



The
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**Transforming social housing into an asset class: the
financialisation of English housing associations under
neoliberalism and austerity urbanism**

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Abstract

This thesis analyses the financialisation of housing associations, with the aim of connecting the abstract and distant processes of property finance to how these are materialised in the practices of social housing provision. In doing so, a major objective is to show that financialisation is not an automatic process, operating as a rigid structural logic, but has rather necessitated an ongoing and active process of governance within the housing association sector. I argue that a fundamental component of this long-term process since the 1980s has been a re-imagining of associations as entrepreneurial, risk-taking enterprises. Governing financial risk has been a fundamental element of the conversion of associations into an asset class, with the need to safeguard social housing assets a major priority for the regulator.

A key finding of this research is that as housing associations have undergone neoliberalisation, the powers of the regulator have been progressively eroded as lenders have emerged as a major interest group within the social housing sector. The financial crisis and austerity have deepened these trends, with austerity policies driving associations to commercialise their development programmes in order to protect their income streams. This in turn is driving financialisation within the sector as providers come to treat their land and housing as a pure financial asset, though development activity at scale still remains concentrated among a minority of large, London-based providers.

This thesis has nonetheless found financialisation to be a contradictory process, with major risks building up within the sector as part of the commercialisation agenda and serious consequences for tenants as access to social housing becomes more

restricted. The systematic transfer by the regulatory system of risk downward from lenders, to providers, to tenants, is therefore a crucial means by which financialisation has been maintained in the aftermath of the financial crisis.

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Part One

Introduction to urban financialisation

Chapter one – introduction: austerity and financialisation

“We’re all in this together”

– David Cameron, address to Conservative Party conference, 2009.

1.0. Social housing within an austerity context

This thesis was written and researched in the years in which austerity measures first imposed by David Cameron’s government (2010 – 2016) began to take effect. The global financial crisis of 2007 – 2009 and state-backed rescues of financial institutions brought condemnation for “greedy” banks but failed to bring a crisis of neoliberal practice, with governments continuing to favour market discipline as the basis for social and economic reforms (Crouch 2011; Aalbers 2013). In the case of the UK, so-called austerity measures following the election of the Conservative-Liberal Democrat coalition government (2010 – 2015) took the form of tight fiscal retrenchment, with proponents arguing for its necessity in order to bring down rising government deficits in the recessionary aftermath of the financial crisis (Blyth 2013). Despite promises of an export-led recovery GDP growth failed to rebound to expected levels, causing the government in its 2017 Budget to extend its timescale for reducing the “structural” deficit to beyond 2021/22, compared to an initially planned 2015/16 (Emmerson 2017). The burden of imposed spending cuts nevertheless fell disproportionately onto poor and vulnerable groups in society, making it easy to dismiss Cameron’s urge for unity in this chapter’s epigraph as a hollow attempt by an incoming government to build support for a deeply regressive policy programme (MacLeavy 2011).

As noted by several researchers however, underlying this alleged economic necessity was an ideologically conservative narrative of social crisis, depicting an atomised society unable to earn the rewards of globalisation due to an erosion of mutual trust and responsibility caused by the pursuit of self-interest and an over-interventionist state (Finlayson 2011; Norman 2010). Cameron's appeal to national solidarity can therefore be read as an attempt to mobilise consent through a narrative of "virtuous necessity", in which current sacrifices will ultimately bring a superior moral future, where work discipline and self-control would be rewarded (Clarke and Newman 2012). Budgetary retrenchment and cuts to welfare programmes thus became social engineering, designed to create a society in which individuals took responsibility for themselves and one another without claiming rights from the public. Although the state was cast as a malign influence in this narrative, the welfare state was still seen to have a disciplinary role to play, imposing work expectations and conditionality on people in need of government benefits as part of distinguishing between the 'deserving' and 'undeserving' poor (Kerr, Byrne, and Foster 2011).

The practical manifestations of austerity such as funding cuts, withdrawn universal entitlements and the opening up of public services to for-profit providers are not themselves new, forming part of an ongoing process of neoliberalisation since the economic crisis of the 1970s in which market relations have been progressively extended through greater areas of social life (Whitfield 2001; Peck and Tickell 2002). Recent austerity measures have gone well beyond previous rounds of spending cuts, with fiscal retrenchment providing fresh opportunities for public services to be privatised and outsourced (Peck 2012; Taylor-Gooby 2012). Austerity's impact on housing has been particularly severe, exacerbating already pronounced urban inequalities. From 2010, homelessness statistics rose amid deep welfare cuts and

overall reductions in key housing support streams, reversing a period of decline in officially recognised homelessness since 2002 from record high levels during the 1980s and 1990s (Fitzpatrick et al. 2017). Camps housing homeless people sprang up on the streets of several city centres, even as new investment entered real estate markets (*Salford Star* 2015). Weak wage growth and a recovery premised on “flexible” yet precarious employment (Green and Lavery 2015) combined with an ongoing property boom that outlived the financial crisis to press millions into a growing yet insecure private rented sector in a process concentrated in London, but spreading out to other central urban areas (Dorling 2014).

Housing has become a flashpoint of political contestation in response, as rents and house prices continued to race above wages despite a climate of economic precariousness, cuts to welfare services and an ongoing policy-led erosion of social housing since the 1980s (Edwards 2015). In comparison to campaigns over tenure such as *Defend Council Housing* in the 2000s (Watt 2009), these often took the form of struggles against displacement, featuring high profile groups such as “Focus E15” campaign by homeless mothers in gentrifying areas of the capital, alongside numerous estate-based campaigns against demolition and redevelopment (Lees 2014; Hodkinson and Essen 2015; Watt 2016). Although involving relatively small numbers of people, housing activist networks also organised around conditions in the private rented sector, with the most foremost of these again based in London but increasingly spreading to cities such as Bristol, Manchester and Sheffield.

This introductory chapter sets out a contextual overview of housing associations, providing a brief history of their development and more recent changes undergone by the sector since the 2007 – 2009 financial crisis and post-2010 austerity policies, and the implications these have for the potential for financialisation in the sector. I then set

out a summary of the key themes and research questions of the thesis, and an overview of its primary findings in order to show how this research contributes to the wider literature. The chapter concludes with a review of the structure of the thesis itself and a summary of the contents of its chapters, before moving on in the next chapter in which I show the methodological basis for putting my research questions into practice.

1.1. English housing associations

This thesis analyses the extent to which neoliberalisation and, from 2010, austerity policies enacted in the aftermath of the financial crisis, have enabled financialisation to be further embedded within English housing associations. Housing associations are independent yet regulated entities that have become the dominant social housing providers since the 1980s. Private finance has played a major role in shaping the sector since the Housing Act 1988 formalised the private borrowing of associations, driving initial rounds of consolidation and commercialisation in the early 1990s (Pryke and Whitehead 1993), while the need to provide assurance to lenders has become a structural factor in the sector's regulatory governance (McDermont 2007). These social landlords offer a rich case study for this work due to their hybrid characteristics: they are independent social landlords who act as property managers and often developers in their own right, while also being welfare providers of subsidised housing that are crucial for fulfilling public policy goals such as homelessness rehousing (Cowan and McDermont 2006). Although banks largely scaled back their lending to the sector with the 2007 – 2009 financial crisis, associations have been able to maintain their access to capital through institutional investors in the bond markets such as pension funds and insurance companies, raising the question of what new relations

between providers and lenders are being created and the extent to which this is reshaping the sector.

Housing associations currently form a diverse sector of over 1,500 providers¹. They range in size from small and specialist organisations to large and increasingly commercial developer landlords, managing many tens of thousands of properties. Over 95% of the sector's stock is concentrated among roughly 300 providers, each of whom owns over 1,000 homes, and these comprise the major focus of policy attention and regulatory oversight (Homes and Communities Agency 2017a, 1). Associations do not distribute profits to shareholders, but do operate in order to generate surpluses and are exposed to the risks of development, facing financial losses if a development project fails. They also issue private sector assured tenancies, although of a much more secure form than the assured shorthold tenancies available in the private rented sector (Hughes and Lowe 1995). Although 85% of the sector's income still derives from "general needs" social housing lets, the standard provision and tenancy for people in social housing, since the 1980s many associations have also built low cost products for owner-occupation such as shared ownership (Homes and Communities Agency 2014a, 6). The last ten years have seen increasing commercial diversification among the larger providers into market sale and rent, alongside the development of other areas such as care accommodation and student housing. Larger providers have been able to exploit their assets in order to become prominent developers, in addition to their functions as social landlords (Heywood 2016).

¹ The current statutory designation for housing associations under the Housing and Regeneration Act 2008 is to label them as "private registered providers", reflecting the ability since the Housing Act 2004 for for-profit entities to enter social housing provision. Prior to this, associations were deemed "registered social landlords" under the Housing Act 1996. As the number of for-profit companies that have registered with the regulator in order to become providers of social housing has so far been minimal, this thesis uses the term housing association and registered provider (or "provider") interchangeably throughout the text.

