as with globalisation before it, given its undoubted expansion in scale, the presence of financialisation can be deemed to be sufficient to explain any number of related phenomena, with fertile scope ranging from the Global Financial Crisis, GFC, to household impoverishment.

Nonetheless, the financialisation literature does provide a wealth of theoretical and empirical material, as well as specification of the mechanisms through which its effects are felt. The Fessud work across the work packages detailed has interacted with such insights to yield a framing with the following elements from our own work, see especially Bayliss et al (2015b).

First is to adopt a "lean and mean" definition of financialisation itself so that it does not simply become synonymous with more and more influential (presence of) finance. Specifically, financialisation is understood in terms of the intensive (within existing areas of application) and extensive (to new areas) expansion of "interest bearing" capital, that is capital contingent upon expanding production as opposed to redistributing through credit relations what is already being produced. Such financialisation, though, does not guarantee that expansion of production does materialise. Indeed, much of the financialisation literature is concerned to demonstrate that it has prevailed at the expense of investment in light of short-termism and short-circuited pursuit of profitability through financial markets. Our research, for the UK water sectors, suggests this is not universally the case as short-termism and commitment to financial markets can be conducive to long-term investments in case anticipated profitability (from customer revenues in this case) can be securitised for the purposes of financial trading. Further, the expansion of mortgages markets, per se, does not represent financialisation (as many would suggest) as opposed to these mortgages being securitised and traded as financial assets – with the presumption that the profitability of doing so can derive from increased production although this might be "distant" in terms of the sources of

revenues upon which mortgage interest payments depend, although see below on the idea that such profitability can derive at the expense, for example, of wage revenue.

Second, then, quite apart from the uneven incidence and spread of different forms of financialisation (within and across both intensive and extensive forms), especially by country and whether attached to households (and usually related to housing, pensions, and credit for consumption) or more generally within financial institutions themselves or in their dealings with the non-financial business sectors, financialisation's effects are felt much more broadly in the processes of economic and social reproduction (as is at least implicitly acknowledged in the more liberal usage of the term financialisation itself). At an abstract level, the attachment of financialisation to economic and social reproduction has been addressed through the notions of commodification, commodity form and commodity calculation, ccfcc for short for the three taken together. For the first, in case of (shift to) commodity production, as with privatisation of public services for example, the prospect for financialisation is opened up (UK water for example). The same can apply in the absence of commodification (and production for profit) in case of commodity form where revenues are collected in some form which can be securitised even if production itself remains in state ownership (as with water in many instances and public-private partnerships). And, for commodity calculation, whilst activity may not be monetised, it may be governed by financial principles, as in allocation of funding for public services.

Of course, ccfcc originate, and have been acknowledged in different ways, long before financialisation appeared on the scene, not least for example in Polanyi's notion of the double movement and in various analyses of de- and re-commodification (not least of labour). They do offer, however, the opportunity to frame the specific impact of financialisation once this is contextualised. Third, then, at a general level, it has been argued that neoliberalism, as a stage of capitalism (and, as such, already longer lasting than its "Keynesian" predecessor), has been underpinned by, although it is not reducible to, financialisation. Probing into the relationship between neoliberalism and financialisation allows for specifications of the interactions between economic and social reproduction in which the promotion of private capital in general, and of finance in particular, can be juxtaposed with continuing provision for those who fall outside, or are residualised by, market forms of provision. In other words, what forms does neoliberalism take

other than in private provision and how are these conditioned by financialisation whether it is directly present or not?

In this respect, two further aspects of neoliberalism have been highlighted. On the one hand, and fourth, neoliberalism has been subject to two phases, with the phase of shock therapies of privatisation, deregulation and the hollowing out of institutional forms for progressive state intervention (Thatcherism and Reaganism and the Washington Consensus in the context of development) followed by the rolling out of neoliberal forms of governance that both sustain financialisation and attend to its dysfunctions (most notably Third Wayism, the social market and the post Washington Consensus). On the other hand, and fifth, the latter point to the dissonances across neoliberalism's scholarship, ideology and policy in practice. These are not necessarily consistent with one another and are variously related to one another across time, place and issue with, in particular, the neoliberal state being highly interventionist despite ideology to the contrary. Further, whilst the transition between the two phases of neoliberalism can broadly be located as having taken place in the early 1990s, historically in practice in particular locations, the phases are subject to displacement so that, for example, as argued for South Africa in the post-apartheid transition, Fine (2015), the two phases have overlain one another as the economy has played catch up with both globalisation of production and financialisation of economic and social life. Similarly, the shock therapy applied to Eastern Europe from the early 1990s coincided with the second phase of neoliberalism on the global scale for reasons of lag in transition to neoliberalism.

Sixth, then, in dealing with the complexities and differentiations that arise out of the configuration of factors detailed, we have deployed the system of provision, SoP, approach in focusing upon our case studies across the various work packages. The approach considers the housing, water or pension systems, for example, to be driven by their own inner and integral forms of organisation, contingent upon how the different elements in production through to consumption are specifically and contextually attached to one another. In this light, not only the incidence and forms of, but also the interaction with, financialisation needs to be assessed. Thus, housing and water in the UK are financialised differently but also financialisation impacts differently, with the same applying across countries from sector to sector also.

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Seventh, then, we have been made acutely aware of what might be termed the variegated outcomes attached to financialised neoliberalism. These have too readily been reduced to two clichéd extremes. One is to see financialisation as driven by the financial exploitation of those deprived of social services, subject to privatisation and user charges, unemployment or low wages, and dependent upon over-indebtedness in desperate attempts to sustain norms of consumption (if not norms of not being indebted). At the polar opposite are the financialised rewards derived by those working in the financial sector, driving both inequality and depressed levels of economic performance including failure to recover from the GFC. We do not doubt that such cases do exist, although financialisation, especially as attached to households, is itself more dependent on the wealthier who can relatively gain, rather than lose, from access to financial services. However, we would place emphasis upon the variegated vulnerabilities that are the consequences of financialised neoliberalism, especially in the wake of the GFC, accompanied by (policies of) austerity, and the volatilities that have both preceded and succeeded it.

Eighth, whilst some households experience the rough end of these variegated vulnerabilities, they remain at a distance from financialisation itself, as do most others even the better off who might benefit from the greater access to credit. How they experience financialisation, what we have termed its material culture, is then indirect but, nonetheless, rooted in structures, agencies, relations and processes to which they both are and are not a part. These can be addressed through the analytical frameworks laid out – financialisation itself, ccfcc, neoliberalism, and SoPs. But the meanings attached by households to corresponding outcomes have been examined in our work through what we have termed the 10Cs, that material culture is Constructed, Construed, Conforming, Commodified, Contextual, Contradictory, Closed, Contested, Collective and Chaotic.

Ninth, whilst the Sop, and 10Cs, approach was developed for application to private, commodity consumption, its methods can be extended to provisioning and other aspects of economic and social life more generally. This is so for the material culture of financialisation, mcf, itself, for which we have brought to the fore the pressures for households to be engaged in both saving and spending (by borrowing) in the context of a financial system that is not only unknown but unknowable in light of the scale and complexities of its functioning. Moreover, access to financial knowledge other than through direct experience is heavily influenced by privileged access of finance to the media, by which consideration of alternatives to its established position are notable for their absence other than for temporary bursts of anomie.

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Tenth, the mcf is vital in addressing the well-being of households, needing to finesse the relationship between changing material conditions and perceptions of them. Once again, this is variegated across different types of activities as well as different types of households. In general, although there can be exceptions especially where shifts in material conditions are significant, longlasting and pervasive – with loss of employment, income or the like in deep recession and austerity – aspirations will adjust in the direction of material conditions in line with expectations (and relative positions that will tend to remain unchanged).

As a result, evidence from household surveys, and especially from select focus groups, has to be treated with some circumspection in interpretation – just as there are preconceptions in the design of such research, so they must be located in terms of not only who says or experiences what, but also of why, when and in what context.

In some respects, this might be thought to be of less significance for the survey than for the more open-ended focus groups, with the latter drawn from the vulnerable. Even so the broader constituencies represented by the survey still leaves open to what extent financialisation as such is responsible for change as opposed to other factors and their interaction with finance. This is especially so given the significant changes both in secular terms and in the wake of the GFC.