As a sector, housing associations have a long history of charitable housing provision dating back to philanthropists, social reformers and voluntary movements of the 19th Century. For much of the 20th Century these were small and marginal landlords, categorised as private bodies and primarily serving specialist needs within the market (Malpass 2000). Their modern development has nonetheless been heavily shaped by their relationship with government policy as mediated by the regulator, with a formal comprehensive framework first established under the Housing Corporation as a non-departmental government body through the Housing Act 1974 (McDermont 2007)². Combining the role of both funder and regulator until its abolition in 2008, associations would become officially registered providers eligible for funding for roles such as urban redevelopment in exchange for accepting regulatory requirements, including the surrender of powers over disposing of their assets without first gaining consent. The Housing and Regeneration Act 2008 initially split the Corporation's roles into two bodies, with the Homes and Communities Agency (HCA) originally covering funding and the Tenant Services Authority (TSA) responsible for regulation. The incoming Coalition government in 2010 announced the abolition of the TSA however, with its functions incorporated into a separate "regulatory committee" within the HCA from 2012 (Homes and Communities Agency 2012). The government also announced in a re-separation of regulatory functions into a new agency in late 2016, splitting regulatory functions into a new body called the Social Housing Regulator in January 2018, and rebranding the HCA as "Homes England"³.

² The Housing Corporation was initially established one decade earlier in 1964, in order to fund certain types of cost-rent and other societies prior to its role being expanded through the Housing Act 1974 (McDermont 2010).

³ As this most recent reorganisation occurred after the time period analysed in my thesis, the implications of this lie beyond this piece of research.

Prominent voices within the sector are keen to project an image of commercial acumen as a means to providing charitable housing, with representative bodies such as the National Housing Federation (NHF) operating promotional campaigns under slogans such as “In Business for Neighbourhoods”. The role of the state has nonetheless been vital for the sector’s growth, as acknowledged by NHF head David Orr in his presentation of the sector as “the most successful public-private partnership in the history of our economy” (Ebrahimi 2015). Housing associations are still largely not-for-profit entities that do not distribute returns to shareholders (Pawson and Mullins 2010). Many larger associations are nevertheless increasingly commercially diversified since the financial crisis, developing houses for market sale and rent and expanding into other areas such as student and care accommodation, alongside more longstanding products such as low cost home ownership where ownership of a property is split between an association and a tenant (Heywood 2016). Private finance has been essential infrastructure for this process, enabling associations to lever in capital for development and refurbishment in exchange for long term interest repayments, creating an intertwined relationship in which private debt is necessary for achieving public policy goals while social policy acts as a source of accumulation for private entities (Dowling 2017).

Housing associations have been deeply shaped by the neoliberalisation of public housing within the UK, which since the 1980s has transitioned from a “mass” council housing model owned and operated by local government authorities, to an increasingly residualised mixed economy of provision dominated by housing associations (Harloe 1995). The 20th Century saw a major de-commodification of housing through the end of private rented housing as a mass tenure and the establishment of a comprehensive public housing system in the aftermath of both world wars, followed by an equally

transformative re-commodification as much of this stock was privatised from the 1980s (Lowe 2011). Subsidised housing originally took the form of council housing, mass public housing owned and operated by local government authorities and accommodating 31% of the population at its 1978 peak (Malpass and Murie 1994). For a core capitalist economy this represented a major socialisation of housing, although council housing has often been characterised as the “wobbly pillar” of the welfare state (Torgersen 1987) due to its limited universal provision as a tenure for the working class, and one which began to undergo “residualisation” in the post-war decades as more privileged workers began to enter owner occupation (Harloe 1995). The privatisation of council housing formed the leading edge of neoliberal reforms imposed under Margaret Thatcher’s Conservative government (1979 – 1990), which entrenched residualisation within social housing, as much of the highest quality stock was sold to tenants at a generous discount via the ‘Right to Buy’ scheme (Forrest and Murie 1988).

Direct privatisation was accompanied by a complex set of spending and borrowing restrictions preventing local authorities from replacing lost stock that have since been maintained under successive Labour and Conservative governments, leading to the “eclipse” of local government as a direct provider of housing (Cole and Furbey 1994). Although council housing still accounts for 7% of stock within England, with relatively high remaining concentrations in some cities, including London and Manchester, housing associations since the 1980s have been the primary conduit for what has come to be known as ‘social’ housing. The Housing Act enabled the entry of private finance into the socially rented sector, associations have since raised £60bn in debt, compared to £40bn in government grants (Homes and Communities Agency 2017a, 7). The entry of private finance was a hugely significant moment of neoliberalisation,

encouraging rounds of commercial consolidation within the sector as providers faced new requirements to manage their assets as collateral and secure more debt (Pryke and Whitehead 1993). The sector's growth has also benefitted from Large Scale Voluntary Transfer (LSVT) policies underpinned by private borrowing that have transferred council stock directly to new or established associations (Pawson and Mullins 2010). Beginning as a local authority initiative in the 1980s using general powers under the Housing Act 1985 to sell housing stock, and increasingly formally adopted by central government in the 1990s, by 2013 up to 43% of association stock was held by LSVT companies (Homes and Communities Agency 2014a, 5).

1.2. Housing associations and financialisation: a new asset class?

Although private companies have been able to register as social housing providers with the regulator since 2004, associations still largely operate on a not-for-profit basis despite some holding joint ventures for commercial development arms (Manzi and Morrison 2017). This has led prominent academics within housing studies to caution against a simple labelling of providers as private companies in all but name, pointing to the fact that the surpluses they generate are retained within the organisation rather than distributed to shareholders (Pawson and Mullins 2010). Critics, however, counter that this re-commodification of social housing stock through housing associations forms part of a historical process of privatisation, creating future potential for larger and more commercial providers to deregister from the regulator altogether and float themselves on the stock market, converting them in the long term from social landlords to fully commercial property companies (Ginsburg 2005).

This thesis seeks to contribute to these debates over the future direction of social housing in the UK through analysing the extent to which associations may be

undergoing not just commercialisation, but financialisation. Although largely still operated on a not-for-profit basis and with many legally incorporated as charities, many housing associations are large commercial property companies in their own right, holding substantial assets and making sophisticated use of financial securities such as bonds and derivatives. To the extent that associations are reconfiguring themselves as developers and diversifying into areas such as market sale or rent, this also raises the question over the extent to which providers are coming to treat their land and housing stock as assets whose value should be maximised.

In doing so, associations could become incorporated into wider trends of “financialisation” (Lapavitsas 2013), a process in which land and housing have become increasingly central assets for speculation over the past four decades of neoliberal political economy (Rutland 2010; McNally 2009). With a small but growing literature investigating the phenomenon since the turn of the millennium (Froud et al. 2000; Stockhammer 2004; Langley 2006), the years since the 2007 – 2009 financial crisis have seen growing academic attention paid toward the transformation of housing into a profitable asset (Aalbers 2016). The run-up to the crisis saw the notorious expansion of demand by global investors for securitised mortgage assets, with the expansion of credit due to off-balance sheet financing provoking a major property bubble in multiple national contexts, including the UK (Aalbers 2008; Sassen 2009; Fernandez and Aalbers 2016). These connections between housing, urban space and transnational capital flows were mediated by relatively traditional owner occupation markets in the run-up to the crisis. The past ten years however have seen institutional investors expressing growing interest in taking advantage of weaknesses in the mortgage market to target residential rented housing as a new profitable asset class (D. Fields and Uffer 2016; Beswick et al. 2016). Recent years have also seen

institutional investors begin piloting investment models in the UK directly aimed at the provision of affordable housing, raising the prospect of opening a new frontier of accumulation within the UK's re-commodified social housing sector (Apps 2016; Cross 2016).

Though this equity investment has so far been marginal, the growing commercial orientation of larger housing associations raises two-fold question of the extent to which providers themselves are becoming financialised in terms of treating their land and housing as assets, and the extent to which risks are building up within the social housing sector that may create entry points for direct institutional investment. Recent years have seen growing interest within the financialisation literature into social housing, analysing commercialised development models (Smyth 2018; Byrne and Norris 2017), more complex financial models such as bond issuance (Wainwright and Manville 2017), and the risks of financial instruments such as derivatives (Aalbers, Loon, and Fernandez 2017). As indicated above, commercialisation within the housing association sector has also attracted attention, with Manzi and Morrison (2017) warning of the potential for growing risks that may drive permanent changes through the sector, to the detriment of tenants as they face weaker security of tenure and more commercially-oriented landlords.

My thesis contributes significantly to these debates through an in-depth and historically grounded analysis of the financialisation of English housing associations. A key contribution of this research is that it connects debates within different disciplinary silos, bringing to bear the insights of socio-legal geography onto how private financial interests are territorialised within social housing, a crucial issue given the nature of the tenure as a regulated sector (Blomley 2003a; Blandy and Sibley 2010; Cowan and McDermont 2008). Analysing financialisation as a form of governance, particularly with

regards to the control of risk (Bryan and Rafferty 2014b), in this thesis I adopt a qualitative approach grounded in critical urban political economy combined with socio-legal geography to analyse how financialisation has functioned as a form of governance in the sector.

In particular, I argue that the construction of housing associations as an asset class has required an active and ongoing mediation through legal and regulatory frameworks, including the “private regulation” (Scott 2002) given by professional financial services providers, to attempt to represent and align associations as risk-taking, entrepreneurial organisations. Crucially, I argue that this has involved a rescaling of reasonability for managing risk onto the level of the individual provider, further embedding drives toward providers acting as commercial providers. The costs of this process have the potential to be passed down in turn onto housing association tenants, who are likely to face more exclusionary lettings policies and the increased exposure of their landlords to the risks of speculative urban development, potentially placing their homes at risk. There are nonetheless contradictions and nuances within this process, with the need for housing associations to ensure a stable tenant base in the context of welfare cuts leading them to put resources into gaining knowledge of their tenants in order to prevent rent arrears before they occur. Throughout this thesis I argue that financialisation should be considered an inherently political project, rather than a technical process of increasing housing supply, contributing to the literature by providing an in-depth analysis of how financialisation has been enabled to continue in the aftermath of the crisis through legal and regulatory regimes systematically transferring responsibility for risk management down from lenders, to providers, to tenants.

An additional significant contribution of this research is that it advances an analysis of financialisation as a spatial and urban process (French, Leyshon, and Wainwright 2011), showing how the enactment of financialisation through commercial development models is contributing to an ongoing expulsion of social and affordable housing from central urban areas. As such, I argue that financialisation represents a form of “accumulation through dispossession” (Harvey 2007a), adopting a Marxist analysis to demonstrate how the restructuring of associations as a profitable asset class is leading to weakened security for low income urban inhabitants. As such, I advance recent academic calls for concern over the erosion of the “social goals” of associations (Manzi and Morrison 2017), by showing the need to adopt an explicit conception of spatial justice and the right to the city (Lefebvre 1991) in attempts to conceive of the harms of financialisation.

Finally, my research also contributes to important debates within the literature that have sought to clarify the nature of financialisation, in particular the need to specify both the limits of the phenomena, to prevent its theoretical degeneration into a circular concept that explains both everything and nothing (Christophers 2015), and the need to analyse the practices through which financialisation is achieved (Ouma 2016). As already shown, my research contributes to the latter through an analysis of financialisation as a form of governance, in particular how social housing legal and regulatory frameworks are being reconfigured to control and distribute risk. My research contributes to the former by analysing financialisation as a spatially and temporally bounded process, advancing the theorisation developed by Montgomerie and Büdenbender (Montgomerie and Büdenbender 2015) in an analysis of the limitations of asset-based welfare in homeownership, to showing the limitations of

financialisation as a sustainable strategy for social housing (cf Smyth 2018 on the limits to commercial development).

Specifically I argue that the post-crisis era, perhaps surprisingly, has been a relatively benign economic period for housing associations. Although banks scaled back long-term lending to the sector due to the increased costs of their own funding, associations have been able to continue their access to long-dated debt through the bond markets, in particular issuing bonds to pension funds and insurance companies who are attracted by long-term, stable assets such as social housing that have implicit guarantees of state protection. Ultra-low interest rates due to unconventional central bank policies have kept down borrowing costs, enabling the surpluses made by providers to rise. Although welfare cuts have placed pressure on tenants, these have not yet had a significant impact on the rental streams of providers. In addition, continued rising land values due to ongoing real estate speculation in areas such as central London has given some associations the opportunity to sell assets and raise the revenues to develop at scale.

This favourable conjuncture (Engelen et al. 2010) for associations has both geographic and temporal limits however, dependent on a concentrated speculative urban land boom and subject to conditions such as low interest rates that are highly unlikely to persist over the long term. If risks crystallise, for example through an interest rate rise or market downturn, then providers with exposure to commercial development could begin entering financial difficulty. The sector since the crisis has already seen at least one such incident in the case of Cosmopolitan Housing Group, a Merseyside-based association that nearly collapsed following an over-ambitious expansion into student housing, creating serious liabilities against its social housing assets and necessitating a major regulatory intervention (Underwood, Kane, and Appleby 2014).

Similar events could see new rounds of merger and consolidation in the sector, as larger providers effectively takeover the assets of smaller social landlords, producing a more commercialised sector. Alternately, losses within social housing could potentially open up the potential for new forms of equity investor referred to above to buy their way in to the sector, opening up new frontiers of accumulation through dispossession in social housing.

Given the potential consequences for the security of social housing, the dynamic processes and outcomes of financialisation are therefore an urgent area of study, which my thesis contributes to by offering an in-depth analysis of the risks that are being built up through the financialisation agenda, and the consequences for social housing providers and tenants. In the remainder of the chapter I now give a contextual overview of the impacts of austerity policies for the sector, and their relevance for financialisation, before turning to my research questions and summary of the thesis.

1.3. Housing associations under austerity urbanism

Tendencies toward commercialisation within housing associations have faced renewed pressure under austerity, as associations have come under pressure to secure commercial funding while tenants have experienced renewed assaults on their legal tenancy rights and their entitlement to be securely housed. Social housing has been a major site of government reform in this process. Influential reports in conservative-linked think tanks such as Policy Exchange have explicitly argued for eroding security within social housing, arguing that its security of tenure plays a causal role in generating unemployment and economic inactivity through undermining incentives to find work (Morton 2010). Such an assertion is dubious given the long process of residualisation in the sector and an allocations system governing access

based on defined needs, including on the grounds of sickness and disability, but recent years have nonetheless seen extensive attacks on legal protections for security of tenure, and tenant incomes themselves through social security cuts. Cuts to housing benefit for example have included caps on maximum rents for each property size, reductions in shared room rates for people under 35, and maximum rents being set at the 30th rather than the 50th percentile of local rents, reducing the affordability of areas for claimants. Incapacity benefits have been replaced by a new “Employment Support Allowance” with more stringent criteria and mandatory retesting, in addition to cuts to child benefit and tax credits used by people on low incomes (Beatty and Fothergill 2014, 66).

These have had a serious and disproportionate impact on social housing tenants of below retirement age, many of whom are disabled or reliant on out of work benefits (Beatty and Fothergill 2014). Direct cuts to housing benefit used to subsidise rents have included a reduction in entitlements for people in social housing deemed to be in “under-occupation” due to possessing one or more spare bedrooms, a controversial measure politically dubbed the “bedroom tax” by opponents and critics (Carr and Cowan 2015). As shown below in Figure 1.1, this has come as part of a rapid succession of reforms and policy changes to the sector under austerity, cumulatively driving social housing into a more precarious and commercialised system of provision.

Figure 1.1. Key post-financial crisis regulatory and policy events

Year	Event	Impact
2007 – 2009	Global financial crisis.	Banks scale back lending to the sector. Housing developments come under commercial pressure. Gordon Brown government launches National Affordable Housing Programme 2008 – 2011.
2008	Ujima housing association undergoes bankruptcy.	First major insolvency in housing association sector. Stock merged with L&Q after regulatory intervention.
2009	Sanctuary housing association issues bond.	Return to the capital markets by housing associations.
2010	Election of Conservative-led Coalition government.	Beginning of “austerity” policies.
2011	Localism Act 2011	Introduction of Affordable Rent tenure. Ability to grant “flexible tenancies” with a minimum secure period of two years.
2012	Welfare Reform Act 2012	“Bedroom tax” introduced among range of welfare cuts that undermine social housing tenant incomes.
2012	TSA abolished. Affordable rent introduced.	TSA regulatory functions subsumed into HCA “Regulation Committee”. Introduction of new regulatory framework in which tenant protections are downgraded and subject to a “serious detriment” test before the regulator can intervene.

		Development subsidies targeted toward “Affordable Rent” product with rents able to be charged at up to 80% market rate.
2013	Cosmopolitan housing association nearly collapses.	Collapse due to failed investments in student housing. Regulatory concern over ability of associations to manage risks.
2013	Major rounds of welfare cuts implemented.	Future potential for increased rent arrears.
2015	New regulatory standards announced.	Introduction of requirements for stress testing and asset and liability registers.
2015	Re-election of Conservatives with working majority.	Announcement of Right to Buy expansion, regulatory liberalisation, imposition of mandatory rent cut of 1% between 2016 – 2020. ONS reclassifies debt as public sector.
2016	Housing and Planning Act 2016.	Deregulation of housing association consents regime, basis laid to enforce local authorities to sell-off “high value” council housing.
2016	EU referendum.	UK votes to leave EU, David Cameron resigns and is replaced by Theresa May as Prime Minister.
2017	Snap general election in June.	Conservatives lose majority but continue as minority government.

Early research on the impact of such welfare cuts indicated the potential for driving lasting changes in the relation between providers and tenants, with social landlords taking a harsher stance on ensuring rents were paid on time (Power et al. 2014). Caps

on the total annual benefits receivable by a household, initially set in 2010 at £26,000 for a family and £18,200 for a single person without children, acted as a de facto cut in housing benefit for people with large families or living in high rent areas, with further reductions in 2016 predicted by a government impact assessment to push the impact out beyond London and affect 88,000 people (Kennedy et al. 2016). Although predictions of mass arrears within social housing that affect the income streams of housing associations themselves have not yet materialised, a cause for concern in the sector is the planned rolling of existing benefits into a single “Universal Credit” which, unlike housing benefit, will be paid directly to the tenant rather than the landlord (Kennedy, Keen, and Wilson 2017). If fully implemented this has the potential to undermine rental streams if tenants with minimal disposable income cut back on rent to manage debts or other expenditure, with media reports indicating fears among local authorities and housing associations over widespread arrears and payment delays (Butler and Holmes 2017).