From the focus groups, there is not much surprising evidence with contributions collectively, and possibly individually, reflecting both participants' vulnerabilities and the 10Cs which to set them, in light of correspondingly Constructed circumstances in general and experiences of finance in particular. Finance is Construed in terms of obstacles to or, less often, facilitating daily life. It is readily reduced to money as representative of the income needed to access Commodified levels and forms of provision, with some acknowledgement that sources of income and provisioning might be better served through an alternative functioning of finance and the economic system more generally. Nonetheless, attitudes also readily Conform in the sense of seeking to relate to finance by access to more credit, whether for long-run purchasing (most notably for owner-occupation), short-term contingencies (unexpected expenditures or loss of income) or for self-employment opportunities. Collective forms of provision are limited with more or less reliance upon networks, relatives, friends, and informal credit sources – prompting feelings of both solidarity and stigma.

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Such is a reflection of Context – not least vulnerabilities' close association with more general social marginalisation – thereby leading Contestation with finance as both individualised and limited (itself a reflection of the popular notion of the Contradiction between provision for profit as opposed to people). Striking, if unsurprising reflecting Closure, is the limited extent and depth of consideration let alone knowledge of how financial systems function beyond immediate concerns for access to consumer credit. Accordingly, criticism is confined to charges of impersonality, mutual distrust, disinformation and overcharging although these in part presumably, if not explicitly, reflect a thwarted wish for readier access to credit on more favourable terms. There are also revealed the presence of pressures both to spend and to save, with the notion that greater financial literacy might allow financial stresses to be avoided, itself evidence of the Chaotic cultures with which finance is approached by (vulnerable) households with the stereotyped reduction in income, the privatisation of, and charging for, basic needs, and exploitative access to credit to sustain norms of consumption overriding an ethos of debt avoidance.

More generally than for the extremes of variegated vulnerabilities, there are associated changes in the forms, levels and distribution of well-beings. These are neither simple nor homogeneous across countries and different elements of provision. Whilst financialisation of households has primarily been driven by the better off, both within and between countries, for those lower down the income scale, sluggish real wage growth and unemployment have created tensions between greater access to credit to sustain consumption and its lack of availability in light of credit-worthiness. But the trends towards increasingly financialised forms of provision (and ccfcc more generally) is unmistakeable, with corresponding implications from and for corporate restructuring and redefinition and relocation of corporate social responsibility. This is evident across each of our case studies with the increasing incidence of financial criteria and motives in provision.

Across the literatures on both financialisation and neoliberalism, two common tendencies can be observed. One, and the more predominant, is for these concepts to be used amorphously, on an ever-expanding scope of application, encompassing varieties of meanings that are not always consistent with one another. The other is to take this aspect of the literatures as critical point of departure, leading to a rejection of the concepts for their lack of rigour, precision and causal content as each is seen to be more or less synonymous with its supposed effects, see Michell and Toporowski (2014) and Christophers (2015a and b) for financialisation and Ferguson (2007) and

Castree (2006) for neoliberalism for example. In this contribution, this legitimately observed tension across these literatures is resolved by accepting that the concepts involved do have to be defined tightly but that they remain valid once it is acknowledged that financialisation itself underpins neoliberalism and has differentiated incidence and effects by its nature (with the same applying equally, if not more so, to the nature of neoliberalism across time, place and aspect of economic and social reproduction). What might be termed the variegated vulnerabilities of financialised neoliberalism are captured theoretically through acknowledging that financialisation has impact more or less directly through neoliberal promotion of commodification, commodity forms and commodity calculation. These in turn can be examined in empirical detail through application of the SoP approach with corresponding framing of well-being drawing upon reference to the 10Cs as a material culture of financialised provision. As a result, the case studies of housing, pensions, water and health can be seen both to reflect upon the results from the survey and focus groups but, equally, to be reflected in the ways in which financialisation is (mis)perceived at the level of the household.

2 Finance and Well-Being through the Prism of Housing

In our analysis, financialisation underpins neoliberalism as a stage of contemporary capitalism, embedding it in depth and scope far beyond its immediate incidence within financial markets. In particular, we argue that financialisation has been dependent on, and conducive to, the restructuring of economic and social reproduction on the basis of the expansion of markets and market forms, with the latter recognised to be heterogeneous. This section looks at the way in which housing provision has been restructured under neoliberalism, how this has extended housing's integration with finance, and the implications for well-being and distribution.

2.1 Neoliberal restructuring of housing provision – the rise of owner-occupation and the changing role of the state

FESSUD work on housing, particularly that carried out under WP5 and WP8, identified owner-occupation to be the market form most closely associated with financialised housing provision. The high cost of housing relative to incomes means that house purchase is commonly reliant on obtaining a mortgage and, therefore, that owner-occupation embroils households with finance by increasing their reliance on particular types and high levels of credit. It is worth quoting Fine et al. (2015) at length on this:

> What distinguishes owner-occupation – and makes it the quintessential form of financialised housing provision – is that the cost of housing relative to incomes entails that house purchase is dependent on credit for most households. Owner-occupation thus serves to incorporate households into financial markets, expanding the scope for financial profit, through both interest on mortgage payments and trading rights to those payments on secondary mortgage markets. (Fine et al. 2015: 17)

Growth in owner-occupation, and its correlate – the expansion of mortgage markets – were dominant trends in all of the case studies conducted for WP8, while in three of the five countries looked at for the WP5 survey (UK, Portugal, Sweden), mortgages were the most prevalent form of debt in terms of household participation rates with financial dealings.

However, owner-occupied housing markets are themselves heterogeneous. Reflecting the different levels of financial, social and economic development of the case study countries, and their unique economic and social histories, owner-occupation takes different forms and is present to different extents in each of the countries considered. In order to take such variegation seriously, FESSUD work on housing employed the SoP approach and sought to study finance's interactions with particular housing systems in their contextualised specificity. The approach was supplemented by the trilogy ccfcc introduced by Fine et al (2015) to depict and comprehend theoretically the differences in the form and extent of the marketization of housing provision and its penetration by finance across different countries, as well as to relate it to other forms of provision such as social and private-rented housing.

Accordingly, one of the key difference here concerns the basis from which owner-occupation has been promoted, raising the issue of the relative balance between public (or collective) and private provisioning and its trajectory over time. In countries with a tradition of public provision – which, from the WP8 case study countries, means the UK and Poland – the expansion of owner-occupation was achieved through the cutting back and residualisation of public provision. Much of the existing public housing stock in these two countries was privatised, albeit in very different contexts, with further provision of social housing reduced to a minimal and inadequate social safety net. This left all but the most marginalised reliant on the market to access their housing, with owner-occupation tending to be favoured by policy-makers and households alike. How this transition should be understood in terms of ccfcc is complex and, in line with the SoP approach, must be assessed along

the chain of provision rather than at any particular point upon it. Prior to its privatisation, social housing in both countries was non-commodified in so far as it was provided by the state which had no profit motive. Access to such housing was governed by the payment of subsidised rents, and hence took a commodity form. In Poland, the production of such housing was also decommodified, being built by state employees at no profit. In the UK, the production process exhibited varying degrees of commodification. Some social housing was built by labourers directly employed by local government authorities in what were known as Direct Labour Organisations. Other parts of the stock, however, were built by private contractors for profit, meaning that production was commodified even as access remained governed by the commodity form alone.

With the curtailing of state production of social housing, a shift towards commodified housing production occurred for the UK and Polish housing systems as a whole even if from different starting points. In terms of access, however, the privatisation process itself involved a shift from one commodity form (rent) to another (purchase). It fell short of full commodification because the housing concerned had been built under non-commodified conditions. Nonetheless, it opened the door to a more commodified housing system overall. For example, privatisation led to greater reliance on private contractors as opposed to local government councils to carry out repair and maintenance and on private bodies such as estate agents to access housing. In the longer-term, privatisation pushed more households into reliance on mortgage markets and incorporated the privatised social housing stock into secondary housing markets. One of the knock-on effects of the latter has been the increased commodification of land markets and an intensification of the processes of "gentrification", whereby attempts to realise higher land values displace lower income groups from high-value inner-city land.