Weakened certainty over rental streams has been accompanied by a simultaneous and concerted rolling back of tenure security. The Localism Act 2011 has removed the statutory underpinnings for so-called “lifetime” assured tenancies by ending the requirement that social housing providers grant the most secure form of tenancy possible (Parkin and Wilson 2016). As part of this process the government also created a new form of “affordable rent” tenure, under which tenants had similar rights of security but could be charged at up to 80% of market rent, intended to shift the basis of housing association finance from grant subsidies to the rental streams of tenants (Wilson and Bate 2015). The use of these new powers has been uneven, with associations often still preferring to issue assured tenancies after a probation period, but within a wider context of higher risks and pressure to source commercial income

there is now scope for fundamental changes to the sector in the form of greater marketisation and greater insecurity for social housing tenants (Hodkinson and Robbins 2013). The future direction of these policies has recently become much more subject to uncertainty in the aftermath of the 2015 general election however, with the next section providing a brief summary of recent developments before the chapter moves on to my research questions and the structure of this thesis.

1.4. From austerity to the 2015 general election and its aftermath

The unexpected re-election of Prime Minister David Cameron with a full governing majority in 2015, as opposed to the continuation of a hung Parliament with no overall control, enabled the Conservatives to ditch their previous coalition agreement with the Liberal Democrats. This paved the way for a far more aggressive pursuit of a home ownership agenda in housing policy. Political attention that year zeroed in on a pre-election Tory manifesto pledge to extend the right to buy to all social tenants living in housing associations, enabling them to purchase their homes at a discount. Although the government would compensate associations for their lost stock, with the stated intention that this would promote new housebuilding investment, this would be funded by a forced sell-off of council housing located in “high value” areas, while critics warned the policy would decimate the stable asset base of providers that enables them to borrow to develop (Wilson and Barton 2017). With replacement stock likely to be built in areas with cheaper land values, the right to buy extension and the council housing sell-off together would be likely to drive the further peripheralization of social housing as central urban areas become ever more unaffordable. This would be a major disruption for the sector if it were to be implemented, though the uncertain impacts of the policy at the time of writing means that it lies mostly outside the scope of my thesis.

The announcement of the policy during the 2015 election provoked open condemnation from the National Housing Federation (NHF) and other prominent voices within the sector (Orr 2015). Conservative victory was followed by media reports in both the liberal-leaning *Channel 4 News* and the Conservative-linked magazine *The Spectator* that were highly critical of housing associations on the grounds that they were failing to build sufficient housing (Ebrahimi 2015; Clark 2015). Following the election in the autumn of 2015, the ONS also temporarily reclassified housing association debt as belonging on the public books due to a review of the strength of regulatory powers in the Housing and Regeneration Act 2008, leading to a major series of deregulatory powers over stock and board management in the Housing and Planning Act 2016. This came alongside veiled threats by the then-chancellor George Osborne that the Treasury was considering privatising its stake in its historical holdings of housing association grant by selling it to investors at a discount, who might then demand repayments at interest by the sector, a proposal soon dropped but which would dramatically increase the sector's costs (Giles and Allen 2015). Additional measures in the Act also undercut the provision of new social housing through the planning system, enabling so-called Starter Homes built by developers for a 20% discount to be used to fulfil affordable housing requirements, adding to a general watering down of planning obligation powers that could be exercised by local authorities (Cromarty 2017). Collectively, these measures represented "class war Conservatism" (Hodkinson and Robbins 2013), threatening to erode the ongoing provision of social housing in the UK in favour of attempts to revive an expansion of home ownership that had stalled since 2003 (Heywood 2011), well before the financial crisis.

Perhaps the most damaging measure for the finances of housing associations was the imposition of a mandatory annual 1% rent cut from 2016 -2020 for housing providers through the Welfare Reform and Work Act 2016, intended to bring down housing benefit costs but with extremely high costs to the sector's revenue base (Homes and Communities Agency 2017b). Subsequent events have thrown the future of this neoliberal policy agenda into question, however, while placing this moment of Conservative ascendancy into doubt. Despite vocal initial protests against the Right to Buy expansion, the housing association sector ultimately acquiesced to a voluntary agreement to implement the policy in late 2015 brokered by the NHF, including the pledge to organise development programmes so as to promote a home ownership agenda (National Housing Federation 2015). Initial pilot trials have revealed serious implementation issues however, for example the ability of tenants to access mortgage finance, leading to speculation that the policy would ultimately be quietly ditched (Cole et al. 2017). The referendum vote for the UK to leave the EU in June 2016 led to the immediate resignation of Cameron and Osborne and the elevation of the less economically liberal Theresa May to the premiership, resulting in a partial restoration of lost capital grant funding for social rented housing. In October 2017 the government also quietly announced the restoration of the ability of housing associations to raise rents above inflation according to a formula of 1% plus the Consumer Price Index from 2020 to 2025, easing the pressure on the sector's finances (Apps 2017).

May went on to lose the Conservatives' governing majority in a snap election in 2017, intended to strengthen her hand with Eurosceptic MPs prior to EU negotiations but resulting in another hung Parliament and raising the future prospect of a Corbyn-led Labour government that may attempt social democratic measures rolling back at least some of the past four decades of neoliberal housing policy. June 2017 also saw the

horrific disaster of an out of control fire in Grenfell Tower, a high rise social housing block in North Kensington, killing at least 68 people. This raised public criticism over the potential role played in the blaze by long-term neglect, profiteering, and a contempt by authorities for social housing residents who are disproportionately working class and people of colour (Foster 2017). Speculation on whether this leads to a political reassessment of housing in the UK is beyond the scope of this thesis, with future years subject to considerable uncertainty and issues such as exit from the EU, the return of far-right political movements, and ongoing economic malaise likely exacerbating social tensions that have come to the fore in the past decade.

Given this context, the potential for financialisation to drive further exclusions and dispossessions within English housing associations is an urgent area for study. I now turn to set out my research questions for investigating this process, and how my thesis is structured in answering these questions.

1.5. Research questions and thesis structure

In exploring the issues covered in this chapter, my research is focused on three related questions:

1. To what extent does financialisation entail a new form of governance in housing associations? What are the features of this governance?
2. To what extent have housing associations adopted financialisation? Are there any bounds or limits on this process?
3. What are the likely risks this process generates, and how are housing associations and the regulatory framework adapting to these risks?

In exploring answers to these questions, my thesis is structured into four parts. The first part consists of this introductory overview and my methodology chapter, setting out the context of my research and my strategy for pursuing my research questions. Part Two of the thesis, incorporating Chapters 3 to 4, is grounded in my theoretical analysis of financialisation, setting out an analysis of the concept itself, before turning to analyse how financialisation operates through the production of space via the urbanisation of capital within the built environment. I also analyse the definitions and characteristics of social housing within this section of the thesis, drawing on critical socio-legal geography to probe how the sector has been treated within a historical context of neoliberalisation since the 1980s. In Part Three of my thesis covering Chapters 6 to 9, I analyse the findings of my fieldwork data, combining in-depth qualitative interviews with social housing stakeholders and an extensive documentary analysis of financial industry, regulatory and social housing sector reports. In doing so, I successively unravel the key features of the power of lenders within the regulatory system, the turn to the capital markets and institutional investors, the impact of austerity on development programmes, and the risks generated by this process. The final section of the thesis concludes by drawing the threads of my argument together, demonstrating how I have answered my above three research questions through each of the chapters, and considering the implications for social housing policy in the future.

To summarise each chapter, in Chapter 2 I first justify the epistemological foundations of my methodological approach, arguing for a theorisation of research as a practical activity aimed at knowledge production, always already embedded within social power relations. As such, all research is political, and I explicitly adopt a critical stance toward financialisation. In the second section I provide a brief definition of the key term of my thesis, financialisation. In the third section I set out my research design and how this

applies to my exploration of my three primary research questions. In the fourth section I provide a brief overview of Manchester, as a limited case study for practitioners interviewed in this research. The fifth section reflects of the research process itself, and how this has influenced my aims, goals, and research questions.

In Chapter 3, the first chapter of Part Two of this thesis, I explore the theorisation and history of financialisation within the academic literature as part of deriving my own theoretical approach. In the first section I examine the broad schools of thought which have analysed financialisation, and the methodological implications of these approaches. In the second section I analyse the political economy of financialisation, paying specific attention to Marxist and post-Keynesian schools of thought, while advocating a Marxist framework. The third section analyses Marxist analyses in more detail, including how the institutional structure of the financial sector is changing with respect to housing. In the fourth section I consider the contributions of cultural political economy to the financialisation literature, while in the fifth section I argue for my own approach that combines a historical materialist analysis with an examination of financialisation within social housing, while the sixth section specifically considers the financialisation of housing.

In Chapter 4, I analyse financialisation as a situated, urban process, and how it relates to the wider neoliberalisation of cities over the past 40 years. In the first section I theoretically analyse neoliberalism as a concept, including attempts by human geographers to nuance an analysis of neoliberalism and show how it is vulnerable to contestation and disruption. In the second section I analyse the contributions of Marxist political economy to a theorisation of urbanisation, focusing in particular on the contributions of the geographer David Harvey, including his analysis of the re-commodification of urban space as a process of “accumulation through dispossession”

(Harvey 2007a). In the third section I analyse how critical scholars have analysed this in relation to displacement in housing, while the fourth section brings financialisation into the debate, analysing how capitalist urbanisation creates crisis tendencies in the production of the built environment. In the fifth section I analyse the contribution of legal geography to this analysis, showing how property rights are territorialised in the urban landscape, and its relevance to an analysis of social housing.

In Chapter 5 I turn to the question of social housing specifically, analysing how housing studies and critical socio-legal studies have analysed changes to housing associations. The first section critiques the housing studies literature, in particular the “hybridity” framework used in the literature. The second section analyses the historical development of associations, arguing that the hybridity literature pays insufficient attention to political economy and the role of lenders in structuring social housing. In the third and fourth sections I examine the historical development of the concept of social housing in relation to the erosion of public housing and the development of a mixed economy of welfare state provision. The fifth section examines how this has introduced economic rationalities as a technology of governance of social housing, while the sixth and seventh sections analyse how risk itself should be conceptualised as a key concept within an analysis of financialisation and neoliberal urbanism.

In the sixth chapter I begin Part Three of this thesis, drawing on original fieldwork data and an extensive documentary review to analyse how the housing association sector is undergoing transformation. In the first section I analyse the core features of the development of the post-Housing Act 1988 regulatory regime in the run-up to the financial crisis. In the second section I argue that a key feature of this model has been the transfer of the risks of speculative development to associations and the removal of uncertainty for lenders, for example through the collateral system governing the

secured borrowing of housing providers. In the third section I examine the power relations this creates between lenders, providers, tenants and the regulator, adopting the concept of territorialisation (McDermont 2007; D. Fields 2015) to examine how financial sector actors have been able to establish property claims on urban space, for example through forms of valuation used by the sector.

In the seventh chapter I analyse the impact of the financial crisis and the turn to institutional investment by associations. The first section examines the immediate impact of the crisis for the financial model used by housing associations, analysing the withdrawal of banks from long term lending and the turn toward the bond markets by associations. In the second section I show how associations have taken advantage of the capital markets to restructure existing debt, for example through refinancing restrictive loan covenants on their bank debt. In the third section I analyse how associations have used this flexibility, for example through small-scale derivatives trading. In the fourth section I tackle the question of institutional investment, arguing that the financial sector has so far struggled to develop a profitable model that can be scaled up within housing. The fifth section finds that investors seeking higher returns have nonetheless begun to enter the affordable housing market, with troubling implications for the ability of associations to be able to adequately negotiate such deals.

In Chapter 8, I turn to analyse commercial development within the housing association sector. In the first section I analyse the affordable rent model, arguing that this is likely to drive further marketisation through the sector. In the second section I analyse commercial diversification within the sector, arguing that this has been done to compensate for lost grant levels, in particular through an expansion of shared ownership and market sale housing. In the third section I theorise this as a form of

financialisation within the sector, with associations motivated to treat their land and housing as pure financial assets. In the fourth section I argue this is unlikely to lead to more affordable housing, due to the need of providers to protect their profit margins in development. In the fifth section I analyse this as a form of dispossession, paying specific impact to the impact of deregulatory measures in the Housing and Planning Act 2016. In the sixth section I explore nuances in how this has been interpreted within the sector, while the seventh section conducts an analysis of the specific urban features of housing association financialisation with respect to the regional English city of Manchester.

In Chapter 9, I analyse the risks generated by financialisation. In the first section I find evidence of growing risks within the development models used by associations. In the second section I analyse the case of Cosmopolitan Housing Group, arguing this raises severe questions about risks in the sector. In the third section, I explore the regulatory response to these risks. The fourth section examines in particular the establishment of a court-appointed administration system in the event a provider defaults, arguing that this reflects a weakening of the influence of the regulator over lenders. In the fifth section I analyse how this regime privileges creditors, while in the sixth I explore the likely consequences for tenants. Building on the urban analysis in Chapter 8, the seventh section explores how these risks are mediated by Manchester housing practitioners in order to examine financialisation's emerging risks.

Chapter 10 is my conclusion, bringing together the different aspects of my analysis. In the first section I reflect on my research methodology, and how this has enabled me to answer my research questions. In the second section I consider my first research question, arguing that financialisation has operated through rescaling the risks of social housing finance on to providers and their tenants. In the third section I explore

my answer to my second research question, arguing that housing association financialisation should be analysed as a bounded process and not a sustainable solution to the housing association sector. In the fourth section I consider my third research question, in an analysis of these risks and how they are likely to be governed within the housing association sector. The fifth section brings together my theoretical contributions, while the sixth section concludes the thesis by briefly reflecting on the implications of my research findings for the future development of housing associations.

Chapter Two - Methodology

2.0. Introduction

Financialisation is often presented as an abstract, disembodied process operating at a remove from cities, housing, and daily life. This thesis has been researched and written as a process of knowledge production aimed at overcoming this notion of “distance” (Clapp 2014), making more visible the relations and processes by which finance is reshaping English social housing providers within an urban context. Between 2013 and 2017 I conducted a qualitative study of housing association finance, analysing the extent to which changes to the sector’s lending, legal and regulatory frameworks and development activity were shaping the priorities and operations of housing providers. In doing so I used methods including semi-structured interviews of elites shaping social housing policy, a documentary analysis of numerous reports emanating from the social housing sector, real estate and financial industries, solicitors firms, government reports and regulatory documents, and interviews with housing practitioners in the northern English city of Manchester. Though this research is not a case study, in that Manchester does not form the unit of analysis, the city was deliberately chosen so as to generate data as to how these processes are operating in a spatial context outside the capital of London, in order to capture the geographic variation by which these processes manifest.

My central motivation in this research is a concern with a critique of the presentation by some figures within the social housing sector of financialisation as a means of meeting the ‘social goals’ of housing associations, namely through enabling increased supply at a time of cuts to government development subsidies. Rather than assuming that this is a technical process of removing imbalances between supply and demand,

this research examines how financialisation has been historically constructed as a form of governance for the sector, the risks that commercialisation has created, and the consequences of the attempts by associations and the regulatory framework to control these risks. While this research focuses on housing associations, its key contribution is concerned with bringing together analyses of social housing within different sub-fields of housing studies, human geography, and socio-legal research, in order to show how post-crisis financialisation has relied on insulating lenders from heightened levels of risk and uncertainty in the years following the 2007 – 2009 financial crisis. It is therefore hoped that its relevance goes beyond social housing researchers to those interested in how finance and neoliberal urbanism interact to shape cities, in order to aid attempts to construct political alternatives to the class and other social inequalities this generates.

In doing so, this research situates itself within the broader field of critical human geography, though drawing on the sub-field of socio-legal geography as a crucial method for analysing the regulatory frameworks that distinguish social housing from other tenures. Social housing is not synonymous with housing associations, and a key finding of this research is the extent to which some providers are reconfiguring their priorities toward commercial development and other market-oriented services. I nonetheless refer to social housing in the text to emphasise the degree of direct government intervention and subsidy within associations in comparison to the private market, which directly shapes their operations through their stock management, tenant demographics and borrowing capacity. As a piece of knowledge production situated in the critical social sciences, this research is explicitly grounded in epistemological critiques of theorisations of knowledge that present it as the impartial discovery of hidden realities by a disinterested observer (Harding 1987; Haraway 1988; Allen

2009). Instead, it aims to de-naturalise neoliberal conventions, such as the governance of urban space by market forces, in order to show their predication on unequal power relations between lenders, providers and tenants (Andrews 2002).

As a piece of research made possible by the institutional structures of a PhD, with supervision, training, and a community of fellow researchers that have developed my capacity as a researcher, this study has been shaped by the conventions, procedures and practices of its academic setting. To that extent, it uses traditionally-sanctioned qualitative methods of academic knowledge production, while recognising the inherently situated nature and limitations of any presentation of the world that is restricted to one set of causal narratives and explicitly adopting an orientation toward emancipatory political ends. The unavoidably political nature of knowledge production means that this methodology chapter will therefore begin with a brief discussion of its epistemological foundations, before explaining how these have shaped both the development of my methodological framework, and the methods I have used to analyse financialisation within housing associations.

The remainder of this chapter is structured as follows. In the first section I draw on epistemological developments grounded in the critical social sciences for adopting a view of research as a process of practical knowledge production, inherently embedded within social power relations. Although this does not mean that methodological rigour is not an essential part of research, it also means that researchers have an ethical duty to be clear about the political nature of their research aims, methods and goals. In the second section I give a brief definition of the key term used throughout this thesis, namely financialisation, while the third section sets out my research design and key questions. The fourth section details the key research methods that I have used.

The fifth section reflects on the process of research itself and how it influenced my aims, questions and scope of analysis, before the chapter concludes.

2.1. Knowledge production within housing and urban research

For at least the past five decades, the field of human geography has been subject to calls for academics to address their research toward the problems of radical social change. From key texts such as David Harvey's 1974 *Social Justice and the City* (2009) and the 1969 founding of the left journal *Antipode*, to the poststructuralist challenge to reclaim subaltern identities in the 1980s (Blomley 2006), "critical geography" has become an established sub-field in its own right. This has been so even as universities have undergone successive rounds of neoliberalisation on an institutional level, leading to questions as how to counteract separations between scholarship and activism (Chatterton 2006; Pickerill, Chatterton, and Hodkinson 2010). As part of these intellectual movements, feminists and other thinkers have critiqued the basis of research within academia, challenging positivist conceptions of the (ideally) disinterested researcher as a discoverer of pre-existing, objective facts about a social world describable by one set of narratives and meanings (McDowell 1992; Harding and Norberg 2005). These raise important questions in respect to the power relations involved in the production of any research, which this first section shall now consider.