Public provision in the UK and Poland, therefore, passed through two stages: the production of non-commodified public housing available at subsidised rents, followed by its privatisation (from the 1980s in the UK and the 1990s in Poland) through discounted sales and the drastic curtailing of public production. In South Africa and Turkey, by contrast, an active role for the state in housebuilding has coincided with the promotion of owner-occupation. In South Africa the state sought to make homeownership available to the poor, black population by funding the construction and availability of housing units to such households through a non-market allocation system at a subsidised cost. In Turkey, the state has built, and provided mortgages for, low income housing

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under its revenue-sharing model. Despite marked differences in the historical evolution of the role of the state, we again see that it actively utilises variations of the commodity form in provision in order to increase household participation in mortgage markets. Portugal is unique among the case study countries in that its growth of owner-occupation involved a shift in balance from one form of commodified housing provision (private rental) to another (owner-occupation). The commodity form has been confined to the marginal social housing sector, and state intervention, while not absent, has focused on mortgage subsidies and infrastructure provision. This contrasts with the more direct involvement in provision witnessed in the other countries at varying stages of development.

The purpose of this discussion is to show that, while access to housing has increasingly relied on finance in the form of mortgages, this shift cannot be characterised in terms of a linear and uniform process of commodification. Rather, increased participation in, and dependence on, mortgage markets has emerged through the selective use of commodification and commodity forms to expand owner-occupation at the expense of other tenure forms. Though non-commodified public provision, where it existed at all, has been subject to prolonged attacks, states have continued to intervene, heavily at times, to increase owner-occupation and participation in mortgage and secondary housing markets.

2.2 Housing as Asset and the Uneven Rise of the Neoliberal Consumer

The use of commodification and the commodity form to increase household participation in mortgage and secondary housing markets has in turn been associated with the spread of commodity calculation through the reconstitution of individuals as neoliberal agents. One of the insights of the SoP approach is that forms of provision give rise to commodity-specific consumption cultures which shape the meanings, attitudes and consumption practices that consumers attach to different commodities. The growth of mortgage markets is associated with a growing tendency to treat housing as an investment good, with households encouraged to become entrepreneurial saver-investors by accumulating assets and borrowing against them (Robertson 2016). An associated idea is that such behaviour, in the context of widespread homeownership, has facilitated a 'shift from a model of universal welfare to an individualised asset-based model in which individuals or households bear the risk and responsibility for their own welfare' (Robertson 2014: 23). If true, such a 'housing asset-based welfare' model would imply a two-way causation between the trajectories of public and private provision. On the one hand, finance-dependent private

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provision fills the gap left by a decline in public provision. On the other, access to mortgages and homeownership creates the objective and subjective conditions for rolling back public provision, by both giving households the resources that make self-reliance possible and inculcating the necessary skills and attitudes.

That households view housing as an asset as well as a form of shelter and speculative considerations are among the factors driving homeownership is borne out by the WP5 survey, which finds that 'It was a good investment opportunity' is one of the main reasons given by respondents for taking on the mortgage (34% in Portugal, 57% in Sweden, 65% in Germany, 68% in the UK, and 59% in Poland) (Santos et al. 2016: 61). However, WP8 reminds us that the extent to which households have been successfully incorporated into speculative housing markets is variable. Whereas in the UK and Portugal the prevalence of buy-to-let and second-home ownership, respectively, indicates that households are successfully using housing to accumulate wealth, in South Africa and Poland poor quality of subsidised housing has prevented lower income owner-occupiers from entering secondary housing markets.

The idea that widening homeownership underpins a new welfare regime is even more questionable. First, there is considerable variation in the relationships between finance, homeownership and welfare across countries. Toussaint and Elsinger (2009) distinguish between traditional and new housing asset-based welfare models. The former, typical of Southern Europe, involves high levels of homeownership and reliance on housing as a welfare safety net, but tends to rely on familial support networks rather than access to credit. As such, it is not the result of financialisation. On the contrary, traditional asset-based welfare may even in part be subject to erosion by financialisation of mortgages, as expanding mortgage credit makes a necessity of itself by driving up house prices and rendering traditional familial support for house purchase ever larger and beyond the reach of many who could otherwise have gained a foot on the housing ladder and corresponding markets (Robertson 2014). As it were, higher mortgages from the fewer, wealthier is at the expense of more, lower mortgages of the more and less wealthy (or with access to adequate deposit). It is Toussaint and Elsinger's new housing asset-based welfare model that relies on finance, both to expand homeownership and to facilitate the withdrawal of housing equity to meet welfare needs when necessary.

The UK focus group report found that the restructuring of state spending was feeding a growing need to take on debt to access housing and higher education, and saw this as a sign that the UK was shifting towards an individualised asset-based system of welfare (Martin 2015). It was also only in the UK that housing equity withdrawal was found to be in anyway a normalised practice. However, and second, even in the UK, housing asset-based welfare was found to be much more a facet of policy-makers' objectives than a description of actual practices (Robertson 2014). Housing equity withdrawal is limited to a subsection of homeowners and not deployed predominantly to be spent on welfare goods so much as in sustaining consumption norms, including home improvements. Furthermore, the reconstitution of individuals as neoliberal saver-investors has been far from absolute. While many survey respondents cited housing being a good investment opportunity as a reason for getting a mortgage, an as likely or more common response was 'To start an independent and autonomous life' (35% in Portugal, 52% in Sweden, 67% in Germany, 69% in the UK, and 76% in Poland) (Santos et al. 2016: 61), showing that most households do not value their housing primarily in speculative terms. The use of housing for speculative purposes therefore co-exists with an ongoing attachment to home as a place of comfort and security. The 10Cs were developed alongside the SoP approach in recognition that consumption cultures are the complex outcome of competing forces, and hence often contain competing or incompatible meanings. As such, they help to highlight the: contradiction at the heart of the ideology of homeownership itself. This is that homeownership has been promoted for reasons that are 'economic and tangible and reasons that are emotional and intangible' (Payne quoting Clinton 2012 p155). Owner-occupation has been sold to the public simultaneously as a form of shelter that, compared to other tenures, is particularly equipped to provide comfort and security – or what is sometimes referred to as 'ontological security' (Saunders 1984) – and as an investment vehicle for accumulating wealth and managing spending (Robertson 2014: 36).

In sum, the spread of homeownership has aided the inculcating of a growth of calculating, neoliberal attitudes among subjects, but has so far fallen short of facilitating a shift to an individualised asset-based model of welfare. Nonetheless, financialisation, and neoliberal reforms more broadly, have been effective in reducing and redirecting aspirations in terms of what is provided and how. In this sense it is true that finance has been a substitute for public provision not just in terms of using credit to cover costs once provided via state subsidy, but as part of the reconstitution of social norms and practices in relation to social reproduction.

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2.3 Finance, Incomes, and the Stratifying Effects of Mortgage Lending

The idea that finance is substituting for retreating public provision is often accompanied by the view that finance plays a role in filling a growing gap between incomes and consumption as real incomes stagnate. This thesis, and its correlate – that finance's encroachment on social reproduction is usurious and takes advantage of the least well-off – has been widely promulgated (see, for example, Lapavitsas 2013; Dos Santos 2009). Housing proves an interesting lens through which to assess these propositions. The subprime mortgage market in the USA did, indeed, target low income households, and did so in a way that was predatory. The focus group studies also found that lower income groups can find mortgage loans burdensome. For example, in Portugal mortgages taken out by younger families with a reduced income were found to have the highest credit risk, and mortgage defaulters were often left with significant debt because their house did not cover the cost of the mortgage. In Romania, the long length of mortgage loans were perceived as presenting a particular risk to low and uncertain income groups. However, a broader look at mortgage markets shows that this is the exception rather than the rule. First, both the WP5 survey and the WP8 case studies show that access to mortgage finance is correlated with income, not a substitute for it, and that participation in mortgage markets is highest for high income households. For example, Santos and Teles (2013) look at European data and find that 43% of households in the upper income quartile have mortgages, compared to just 7% of households in the lowest income quartile.