In her feminist analysis of social science research, Harding (1987) sets out a three-fold distinction between epistemology, in the sense of the grounds of knowledge, methodology, a theory and analysis of how research should proceed, and method, the tools of inquiry. In doing so, she questions the positivist emphasis on method as the arbiter of valid knowledge, in which hypotheses are tested against data to confirm or

invalidate a generalisable theory. Within this framework, although the 'bias' of the researcher may be conceded as inevitable, it is nonetheless a variable that ideally should be eliminated as far as possible from a research design. For Harding, this emphasis on method neglects the power relations implied between the observer and observed however, ignoring the hidden assumptions as to who is the *agent* of knowledge given the dominance of masculine, white, and ruling class perspectives and interests in society (Ibid., 3). Crucially for Harding, a researcher can never be an abstract and disembodied entity, but is rather always a "real, historical individual", whose experiences and identity will always shape which questions are asked, and which are not asked (Ibid., 9).

The aim of this critique is not to conclude that any and all research is therefore relativist, or that the consistency and integrity of methods, data analysis and argumentation are pointless. Instead, as argued by Haraway (1988), it should be stressed that research is a *practical* activity in which the production of knowledge inherently affects the world through the creation of concepts and rhetorics that are used as a guide to action. In doing so, the researcher is never innocent of the existing relations of power and domination that inhere in society, making research at all stages of formulation, data collection, analysis and presentation a deeply political process. A critical task is therefore for researchers to be open about their goals, acknowledge the partiality of the forms of knowledge they produce, including who it is produced for, while also recognising the political responsibility to contest forms of knowledge that reproduce injustice and oppression in the world as part of their method of representation. The discursive construction of a house owned by a housing association as a financial asset, for example, suggests the need for associated practices of monitoring, valuation and control that may override its other uses, such as

the home of a tenant, in the process of upholding the private property relations through which it is defined (Blomley 2011).

These epistemological issues have been reflected within housing studies by a debate that cuts to the heart of questions of power and knowledge in research. Drawing on a critical assessment of the role played by academics in devising the Housing Market Renewal (HMR) programme, a controversial policy that involved the intentional demolition of working class homes, Allen (2009) has argued that researchers in housing studies have made fallacious claims to the superiority of their own knowledge production over and above that of people's lived experience. For Allen, this is a problem that goes beyond the need identified by Kemeny (1992) for housing researchers to consider the grounds of their knowledge in devising research questions independently of those demanded by policymakers. Rather, he suggests that both empiricist and more theoretically-minded researchers are complicit in a process of "symbolic violence" (Bourdieu 1992) due to academics adopting a scientific discourse that rhetorically invokes an objective distance between 'scientific' observers and the studied observed, erasing the power relations in which academic researchers are themselves embedded⁴. This unjustifiably problematises the actual practices and ways in which people inhabit housing, demanding explanatory criteria on working class and other housing inhabitants that would make no sense against the terms by which they live their own lives (Allen 2009, 66).

⁴ Within this argument, the distinctiveness of academic discourse lies in its literary qualities as a form of rhetoric capable of motivating action in the world, articulated so that it is intelligible in terms of elite-led discourses of knowledge production. Or, as put by the political economist Joan Robinson in another disciplinary context: "The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists" (Robinson 1955).

As with the feminist critiques of the situated nature of research above, this is especially problematic given the intertwined nature of housing research with neoliberal policy agendas that, in Allen's argument, are complicit in processes of dispossession and urban inequality to the benefit of the powerful, and to the detriment of the working class (for a response, see Flint 2011). A full consideration of the complicity of urban neoliberalism in these processes will be given in Part Two of this thesis. What is relevant here are the methodological implications for housing research. For Allen, the conclusion to draw is not that research is a pointless activity, but that researchers must drop claims to scientific superiority over lived experience, instead seeking to "understand that, and how, 'scientific' knowledge of the urban serves the power, domination and exploitation of some social groups over other social groups" (Allen 2011, 95). The solution is for academics to explicitly view themselves as engaging in political practice through research, and to seek to make it the basis of an open dialogue with others in attempting to change the sources of oppression that are mediated through housing (Allen 2016).

This conclusion is a challenge to this research project however, which seeks to produce knowledge of a phenomenon, financialisation, that could be construed as laying claim to theorising and problematising housing without reference to how social housing tenants experience, reflect on, or create counter-narratives to the process (cf D. Fields 2015). While acknowledging this as a limitation of the present research, I would argue that this still has value as a piece of militant inquiry (Halvorsen 2015) intended as a contribution toward a more progressive urban and housing politics. Firstly, ideas developed through academia still carry power and social weight in policy terms that can still be useful to political struggles (Mitchell 2004), while as put by Pickerill et al (2010, 263) a "critical distance" can be useful in bringing out particular

readings of events that may otherwise remain submerged, though this should be considered as part of an ongoing dialogue. Second, as argued by Clapp (2014) in the context of food politics, financialisation involves an abstraction and distancing from the provision of commodities from which it extracts value. As suggested by Fields (2017), within housing financialisation this operates both on the level of the physical distance between internationally-mobile capitalist firms and those living in the houses they profit from, and through the dispersal of responsibility among various middlemen, intermediaries and local and national actors, disrupting accountability. An important goal for my research is therefore to make visible these precise connections (Clapp 2014), the ease of which is greatly enabled by the resources, training and technical capacity academia brings.

Finally, it should be stated at the outset that throughout the thesis I adopt a Marxist problematic, ultimately analysing financialisation as a form of accumulation through dispossession as theorised by David Harvey (2005, 2007a), though mediated through several forms of abstraction, not least legal and regulatory frameworks that have attempted to mould associations as risk-taking, entrepreneurial enterprises. This raises the potential objection that historical materialism exhibits many of the negative features described above of scientific abstraction, downgrading lived experience in favour of a deterministic theory that unveils hidden truths that are otherwise obscured by false consciousness. In response, with Andrews (2002), I would maintain that a key Marxist insight is in how social relations, such as commodity production, become normalised through our everyday practice so that they appear natural and unchanging, obscuring their historical origins. The key critical task is therefore not to uncover hidden realities underneath illusory forms, but precisely to de-familiarise and historicise those forms that would otherwise seem commonplace or inevitable. As this

thesis will show for example, the treatment of housing associations as an asset class is far from natural or a result of the retreat of the state, but an ongoing process of governance mediated by legal and regulatory frameworks, which far from an inevitability should be considered a high risk and precarious achievement.

2.2. Defining the key term of this research: financialisation

The previous section reviewed the major epistemological issues raised by this research, arguing in favour of the need to adopt a situated approach with the goal of making visible the abstract connections between financialisation and social housing. This section now turns to the methodological question of how I apply these considerations to the research design of this thesis, beginning with an analytical definition of the key concept I use to analyse housing associations: financialisation. A full analysis of the concept and its history will be carried out in chapter 3 of this thesis, in order to critique academic usages of the concept. This section instead summarises the key methodological implications of how I use the term, so as to inform my research design with which I analyse the phenomenon within housing associations.

At a methodological level, financialisation has been studied through three broad approaches within academia. The first draws on political economy, chiefly through Marxist and post-Keynesian analysis, to investigate financialisation as a long-term structural transformation within capitalism, resulting in structural changes in capitalist accumulation and the relations between workers, households, and financial and non-financial enterprises, generally concurring on negative effects for inequality and economic volatility (Epstein 2005; Lapavitsas 2013; Fine 2013). The second “Critical Social Accountancy” school is largely connected to research teams associated with Julie Froud and Karel Williams at the University of Manchester, which draws on a

broad range of cultural economy and post-Keynesian scholarship to provide in-depth analysis of corporate restructuring and welfare state transformation (Froud et al. 2000, 2006). Sceptical over the identification of structural epochs, these draw on a more cultural political economy approach that analyses the discursive construction of economic categories to examine financialisation in terms of the channelling of corporate and household savings into speculative activity (Froud et al. 2006). This comprises an economic 'frame' that leads to successive meso-level 'conjectures' lasting between 5-7 years, in which profitable strategies attain a level of coherence before fragmenting and giving rise to new conjunctures (Engelen et al. 2010). Whereas financialisation for political economists comprises a regime of accumulation that has persisted throughout the neoliberal era with origins in the 1970s, the critical social accountancy school is more wary of ascribing a logic to capitalism as a whole, though an ambiguity remains in this analysis over the extent to which financialisation may be caused by bad or self-interested policy choices by elites, or dynamics internal to capitalist development.

The third methodological framework draws on governmentality methodologies in sociology to analyse financialisation as it transforms daily life, including the production of disciplined investor-subjects able to navigate and responsibly manage the risks and opportunities of investment (Martin 2002; Goede 2004; Langley 2008). Allied work in science and technology studies has also investigated the performative aspect of technical financial models and investor behaviour, acting to provide a broader sociology of financial markets (Cetina and Preda 2004; Mackenzie 2008). Much of this work has taken a highly sceptical view of the existence of knowable macro-structures such as the "economy", preferring instead to talk of situated processes of "economisation" as constructed through technologies such as econometric models

(Çalışkan and Callon 2009). Critics have argued however that an approach that views the economy as constructed through knowledge practices nonetheless struggles when attempting to account for the limits of knowledge with respect to finance, such as the failure of political, financial and technocratic elites to predict the financial crisis of 2007 – 2009 (Bryan et al. 2012).

The contested nature of financialisation within academia means that deriving a theoretical definition of the concept forms a key part of my overall analysis, with Part Two of this thesis, comprised of Chapters Three to Five, aimed at deriving a working definition to feed into my empirical research in Part Three. Briefly summarising, in Chapter Three, I analyse financialisation as a governmental logic of power that reshapes subjectivities and daily life, an approach which has been explored through a Marxian framework by Bryan et al (2009). These argue that class relations have been transformed under financialisation through the incorporation into financial circuits of credit and debt of the reproduction of labour power, introducing the need to take into account a competitive calculus driven by the need to secure returns to financial capital. For these writers financialisation has therefore led to a qualitative change in how society reproduces itself, characterised not just by an increase in the size of the financial sector (Epstein 2005), but the extension of financial metrics and logics into other areas of social life through a broader process of commodification, with risks passed downward from financial firms and onto households (Bryan and Rafferty 2014b). While a Marxist approach provides significant explanatory power, I argue that for financialisation to occur it must be mediated through governance techniques that attempt to reshape associations as entrepreneurial organisations, a process that a qualitative methodology is well-equipped to analyse given its in-depth focus on meanings and narratives deployed by social actors (Maxwell 2012).

In methodological terms, this thesis aims to contribute to these academic debates on financialisation through a qualitative analysis of how it is enacted via the governance of housing associations. Using the definition by Bryan and Rafferty (2014a) of financialisation as the spread of financial calculus and logics into daily life, I argue that post-2008 austerity has the potential to drive a qualitatively new shift in the financialisation of housing associations through a fundamental transformation in relations between social landlords and their tenants. In opening up tenants to greater threat of arrears while deepening the reliance by associations on commercial income, my key hypothesis is that austerity has the potential to drive housing associations into treating their land and housing as financial assets, extracting value from the urban landscape and orientating themselves toward speculative development. This in turn has the potential to recalibrate associations as an asset class with respect to lenders however, with social landlords taking on much greater levels of risk at the likely cost of their credit ratings, with a key objective of this research therefore being to explore how these risks are mediated and distributed between lenders, providers, and tenants.

The financialisation of housing associations is also likely to produce new housing geographies likely to reshape the security and availability of social housing within the urban landscape. Chapter 4 of this thesis therefore explicitly analyses the urban aspects of financialisation in order to develop a theoretical approach that can adequately explore these processes. Given the crucial role played by legal and regulatory frameworks in the governance of social housing, I also theoretically analyse the intersection between law and geography, drawing in particular on the work of Nick Blomley (2011) to analyse how private property regimes are enacted in and through the control of space. In order to explore these in relation to risk and social housing specifically, Chapter 5 analyses the housing studies literature specifically in order to

develop a socio-legal approach capable of capturing these changes to social housing governance. Part Two of my thesis is therefore a crucial component of the research as a whole, providing me with the conceptual tools to analyse financialisation within social housing. The next section turns to focus on my research design and key questions, showing how I put this research into practice.

2.3. Research design and key questions

As this research analysis financialisation as a mode of governance for housing associations, I have chosen a qualitative methodology for my research design in order to examine the nuances in the extent to which providers are being encouraged to act as risk-taking enterprises that treat their land and housing as pure financial assets. While qualitative methods lack the ability of a quantitative study to produce generalisable data, their strength lies in an in depth exploration of nuance, reasons and justification given by social actors (Maxwell 2012), providing me with a strong basis to explore how associations have been represented and governed as an asset class. To explore this, my research questions as shown in the previous chapter focus on the key areas of governance, risk, and the extent to which financialisation is a bounded or limited process. As summarised in Figure 2.1 below, my primary methods in answering these questions are a combination of semi-structured face to face interviews with both elites and housing practitioners, the development of a theoretical framework for analysing this data, and documentary analysis of relevant government, financial and social housing sector reports.

Figure 2.1. Research questions and methods

Research question	Methods
<p>1. To what extent does financialisation entail a new form of governance in housing associations? What are the features of this governance?</p>	<p>Theoretical analysis of financialisation, urban studies and housing literature.</p> <p>Documentary analysis of “grey literature” (Regulatory and social housing sector documents, financial reports).</p> <p>Semi structured elite interviews with social housing policy stakeholders.</p>
<p>2. To what extent have housing associations adopted financialisation? Are there any bounds or limits on this process?</p>	<p>Theoretical analysis of financialisation, urban studies and housing literature.</p> <p>Documentary analysis of “grey literature” (Regulatory and social housing sector documents, financial reports).</p>

	<p>Semi structured elite interviews with social housing policy stakeholders.</p> <p>Semi structured interviews with housing practitioners (neighbourhood managers).</p>
<p>3. What are the likely risks this process generates, and how are housing associations adapting to these risks?</p>	<p>Theoretical analysis of financialisation, urban studies and housing literature.</p> <p>Documentary analysis of “grey literature” (Regulatory and social housing sector documents, financial reports).</p> <p>Semi structured interviews with social housing policy stakeholders.</p> <p>Semi structured interviews with housing practitioners.</p>

In formulating my research questions, my approach has been to use the “iterative” strategy advocated by Maxwell (2012), which takes a flexible rather than linear approach in which the purposes, conceptual context, data gathering methods and the validity of arguments have been in constant dialogue with one another throughout the research. Rather than sticking to an initial problematic, the questions explored through this thesis have therefore evolved as my exploration of the relevant conceptual issues and new empirical revelations through data gathering have shaped my understanding of financialisation in social housing. This is reflected in terms of the presentation of my findings and arguments within this thesis, with Part Two exploring the necessary conceptual issues surrounding financialisation in the context of neoliberal urbanism, and Part Three analysing the empirical findings I have uncovered in order to construct my argument about how this process is generating risks throughout the sector. As a key objective throughout was to develop a nuanced understanding of the historical development of housing association finance throughout the neoliberal era so as to be able to better contextualise contemporary events, I have focused throughout primarily on a time period spanning from the late 1980s up to the current year at the time of writing, 2017 and 2018.

The accounts offered by my research participants through their interviews played a major role in shaping my research questions, enabling an ongoing dialogue between my argument and the data which could be checked in order to confirm or disconfirm the “validity” of the preconceptions and assumptions within my own arguments which I brought to the study. While it could be objected that these are merely “subjective” accounts of financialisation, lacking the objectivity of ‘hard’ data, I am clear throughout the research that these perspectives are useful in illuminating the nuance and tensions by which narratives of financialisation and social housing are discursively constructed.

There are nonetheless legitimate concerns about the factual reliability of any actor's empirical claims about financialisation, particularly within elite interviews where participants are likely to have vested interests in portraying their organisations or activities in a positive light; or conversely may wish to present the behaviour of other organisations in a negative fashion. To guard against misrepresentations I have therefore cross-checked claims made by participants with other interviewees and documentary evidence, in order to highlight key points of convergence or divergence in the accounts they give of financialisation.

The operational context for housing associations has undergone rapid and complex changes over the past decade, closely linked to processes that originate at a remove from social housing policy, such as the financial crisis of 2007 – 2009 and the so-called austerity agenda originated from 2010 onward under the Conservative Prime Minister David Cameron (2010 – 2016). It also soon became evident from my initial literature review that financialisation has been a process closely shaped by private sector actors in addition to social housing providers themselves, including lenders and investors, academics and non-government organisations involved in shaping housing policy, and providers of professional business services. The latter include solicitors, accountants, consultants working for organisations that provide specialist financial advice, and valuers who assess the financial value of real estate according to set industry standards. A key strategy of my research design was to construct a broad sample of interviewees across these different areas, in order to better capture how the environment of housing associations is undergoing significant changes, the full impacts of which are likely only to be felt over the long-term.

As part of the above stand of elite interviews, I also included representatives from organisations involved in shaping social housing policy, and senior officials within

social housing providers at the board and executive level. Direct representatives of social landlords at the level of senior management are limited in this study however, with the inclusion of one chair of governors and one chief executive. This creates a potential limitation of this research study, with housing researchers such as Guis (2008) arguing for the need to select a sample of similarly-sized organisations so as to consistently analyse variations in organisational strategy that do not just reflect the diverse nature of the social housing sector. Alternately, an additional strategy for analysing organisational change could have been for me to act as a participant-observer within one or two housing associations, which would have enabled the opportunity to gather in depth data as to how these changes are mediated by housing practitioners directly. Although both of these are valid alternate paths, the emphasis on policy analysis and how financialisation has been shaped by actors external to the social housing sector itself has meant that my focus has been on gathering data on the changing environment of housing associations, rather than restricting my analysis to the operational decisions of providers. Though this represents a strategic trade-off, given the practical limitations of fieldwork in any one research project, avenues for future exploration could include the extent to which the policy trends I identify in my findings are nuanced by a focused organisational study.

An exclusive focus on elite-led discourses is nonetheless a limitation, given the thrust of my research questions in analysing financialisation as a means of governance. Furthermore, as I argue in Part Two of this thesis, in particular Chapter 4, housing financialisation should be seen as an urban process, structured by the capture of ground rents (French, Leyshon, and Wainwright 2011; Gotham 2009). As such, how financialisation is geographically enacted is likely to be co-constituted in and through the particular urban contexts within which it is territorialised. To mitigate this limitation,

while analysing the geographical nuances of financialisation, my research design includes a second strand of interviews with social housing practitioners and local policymakers in Manchester, a major regional city located in the north of England. Though the thesis as a whole is not a case study, selecting Manchester for this secondary strand of research nuances the primary analysis of housing association financialisation by exploring how these trends are materialised within a specific urban context. The analysis of the urban geographies of financialisation is pertinent to social housing research, with my documentary analysis at the initial stage of research design revealing that housing associations formed a highly diverse sector, with financialised activity particularly concentrated among larger, London and South-East based providers. As such, the inclusion of the Manchester data enables the thesis to explore the extent to which financialisation is occurring in an urban context outside of London, including ways in which this may differ from the “global city” status of the capital’s housing market (Sassen 2001), providing additional geographic nuance to the main analysis of the post-crisis financialisation of English housing associations that is the focus of this thesis.