Second, for the majority of mortgagees, mortgages confer a series of advantages that enhance their material well-being rather than undermining it. One such advantage is that a mortgage loan often enables access to better value and better quality housing than that available in the rented sector. A number of country studies found that, despite mortgage repayments often being lower than monthly rents, it is common for lower income households to be excluded from mortgage markets. And all of the country-based focus group reports found that this exclusion, in turn, tended to impinge on households' ability to access decent housing at affordable prices. As even the Swedish report pointed out, this problem has been compounded as housing provision becomes more market-orientated and options for accessing a house other than by obtaining a mortgage are diminished. The adverse effects of mortgage market exclusion on housing quality were cited in Sweden, Romania, Portugal, Greece, Germany, Belgium and the UK. Both Greece and the UK found that this

problem has worsened since the financial crisis as banks become more cautious about to whom they lend and on what terms.

Another advantage from which those unable to obtain mortgage finance are excluded is that of accumulating wealth off the back of capital gains to housing. Of course, the extent of capital gains to housing, and who gets them, depends on the housing supply structures in a particular country. In the UK, the influx of credit into mortgage markets has tended to feed into house prices more than it has triggered an increase in housing supply, because of the speculative nature of the UK's housebuilders and its restrictive planning system. This has meant that the windfalls associated with homeownership have tended to be higher and more stable than in countries in which housing supply is more responsive to house prices. The WP5 survey also shows that the extent to which homeownership augments wealth depends on when one's house is purchased. This is because the terms of one's mortgage and the stage of the housing cycle at which a house is purchased will both affect the value of capital gains relative to mortgage costs. These sources of variation notwithstanding, expanding mortgage credit has tended to inflate house prices in many countries, increasing the wealth of homeowners and the housing costs of renters.

Finally, the survey shows that borrowers tend to report satisfaction with their financial activities:
In all the countries, with the exception of Portugal, respondents in households with more intense relationships with finance, as both borrowers and investors, make significantly more positive appraisals of their dealings with finance. This is more clearly the case for respondents in households with mortgages than for financially wealthy households (Santos et al. 2016: 66).

Positive public perceptions of mortgages often extends beyond those of mortgagees themselves. For example, the UK focus group found that mortgages were often associated with financial independence and seen as an accomplishment, while in Portugal the social stigma attached to state-subsidised housing contrasted with favourable perceptions of owner-occupation, despite the risks associated with the latter (although it is important to bear in mind the more longstanding patterns of owner-occupation in Portugal and rent controls on private tenures). All this suggests that, rather than substituting for a shortfall in incomes relative to consumption norms, mortgage finance has boosted the wealth and well-being of those able to access mortgages, while at the same

time fostering inequality as those excluded from mortgage markets face higher housing costs and reduced social provision.

2.4 Conclusion

This section has looked at the relationship between housing and finance with a view to exploring, first, the role of the financial sector in filling the gap both between private and public provisioning, and between household income and expenditure, and, second, the distributional effects of financialisation. On the first, we argued that the rise of owner-occupation - the quintessential form of housing provision because it serves to integrate households into mortgage markets - has indeed tended to coincide with a decline of direct public provision, but stressed that this has implied a change in the role of the state rather than its retreat as states have been proactive in promoting owner-occupation. We also considered the proposition that, by providing households with an asset against which to borrow, the rise of owner-occupation has facilitated further cutbacks in public provision. However, we found that any broader impact on public provisioning brought about by neoliberal restructuring of housing has occurred through a lowering of expectations rather than a shift to an asset-based model of welfare.

Turning to the role of finance in filling the gap between income and expenditure norms, we argued that, with the exception of the US subprime market, the evidence in relation to housing refutes the claim that finance plays such a role. Mortgage lending is correlated with income, such that higher income households borrow more while low income households are often excluded from mortgage markets completely – the opposite of what would be expected if mortgage lending were being used to sustain housing consumption in the face of stagnant or declining incomes. Even more worryingly, in distributional terms, is that widespread house price increases – themselves at least in part a response to the growth in mortgage lending – have meant that homeownership has tended to augment wealth and compound existing inequalities. Thus financialisation has fostered social mobility for some, at the same time as creating new and potentially more vulnerable groups not least as social provision is marginalised in quality and quantity.

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

3 Gendered Impact of Pension Reforms: An Interpretation of Survey Findings

Previous FESSUD working papers have detailed pension policy developments across the European Union (Churchill 2014; Saritas 2014). Churchill's paper split the European Union into five groupings of countries which capture family resemblances across financial sector and welfare institutions. There was found to have been a general shift in the composition of pension systems: a reduction in the size of Pay-As-You-Go (PAYG) social insurance public pensions, at the same time as the significant promotion of private pre-funded pensions. The nature of this promotion ranged from making it mandatory for citizens to contribute to private funds – such as in Poland and a number of other CEE countries - to using tax incentives to encourage higher voluntary contributions to occupational pension funds in 'liberal' countries with long-established private pension industries (UK, Switzerland, Netherlands, and Finland have the biggest asset holdings relative to GDP). Continental European countries were found to be drastically curtailing their state provision by introducing new parameters into their benefit formulae. These parameters incorporate changes in demographics (so that life expectancy increases automatically reduce pension benefits) and economic circumstance (benefits are automatically reduced when GDP is below par). At the same time, several of these countries were also found to have introduced private, funded pillars into their systems in "an attempt to recover the ground lost by state provision" (with the notable exception of France). The Mediterranean countries were found to be likely to be moving in a similar direction, given external pressure "with pension reform playing a key role in austerity packages" (Churchill 2014: 28).

3.1 Evidence of Impact of Reforms in the Survey Findings

The general finding, therefore, was that of growth in the coverage of private prefunded schemes, and growth in their asset holdings, making pension funds a key institution through which households participate in financial markets on the asset side of the household balance sheet. At this high level, it would be expected that households might be sensing an increase in uncertainty with regard to their income in retirement, as a substantial proportion of that income has become tied to the vagaries of the market. This is significant during the period of asset accumulation, but also and importantly at the point of retirement. Uncertainly regarding retirement benefits is not absent in a state-run PAYG system, as new governments can change state pension parameters. But market movements are featured everyday in the news cycle, can be extreme, and are not well understood. It is not surprising therefore that one key finding from the survey is that there is a

sense of decreasing overall control over one's life over the last five years. 15% of respondents reported this attitude in Germany, 24% in Sweden, 32% in Portugal, 38% in the UK and 40% in Poland (Santos et al. 2016: 25). The survey also shows that, across all countries, individuals of 40-54 years old (which might be the group that will suffer the impact of recent reforms) are more concerned about income levels after retirement than individuals older than 64.

A second key question to respondents was whether they felt concern that they will not have sufficient income in old age to live in dignity. On a scale of 1 (not at all worried) to 10 (extremely worried), in Portugal, 69% of respondents declared they were worried, (score 6 to 10), followed by 60% in Poland, 42% in the UK, 45% in Germany and 28% in Sweden (Santos et al. 2016: 83). This concern may well reflect fears arising due to highly publicised cuts to public provision at the same time as anxiety regarding the ability of private funded provision to fill the gaps. It should be noted fear seems as much tied to general concerns regarding a country's fiscal and economic circumstances: there is no correlation between level of concern and level of exposure to financial markets. Respondents in countries such as the UK and Sweden that have a long history of pension funds reported feeling reasonably satisfied with their dealings with finance. By contrast, evaluation of household dealings with finance are highly negative (Santos et al. 2016: 65) in Poland. Poland promoted the growth of private pension funds by incorporating them as a core tier of their overall pension systems in 1999. Contribution into these funds was made mandatory, and the period 2000 to 2010 saw a marked growth in fund size. However, in the autumn of 2013 a decision was taken to reverse this radical policy reform i.e. to nationalise the assets of the private pension funds and revert the flow of contributions to the government. 150bn zlotys (€36bn) of Polish government bonds and government-backed securities were transferred from the private sector to the state and then cancelled, leading to a fall in public debt of 8 points (see for example Janc et al. 2013). This decision was driven in large part by the government's desire to reduce its reported deficit, but it was strongly supported publicly as there was wide discontent within Poland regarding the new pension system, arising in large part from the apparent inefficiencies of the private pension funds, which charged what were seen to be extortionate fees whilst achieving poor returns (Financial Times, 5 Feb 2014).

If we disaggregate by gender, regression analysis on the survey findings shows that in all countries women are expected to score more on the concern scale about not having enough income in old age

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to enable them to live in dignity (Santos et al. 2016: 85, Table 2). This evidence of differentiation by gender is to be expected once we consider the gendered impact of the pension reforms.

3.2 Differential Impact of Pension Reform

The significance of all these changes across different pension systems depends on the broader systems of economic and social provisioning in which pension systems are embedded. Welfare in retirement depends on health and housing provision for example, as much as, and possibly more than, on the pension system in place. Sweeping conclusions regarding the welfare outcomes for households following comparable changes in pensions in different countries are inappropriate if not impossible in isolation. What can be drawn out are broad-brush conclusions in terms of variegated outcomes depending on socio-economic grouping and, especially significant, gender. This last issue, differentiated outcomes in terms of gender, stands out as the single most important conclusion to draw from the work done on pensions. In relation to this, a key finding of the survey has been the increased concern of women in all countries with regards to security in old age. What's more, this concern is greater amongst the younger generations who will be most affected by the changes.

A key consequence of the move away from public pension provision towards private provision is that many redistributive aspects of public provision are lost both in practice and in public view. This loss equates to a tightening of the relationship between the contributions that an individual makes towards their pension, and the pension benefit that they receive. This is a clear move towards individualised responsibility as opposed to social provisioning. This shift in political philosophy is apparent everywhere: in Sweden, for example, which was formerly known for a generous but universal pension benefit system (as opposed to the more earnings-related systems in continental Europe) a significant part of the state pension remains on a Pay As You Go footing. However, it has been reformed to act as if it were a fund: an accounting record is now kept of an individual's contributions accumulating over time, and these are multiplied by a factor which attempts to mirror the "return" achieved by real portfolios of assets in the markets, and supposedly reflects overall economic growth across the country (Churchill 2014).

The form of labour market participation is very different for men and women across Europe due to a deeply embedded material and cultural acceptance of gendered roles in terms of domestic versus (formal) waged labour. This is reflected in both women's access to work and their payment for it. Pension systems themselves have tended strongly to institutionalise such norms by assuming that women will not be financially independent during working life and therefore setting up transfers within the pension system to ensure the avoidance of widespread female poverty in retirement. In the UK for example, women were previously advised to stop their own national insurance contributions at the point of marriage, on the understanding that they would share their husband's pension and receive a widow's pension on his death (GOV.UK 2016). Germany and France have historically offered large pension credits for women (but not men) who drop out of the workplace to raise children for a number of years (Frericks and Maier 2008: 183). Reforms have tended to reduce these redistributive elements of state pensions, and linked pension provision more tightly to each individual's contributions. From the perspective of the paper-design pension systems themselves this looks to be a step towards gender-neutrality with all treated equally in terms of contributions and benefits. In practice, however, what is promoted as gender-neutral pension reform design is exposed as highly gender-differentiated once contextualised in terms of gendered forms of labour market participation. The consequence of reform is the reproduction of working age income disparities at the stage of retirement income, something which is discriminatory against women in particular if not confined to them. An early anthology compiled by Ginn et al. (2001) looked at "the interplay of employment histories, marital status, fertility and the design of pension systems", and argued that pension reforms were leading to greater inequality, as "women are less able to accumulate earnings-related pensions" (Ginn et al.: 2).

The increase of gender-disparities at retirement age which has arisen from these reforms is politically significant, and has indeed sparked some counter-policies. In the UK for example, in the last parliament it appeared to be the intention of the Pensions Minister to address the gendered impact of pension system design. The most obvious example of this was further changes to the pension parameters themselves. A decision was taken to boost the value of the basic state pension and the number of national insurance contributions that needed to be made to gain access to it decreased (Thurley et al. 2015). In fact, the contributory nature of the basic state pension is now arguably becoming illusory, because those who fail to qualify still gain access to a social assistance benefit with a similar monetary value. Other (baby) steps taken have been outside of the pension

system itself, addressing labour market participation through policies of parental leave, childcare provision and flexible working.

In Germany, measures have been adopted to raise payouts for mothers within a particular cohort. These 'counter-reforms' have a considerable cost and have drawn criticism from previous supporters (Financial Times 2014a; Economist 2014). In Sweden there seems less push-back, but as noted by Haynes: "in Scandinavia, the move towards occupational welfare and pensions seems less likely to disadvantage women because of their high participation in the labour market." (Haynes 2011, cited Fine 2014)

3.3 Concluding Comments

Churchill (2014) addressed the role of private funded pensions across the European Union in failing to fill the gap between household income in retirement and expenditure, and public and occupational provisioning. This section has extended the analysis to an additional question briefly raised there, which is what has been the specific impact on women? Where pension systems are tightening the link between contributions and benefits, women are at risk of inadequate provision, or even poverty. High incidence of poverty amongst the retired population is deemed to be a political problem, and is leading to a number of counter-reforms, such as making basic subsistence level pensions more substantial and broadening their coverage. These may deal partially with stopping high incidence of poverty, but will not do enough to address the widening "pension-gap", which will require far broader changes, namely addressing gendered norms in labour market participation.

4 Connecting Households with Global Finance via Their Water Bills

Water is not typically considered to be associated with the financial sector nor financial practices, yet the case studies conducted for WP8 reveal that financialisation is occurring in the provision of water but how is highly variegated. This section draws on three case studies carried out in England and Wales (EW), Portugal and South Africa (Bayliss 2014a; 2015a; 2015b; Teles 2015) for WP8. EW has seen the most profound financialisation of water, and this is easily traced to the processes of privatisation and commodification in this country where water companies were listed on the stock exchange in 1989. Here water is an economic commodity produced for profit and all of the elements of ccfcc are fully embraced. No other case studies for WP8 or indeed locations in the world have

privatised water in this way. Mostly water is provided by state entities. Where privatisation occurs outside EW, it typically takes the form of a concession contract, where a private company is engaged to provide water for a fixed time period. In Portugal, such concession contracts were located primarily in the more densely populated coastal regions leaving the rural areas under local government control. In South Africa, privatisation was a key policy in the 1990s and a few concession contracts remain but mostly water is provided by the local municipality.

Notwithstanding the limited reach of privatisation (commodification) all the case study countries, and indeed much of the world, manages water finances on the basis of some form of 'cost recovery' pricing. Such financial principles are enshrined in the EU's 2000 Water Framework Directive (Directive 2000/60/EC). Thus commodity calculation (managing the sector on the basis of financial principles) and commodity form (the collection of revenue) are pervasive even if this does not necessarily correspond with production for profit. The following discussion draws on the case studies but greater attention is devoted to the case study in EW with its more extensive financialisation of water provision.

4.1 Connecting Households with Finance via Water Bills

Water provision connects households to financial systems via the payment of the water bill but the way in which this happens depends on the nature and extent of financialisation. Even state-owned water companies, such as Rand Water in South Africa, issue bonds and use financial instruments such as derivatives. However, households are more enmeshed in global financial capital flows where the provision of water has been privatised and this is particularly significant in the system of provision of water in EW. Here, out of the ten water and sewerage companies (WaSCs) that were listed on the stock exchange, seven have been delisted and four of these are now owned by financial investors via special purpose vehicles. These have established complex corporate group structures with extensive inter-group company transfers, sometimes via offshore jurisdictions so that financial flows are difficult to trace. The companies have created securitisation structures which allow significantly higher levels of gearing than those of other water companies. As a result, they have succeeded in hiking up the debts of the water utilities by securitising future water bills for decades into the future. The funds raised have in part been used to finance investment but also to pay

dividends to shareholders. In some cases, shareholder earnings are boosted further by interest payments on loans from shareholders.

This form of securitisation is only possible in the context of a highly secure and predictable revenue stream and the structural features of the system of water provision in EW have provided a particularly suitable environment for such financialisation. Demand for water tends to be predictable and the regulatory structure in EW requires the regulator to ensure that firms can finance investment. Price agreements have been generous to investors and have created an environment of investor confidence without which the securitisation processes observed would not be possible.

Other forms of privatisation also link households to finance but there has been less financial engineering where companies are publicly listed. Shares in private water companies, Veolia and Suez, as well as listed water utilities in EW such as Severn Trent and United Utilities are traded on international stock exchanges. Stakeholders are usually financial institutional investors, and shares in these water companies are sometimes components of financial products, such as Exchange Traded Funds (ETFs). Stakeholders in these ETFs include pension funds and investment funds, often operating on behalf of high net worth individuals (Bayliss 2014b).

Commodification is typically associated with higher financing costs than government investment because governments can access finance more cheaply than private companies due to their very low risk exposure which means they can secure finance at lower rates of interest. In addition, private investors also need to make a profit which pushes up costs. This was made explicit in the case studies where the sector regulators in Portugal and EW base prices on an expected rate of return for private investors which adds a premium to the rate of interest on government borrowing. In EW, the GFC was expected to make it more difficult for water companies to raise finance, and the regulator was lenient on companies in the 2009 price review process that set prices for the next five years, allowing prices that would factor in higher financing costs. In practice, the EW water sector has been particularly attractive to investors offering both secure returns as a result of the regulatory environment and a safe haven from the turmoil of the Eurozone. However, the benefits of the lower-than-expected financing costs were mostly absorbed by the private water company investors and failed to reach households (although prices are expected to fall by an average of 5%

before inflation between 2015 and 2020). So the GFC has been good for private owners of water companies and neutral for water consumers.

Privatisation has created a context where the payment of a water bill connects households with global financial circuits, contributing to the income of the wealthiest investors via chains of financial intermediaries. But ordinary households typically know little about the financialised structures that lie behind their water providers. For the majority of customers in EW, little seems to have changed since privatisation with many private water companies having the same name as their public sector predecessors. The experience of financialisation is largely unseen. In part this is due to the complex nature of financialisation that is not widely understood as well as the fact that high investment levels have led to a secure and high quality supply of water. Few of the fifteen million Thames Water customers, for example, will have any idea that paying their water bill connects them to one of the largest Australian investment banks via a portfolio of European infrastructure funds. Consumers are crucial if passive agents in the financialisation of water. It is their regular payment of bills on which the whole architecture of securitisation rests.

The extent of financialisation is further obscured from households by the devotion of considerable attention to superficial forms of customer engagement. For example, in extensive customer surveys conducted by the Regulator and the consumer body, the Consumer Council for Water (CCW), customers are asked questions such as how satisfied they are with their water. These surveys have led to observations such as, that 75% of customers are satisfied with value for money. Where customers feel that the water price they pay is unfair, this is mainly because it is perceived as 'expensive' or has risen. But customers are lacking information on which to base their views as they cannot know the costs on which their bills are based, and they are in no position to determine if the prices they pay are fair. Such opinions are more likely to be derived from media campaigns and public relations efforts of companies, or simply that the tap works at relatively low cost compared to other necessities. Customers are not asked to comment on the more contentious aspects of financialisation such as dividend payments or directors' pay (see more below).

4.2 Distributional Impact

In terms of the distributional impact of water financialisation, the commodification of water is clearly regressive in creating financial flows from households, many of which are hard-pressed to pay their water bills, to the world's richest. This would be the result of privatisation but processes of financialisation go further to locate water revenues in global financial flows. The securitisation of future water bills is used to finance shareholder distributions, thereby expanding financial profits at the expense of real investment. In EW where companies have been taken over by financial investors, the process of acquisition by financial investors was typically accompanied by the payment of a "special dividend" to shareholders. Revenue from water bills for decades to come will be used to service debt raised in part to finance dividend payouts.

Distributional shifts have also occurred in the internal financial structure of water companies in both EW and Portugal which have seen a marked decline in the share of income going to labour. Meanwhile in EW the proportion going to the remuneration of directors and on interest payments has increased substantially. The case study shows that a growing gap has emerged between payments to directors and expenditure on salaries and wages. In 1993 the remuneration of the highest paid director was in the region of seven times the average wage but by 2013 this ratio had risen to almost 30 reflecting a widening gulf between payments to senior executives and the employees in the sector. Directors' remuneration is designed to ensure that their interests are aligned with those of shareholders. Senior staff are given shares in the company so they benefit financially from the payment of dividends and bonuses that are awarded in part for improving shareholder returns.

In addition, there has been a sevenfold increase in the amount of interest paid by WaSCs in EW from £288m to £2000m in the twenty years from 1993 to 2012 (in real terms) and this is in some cases on loans from shareholders to the company. Higher labour costs are seen as an indicator of inefficiency while higher interest payments are not judged in the same way. The ethos of cost recovery, while superficially neutral and objective, is in practice supportive of this changing social structure and its adverse distributional implications.

Over the 2010-15 price review period, nearly 27 per cent of the average customer bill of £360 was paid for "return on capital" in EW. This is just to cover financing costs of interest and dividends and

not actual investment. The water SoP generates a substantial transfer of revenue from households to support financial activity and rewards. With 23 million households in EW, that amounts to over £2bn each year transferred from households to pay for returns on debt and equity for water companies (excluding non-household consumers).

In Portugal, the costs of water production have increased substantially and in particular there has been an increase in financing costs due to interest rates rises and higher debt levels. However, the growth of financial costs has been counterbalanced by a decline in labour costs imposed by government in accordance with the financial "bail-out" conditionality. Overall this fall in wages has led to an increase in profits for the sector, and some private concessionaires have seen a substantial improvement in financial results (Teles 2015).

4.3 Effects on Well-Being

While the integration of individuals and households into financial markets via the financialisation of water is largely obscured and unobserved, the main impact on perceived material well being takes the form of affordability. Average household bills in EW have increased by 40 per cent in real terms since privatisation. Prices have plateaued since 2009 but falling real wages have led to a decline in affordability. The proportion of households spending more than 5% of their disposable income on water bills increased from 8% in 2002/03 to 12% in 2011/12 amounting to about 2.7m households.

Those that have trouble paying for water are, on the whole, the poorest and there is a statistically significant relationship between debt and deprivation. Water bill arrears are higher for female clients, for households with children, and especially lone parents. Debts have been increasing and bad debts now add £15 to the average bill. Customers in debt to the water company are more likely to live in low income areas and have other significant debts. There is some limited financial support for low income households but water companies are restricted in the social support that they are allowed to offer. The cost of social provision must not be more than the revenue saved from the introduction of such measures. Indebtedness is seen purely in business terms.

Meanwhile other countries have seen less profound financialisation with an emphasis on CF and CC and the widespread adoption of cost recovery policies even if state ownership has been retained.

Cost recovery policies elsewhere have resulted in payment structures that are unaffordable for many. In South Africa a high proportion (estimated by the Department for Water Affairs to be in the region of 63%) of households is not able to pay for water. These high debts mean that revenue collected by municipalities is insufficient to cover operating and maintenance costs and undermine the financial sustainability of the sector.

In Portugal many municipalities have kept water prices low but this has led to the accumulation of debt higher up the supply chain. Furthermore, while tariffs are relatively low in Portugal, typically representing around 1% of household expenses, they have risen consistently in real terms since 2005 and vary substantially across the country. Given the continuing fall in disposable income of the majority of Portuguese households since 2010, the relative weight of water expenses is expected to continue to grow and to have an increasing social impact (Teles 2015).

Nonetheless, the social significance of water for public health puts a brake on financialisation to some degree. In EW households cannot be disconnected for non-payment of water. In South Africa a small amount of water is provided to households for free although disconnections for non-payment risk wiping out the social benefit of free basic water.

Overall the case studies for WP8 indicate that the nature of financialisation reflects the location (with a heavy emphasis on the financial sector in England, a strong impact of the EU and Eurozone in Portugal and highly skewed outcomes in South Africa). And the nature of protest has an effect of financialisation. There is a reported trend in the sector towards remunicipalisation in a number of cities across the world including Paris and Berlin (Kishimoto et al. 2015). But there is very little protest in E&W where the structure of privatisation is deeply embedded and investors have very secure returns so that a return to public water provision seems extremely unlikely.

4.4 Conclusion

This section addresses more directly questions 1 and 3 for Deliverable 5.07. The above discussion shows that households interact with financial systems via the provision of water in ways that are variegated but mostly consumers are unaware of this. The payment of water bills connects households with international financial flows and this is most pronounced where water has been

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privatised and even more so where owners are financial investors. Privatisation in EW has created a context where the payment of a water bill connects households with global financial circuits.

The commodification of water has created a distributional shift through two clear patterns observed in the case studies. Both EW and Portugal have seen a marked decline in the share of income going to labour. In EW there has been a sharp increase in remuneration of directors. In addition there has been a substantial increase in interest payments as debt levels of water companies have risen. The water SoP generates transfers from households to the financial sector. While households in EW have benefitted from investment to ensure stable supplies of safe water, affordability has declined since the financial crisis.

Water barely features in the well-being survey and focus groups conducted for WP5. This may reflect the choice of countries for the study as well as the focus of the questioning. Certainly, the flows of water into – and out of – households, and the terms on which it contributes as such to well being, as the most immediate ways in which provision is experienced, seems detached from the correspondingly distant and unobserved financial flows which is their counterpart. In the CSO studies, there is only one mention of water. In the UK report, one respondent refers to the cost of water (and housing) saying, "We have £1000 coming in. We've got £550 rent, by the time we do the water and the council tax we've got no money left for ourselves" (Martin 2015: 18).

5 The Financial Crisis and Health Financialisation

This section focuses on the financialisation of health and the impact of the Global Financial Crisis, GFC, looking in some detail at the experience of England, drawing on a case study of the financialisation of health (Bayliss 2016). The section also considers responses from focus group surveys across selected countries carried out for WP5. In England, the health sector has seen substantial structural reform since the 1990s with the introduction of a series of measures designed to increase the scope of 'markets' in the state-owned and managed health system. The GFC has had a substantial impact on the sector with the introduction of austerity policies restricting funding both for health and also for associated social care sectors. As a result, many health providers have moved from a financial surplus to a deficit since 2010 and households have seen a sharp increase in waiting times for appointments. Against this backdrop, far-reaching legislation

introduced in 2012 has allowed greater involvement of private providers in the state health system and public hospitals are allowed to substantially increase the revenue they earn from private fee-paying patients.

In England, health is financed mostly by general taxation rather than users of health services. Hence the impact of the financial crisis on households has been largely indirect. While waiting times may have increased, services remain free at the point of access and, mostly, end users are unaware of the restructuring that has been taking place. The section also reviews findings related to health from the surveys carried out for WP5. In these countries the financial system and financial crisis are more closely linked to health, with access to healthcare contingent on access to insurance services. The responses also demonstrate the wider economic and social linkages associated with health services. For example, in some cases access to health care is tied to employment status. Alternatively, examples demonstrate that failing health in the absence of a social safety net can restrict other aspects of social welfare for example access to housing. It shows that across countries the financial crisis has had an adverse impact on health services for the most disadvantaged but the impact is variegated depending in part on the underlying structures of provision. However the research also indicates that the crisis has also had an impact on the structures themselves and the case of England clearly demonstrates.

5.1 Health Financialisation in England – Changing Structures

The case study distinguishes four aspects of financialisation of the country's National Health Service (NHS). First, since the 1990s, there has been a series of structural reforms which aim to establish an "internal market" for health services. This has required the structuring of health provision in terms of "purchasers" (or "commissioners") of healthcare and "providers". Since 2012 the commissioners of care consist of 209 Clinical Commissioning Groups largely made up of local doctors in General Practices. The providers of care are NHS hospital and mental health and community trusts, private providers, not-for-profit enterprises and social enterprises. Health providers are remunerated via a complex pricing system known as 'payment by results' (PBR) but which is more accurately described as 'payment by activity'. Prices are fixed for specific procedures but the process is extremely complex and costly, covering all diagnoses and medical interventions.

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This is CF and CC but generally stops short of C except where private contractors for profit are involved.

Second, health commodification is occurring via a rapidly expanding programme of contracting of health services to the private sector. Outsourcing per se does not necessarily constitute financialisation. However, within these contracts a number are with health companies that are backed by private equity investors, (Care UK and The Priory for example) and to large conglomerates that are now diversifying into health such as Virgin. For these, the provision of health is part of a global portfolio of wealth accumulation. While this aspect of commodification has so far been limited, the provisions of the 2012 Health and Social Care Act (HSCA) mean that NHS actors are required to observe competition law and EU procurement directives, even where contracts are allocated to state agents. This has created market opportunities for legal and financial advisers offering services to NHS departments that are largely unfamiliar with these financial structures.

Third, another aspect of commodification in health services is the use of the Private Finance Initiative (PFI) where hospital infrastructure is financed and constructed up front by the private sector for which the hospital pays a unitary charge over decades. The PFI contracts are typically with special purpose vehicles bringing together a consortium of investors. These contracts provide long-term secure revenue streams and are often in the hands of financial investors. Ownership stakes are traded creating additional profits for owners.

Fourth, there is set to be a rapid increase in the proportion of income that public hospitals can earn from private patients as the cap on private patient income rose in 2012 from 2% to 49% under the HSCA. This leads state agents to increase their financially-oriented activities. Already some London hospitals are marketing their services to private patients, in some cases in the Middle East. In addition, private companies, some owned by private equity funds, are making inroads into NHS structures by partnering with NHS hospitals. There has been a marked increase in joint undertakings between NHS and private investors to establish Private Patient Units within NHS hospitals.

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Under on-going reforms of the NHS, public agents are increasingly treated as if they were private agents. Financial penalties are applied by the regulator to NHS trusts (many of which are in financial deficit) to incentivise specific practices. Financial deficits provide incentives for hospitals to increase revenue from private patients. But these are state agents, and providers have no monetary gain from the financial performance of the trust. These are, as such, at most steps toward CF and CC as opposed to C.

More broadly, the GFC is having a dramatic – if protracted – impact on health services in the UK as austerity policies continue to take their toll. Spending on health in the UK has increased every year in real terms since the NHS was established in 1948. Spending was at its highest rate of growth between 2000 and 2005. The coalition government from 2010 came to power after the longest period of sustained NHS spending. Since then, government spending on health has been at its lowest rate of growth since 1955. While the NHS budget has been increasing by a small amount in real terms, rising demand and population means that cost cutting is required.

Initially NHS providers could withstand financial pressures using traditional measures to cut costs such as pay freezes, cuts in management costs and reductions in tariffs for some services. NHS agents now report that there is no more room to cut costs. The NHS is facing a growing financial crisis with unprecedented numbers of health providers in deficit. Now some large NHS organisations, which have historically been considered to be financially stable and effective at managing their resources, are in deficit. Overall, NHS providers have gone from a net surplus of nearly £2bn in 2009/2010 to a predicted net deficit of more than £2bn for 2015/16.

The strain on health services is compounded by substantial cuts to funding for social care since 2010 which puts additional pressure on health providers. Impacts of social care cuts include growing overcrowding at GP surgeries and hospital accident and emergency units. In addition, failings in social care provision have led to an increase in 'delayed discharges' with patients spending longer in hospital than is medically required.

This, then, sets the context for financialisation in England. The sector is under financial pressure with a narrative that universal health care is "unaffordable" and reforms have been recently introduced focusing on privatisation and competition with a view to making the sector more

efficient. However, the performance of the sector is in line with average OECD spending and performance. The extreme challenges currently facing the sector have only emerged since the last parliament and are largely due to the tighter budgets from central government.

This financial "crisis" in the NHS, triggered by austerity policies in the wake of the GFC is a significant backdrop for radical reforms introduced in the 2012 HSCA which have greatly increased the scope for privatization and financialisation in the sector. The context of growing financial deficits in hospital trusts has focused attention on financial performance and legitimises increasing penetration of the private sector in the health system. Austerity is likely to present business opportunities for private healthcare providers as these tend to benefit from difficulties in the NHS. Rising NHS waiting lists are good for private business, either with the NHS being forced to contract private firms to lower waiting times or with patients seeking privately funded healthcare services.

5.2 Impact of Financialisation

Mostly the financialisation of health is located at some distance from the household, and health services continue to be free at the point of contact for consumers. For most households and individuals, processes of financialisation have had little direct impact on their material well-being to date. Processes of privatisation and financialisation are obscured from the daily life of most of the population. However, the magnitude of the indirect changes is set to accelerate as the growing deficit and financial pressures are starting to have an impact on hospital and GP waiting times. These were reported in 2015 to be the worst in seven years.

In addition, with hospitals operating as independent financial entities they run the risk of financial failure which has a significant impact on health services. In 2013 the South London Healthcare NHS Trust (SLHNHST) became the first to be put into administration because of poor financial performance as well as issues with care quality. Part of the financial difficulties facing the Trust stemmed from payments to the private sector for PFI contracts. In its last year of operation (2012/13), the Trust paid £27.2m in finance costs equivalent to about 6% of operating costs. The trust had six PFI contracts and spent 16% of its income on all of its PFI contracts. For individuals and households, the impact of failing health services is likely to strengthen the image of an inefficient system and may provide support for greater private sector involvement.

Privatisation contracts financed by tax revenue see the transfer of government resources to investors. As more private companies are entering the sector, the provision of health is being transformed from a local community service to a segment of global investment portfolios of international private finance. This is likely to have implications for organised labour with employees transferring from the NHS to the contractor (although more research is needed to understand the details of this dynamic). Company share prices are affected by government decisions on the health budget. In addition, companies can be expected to engage in financial practices to maximise shareholder returns. For example, investors in health services have organised their corporate structures to ensure that tax liabilities are minimised. Typically this involves large loans from group companies that create high, tax deductible interest payments so that taxable profit is eroded. A number of private health companies, including Partners in Care, Independent Clinical Services, Priory Group, Acorn Care, Tunstall, Lifeways, Healthcare at Home, Spire Healthcare and Care UK, are reported to operate in this way.

The partnering of NHS trusts with private companies to increase private patient units is presented as a way to plug the financing gap and reduce hospital deficits. Supporters claim that income from private patients subsidises the NHS. However, there is little evidence of this in practice, and subsidies could flow from the NHS to private investors when the wider systemic aspects of provision are taken into account (for example through the use of NHS-trained staff, NHS emergency back-up and use of NHS treatment facilities). More research is needed to understand the way that these partnerships between NHS and private investors operate in practice. In particular, analysis of the contractual terms and financial flows could shed light on the extent to which public funds are interlinked with those of private equity and how this is expected to evolve as the projects develop.
PFI contracts are absorbing a large proportion of NHS funds. A report on the impact of PFI contracts on NHS services in London found that the PFI schemes in the capital cost £2.7bn to build but will require payments totalling £20.2bn from the fifteen NHS trusts involved in the contracts. Two trusts are spending more than 10% of their income on PFIs. PFI payments are contributing to financial deficits not just because of the capital commitments but the inflexibility of the contracts. The NHS was targeted to make efficiency savings of £20 billion by 2014-15, while at the same time repayments for NHS PFI were expected to reach £4.18 billion. In evidence to the British Parliamentary Review, the British Medical Association indicated that fixed PFI payments would

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mean that efficiency savings would be more difficult to achieve and health care cuts would be needed in order to meet PFI repayments. Thus, payments to (often financial) PFI investors continue while labour faces a pay freeze and health services are cut.

Meanwhile, ownership stakes in PFI contracts are traded. Private contractors set up PFI contracts and then on-sell the contracts for a profit. Even where the NHS trusts have had to receive bailout funds to meet PFI payments, PFI shares are traded (or "flipped") at a profit. The South London Healthcare NHS Trust which was put into administration in 2012 had four sales of equity in its PFI contract. When the Trust was dissolved, the Department of Health paid for the outstanding costs on the PFI buildings. In 2012 it was reported that PPP equity had been sold in nine other NHS trusts that were reported to be in financial difficulties (Whitfield 2012).

The combination of tight budgets and the lifting of the cap on private patient income is expected to lead to a substantial increase in the proportion of hospital revenue generated from privately financed patients. This creates a transformation in social relations and ultimately can be expected to create a two-tier health system, based on ability to pay. While private and NHS patients may be treated separately, they are likely to share access to more expensive treatment facilities. If privately-funded patients are prioritised, conditions for NHS patients will deteriorate. One of the main barometers of the health service is waiting times for appointments for both primary and secondary care. Where these increase they present a greater burden on home care, the brunt of which is primarily borne by female household members.

5.3 Survey Responses on Health

In the WP5 country surveys, households were asked to rate the quality of different public services in their country out of ten. Respondents tended to be more satisfied with their health services (in Sweden, Germany, UK and Portugal) than other welfare services such as pensions and employment promotion measures. In Poland however, opinion of health provision was lower (Santos et al 2016).
The survey asked whether households had noted any change in their ability to afford education, healthcare, childcare and long-term care services. With the exception of Sweden, on average more than a third of respondents in Germany, the UK, Poland and Portugal reported that it had become more difficult to afford some basic services, especially education and healthcare for themselves

and their relatives. More than half of the Polish and Portuguese respondents reported having difficulties in affording health services (Santos et al 2016).

The focus group reports for WP5 show a link between access to financial services and access to healthcare, as often services have to be paid for from insurance or out of pocket. Those outside the formal banking sector risk losing access to services for which finance is a requirement. In the absence of welfare provision, lack of access to finance can adversely affect access to health services (and education and housing) (moveGLOBAL 2015). The impact of financial exclusion is more severe where individuals have to pay for medical expenses, for example, through insurance schemes. Indeed the Poland CSO report mentions a case where an individual did not have health insurance and needed medical attention. They only had access to a doctor once another person paid the doctor's fee (Cibor 2015).

In Sweden it was reported that the proportion of the population on sick leave has declined since 2005 but that this was possibly due not to people becoming healthier but to legislation that set a limit on sick leave, although this law has since been abolished. In Sweden, some are caught in a welfare trap with for example, one individual needing a loan to repair her teeth. Her salary was too low to get a bank loan but she did not qualify for social services because she was in employment (Andersson and Bro 2015). In Greece, it was reported in the focus groups that households had such little income that they could not afford to save. One individual reported that the public health system was inadequate. The gender impact is highlighted as they continue "Thank God I have my daughters on my side offering me help now and then" (Social Accountability 2015). In Romania basic health coverage is tied to employment status. Some attempted to continue to access health in the absence of employment by maintaining self-employed registration although there were concerns that this may sometimes translate into increased financial vulnerability due to high operating and administrative costs. Some groups were excluded from the banking sector, mainly those in the informal economy (Vrabie and Neagu 2015).

In Portugal, the role of social protection policies was substantially reduced between 2009 and 2011 particularly in terms of indirect support through the availability of public services including health. Respondents expressed concern about access to basic services including health. Health is linked with other aspects of welfare as demonstrated in the Portuguese focus group discussions. Poor

health can result in people being laid off which then can have knock on effects with reduced ability to pay housing costs (Silva et al 2015). In Belgium it was reported that households and individuals facing tight budget constraints often postponed or cancelled health care. Compulsory healthcare insurance is often inadequate to cover medical expenses and the costs of medical services can increase indebtedness (Reseau Financite 2015). The reports indicate that health has become less accessible. The vulnerable that lack insurance and income or access to mainstream finance to fill the gap between income and expenditure have been increasingly excluded from health services and treatment. The failings of state provision are not compensated for by the private sector or by private finance.

5.4 Conclusion

This section touches on questions 1 and 3 of the requirements for Deliverable D5.7. The provision of health in England has been subject to extensive restructuring. With the adoption of austerity policies since the GFC, health services are facing substantial challenges with many providers moving from a financial surplus to deficit over the past five years. This has provided the context for substantial restructuring for privatization and for the state to increase private patient income. The full impact of these changes will not be felt for some time but it is anticipated that fee-paying patients will receive priority access to state health facilities thereby increasing waiting times for those that cannot afford to pay. Outside the study of England, financial services had a greater impact on health access where this is mediated through private insurance or bank loans. Across the countries covered in the WP5 survey, the GFC has had a negative impact on access to health services for those on low incomes. Evidence shows that the increased financial vulnerability is associated with weaker access to basic services including health care.

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract numbe: 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

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This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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Published in Leeds, U.K. on behalf of the FESSUD project.