Manchester provides a particularly interesting example because its size and regional weight enables it to attract a certain level of international corporate real estate investment such as the partnership in 2013 between Manchester City Council with the Abu Dhabi United Group, while still exhibiting high levels of de-industrialisation and a weak jobs base characteristic of other regional cities. A major regional city with a population of over 500,000 within its municipal boundaries, situated within the larger Greater Manchester conurbation of just over 2,700,000 people, Manchester is one of the largest cities in the UK outside of London (Nomis 2013). Since the 1990s the central urban core, including Manchester city centre, Salford Quays to the West, and

Ancoats and Manchester City Football Club's Etihad stadium to the East, has seen extensive re-development and in-migration. Although private housing output collapsed with the onset of the 2007 – 2009 financial crisis, the resumption of construction activity from 2014 has seen new institutional investors attracted into the city centre's private rental market, prompting concern over the financialisation of this speculative market (Silver 2018).

The city's growth, as measured by standard regional metrics such as Gross Value Added (GVA), has been praised by policymakers and official academic reviews led by the mainstream urban economist Ed Glaeser (Manchester Independent Economic Review 2009). Reflecting this, the city-region has been chosen as the site of a devolution of powers over housing, transport and planning and the creation of a new position of an elected Mayor covering the Greater Manchester Combined Authority (GMCA)'s ten local authorities (HM Treasury 2014). Manchester's Labour Party-dominated local government has worked closely with successive Labour and Conservative governments in developing market-oriented regeneration projects since the 1980s, being held up as a model of urban reform (Peck and Ward 2010). Analysis of initial emerging trends in Manchester therefore complements the main analysis of housing association financialisation, by providing additional data on how this operates in an urban context outside of the high volumes of real estate investment attracted to London by its "world city" status (Massey 2007).

Both funding levels and direct mayoral powers are nonetheless limited, constricting autonomy in practice from dominant policy agendas (Deas 2014). Academic researchers have also highlighted the striking long inequality of the city-region's growth, with chronically high long-term levels of economic inactivity and poverty found within Manchester itself, its neighbour city of Salford, and deindustrialised former mill

town boroughs in the north of the conurbation such as Rochdale or Oldham (Peck and Ward 2010; Hincks 2015; Lupton, Rafferty, and Hughes 2016). Manchester has also been significantly affected by high levels of cuts to welfare, local services, and other public spending since the onset of austerity policies since 2010, outweighing in monetary terms extra funding due to devolutionary “city deals” (Etherington and Jones 2017). As a result, contemporary Manchester is characterised by austerity urbanism (Peck 2012), in addition to housing financialisation in its city centre belt of apartment blocks, creating the potential to drive housing associations to seek new sources of income in ways that may differ from that of London.

Though Manchester is not the focus of this thesis, in selecting the city alongside the “primary” elite interview research strand, the aim of this secondary strand of data was to nuance the main analysis of housing association financialisation as an urban process. To this end, a small sample of interviewees was selected from senior managers within the local authority and connected regeneration agencies, as well as interviews with housing association and local authority practitioners engaged in neighbourhood management within the city. The majority of the Manchester data analysis takes place within Chapter 8 and Chapter 9, drawing out initial trends in post-crisis housing association financialisation that were emerging during the contemporary time period of the PhD research. In doing so, this builds on the analysis of the key characteristics of the lending regime in Chapter 6, the changing financial context of providers in Chapter 7, and the analysis of commercial development and financial risk in chapters 8 and 9 respectively. In analysing housing associations in an austerity context, Chapter 8 focuses on the drivers of financialisation among providers as they seek out new sources of income under national austerity policies, with the Manchester data providing additional data as to emerging trends in a particular urban context.

Concluding the data section of the thesis, Chapter 9 explores the risks generated by financialisation and the regulatory response, including an examination of how these processes are materialised with respect to tenants by housing practitioners in Manchester. In doing so, this analysis of initial trends as to how financialisation is enacted on the ground enables better insight into the uneven spatial development of financialisation, complementing the primary analysis of national-level policy changes, and providing additional geographical nuance to the primary analysis of housing associations within the post-crisis context of the years following the 2007 – 2009 financial crash.

2.4. Research methods

In answering my research questions my data is organised into two primary strands; the first relating to how social housing is perceived and represented under financialisation by key individuals and organisations shaping national policy. The first strand of my thesis draws on original data collected through 15 semi-structured pseudonymised elite interviews averaging around one hour in length with social housing policy stakeholders selected according to their organisation's institutional role in relation to shaping the social housing sector. This sample includes individuals from the private sector alongside people working in social housing or at a central government level, including social housing senior officers and board members, auditors, valuers, financial consultants, investment fund executives, legal advisors, practitioner and social housing sector representative bodies, local government officials and senior policymakers. A full range of the interview respondents in strand one is summarised in Figure 2.2 below on page 66, although identifies and specific organisations have been pseudonymised as far as possible in order to protect the identities of participants. Interviews were analysed for common and divergent themes

grouped around perceptions of social housing and its role by different stakeholders, analysed for how subjects characterised major historical developments according to their discursive representations of the aims and purpose of the sector. These were further analysed according to themes of how participants viewed the risks and uncertainties generated through the financialisation of housing associations, who bore these risks, and how these were discursively legitimated and justified.

In order to identify potential participants, guide data gathering questions, and cross-reference the accuracy and veracity of interviewee responses, this strand was complimented by a documentary analysis of academic, practitioner and other reports relating to major issues related to housing association financialisation. Themes included development models, financial analysis including the credit ratings of providers, housing market reports, the regulation of the sector, welfare reform, legal changes to tenancy and housing management, and policy reports. These were sourced from a wide range of organisations, including the government and regulatory bodies, reports generated from within the social housing sector, including representative bodies such as the National Federation of Housing (NFH) and the Chartered Institute of Housing (CIH), charity and think tank-produced policy reports, media reports and real estate and financial industry documents. These were also bolstered by corporate documents for associations such as annual reports, prospectuses for bond issues, and sets of accounts for specific firms sourced from the government-run Companies House database, used in order to access data directly as to more technical elements of social housing finance such as their use of collateral. This enabled me to build up an in-depth knowledge of how changes to housing association finance fit into broader changes within the sector, strengthening my

capacity to identify interview respondents and develop appropriate questions for my interviews.

Figure 2.2. “Strand one” elite interview sample

Role	Area of expertise	Date of interview
Housing consultant	Housing market/social housing finance	Spring 2015
Policy officer A	Social housing policy	Spring 2015
Policy officer B	Social housing policy	Spring 2015
Property market consultant	Housing market/social housing finance	Spring 2015
Real estate valuer	Housing market/social housing finance	Spring 2015
Housing association chair	Housing association development and governance	Spring 2015

Housing association chief executive	Housing association development and governance	Autumn 2015
Solicitor	Social housing finance and regulation	Spring 2015
Senior housing policymaker	Social housing finance and regulation	Summer 2015
Financial consultant	Social housing finance and regulation	Winter 2016
Auditors A and B (joint interview)	Housing association development and governance	Spring 2016
Investment fund manager	Housing market/social housing finance	Spring 2016

In identifying prospective interview participants, I used this initial documentary analysis to generate an analysis of key organisations and individuals related to social housing finance. Organisations were selected according to their relevance to social housing finance, with individuals identified through criteria such as their organisational

relevance. Contact was initially made via email, sourced either through publicly available contact data or through a direct approach to the organisation. Emails included a briefing note stating the aims, goals and a summary of the research, including details of its ethical criteria. The sample was constructed to give a broad rather than deep range of the organisations concerned, while also targeting respondents such as investment fund managers who, although necessarily hard to reach due to their position, have an unrivalled knowledge of the issues surrounding financialisation explored through this thesis. Practical limits to the response rate given the prominence of potential respondents have led to limitations in some areas, however, such as an absence of interviewees directly employed within the construction or bank lending industries. To overcome this limitation, in addition to my documentary analysis in these areas I also interviewed consultants with previous connections to bank lending, helping me to build a historical picture of the development of social housing finance since the 1980s.

Regulatory documents I have drawn from include quarterly risk analyses and an annual set of the collated global accounts of providers produced by the sector's successive regulators in the form of the Housing Corporation, the TSA, and the HCA. These include financial data as to the performance of associations and the extent to which providers are engaged in commercial development activity, enabling the generation of data as to changing debt levels, interest payments and surpluses since the mid-2000s that could provide a quantitative context to the main qualitative analysis of this thesis. This enabled interviews with participants to be triangulated and cross-checked with recorded financial evidence, providing a level of verification for my findings across more than one source of data collection, strengthening my findings beyond reliance on the interviews alone. Trade press outlets such as *Social Housing*

Magazine also collate data as to public bond issues over £100m, enabling some quantitative evidence to be compiled as to the access of housing associations to capital market finance which, although limited on its own, can be usefully compared with the interview data to provide more robust evidence for the conclusions of the thesis. As such, my conclusions have been able to compare the narratives constructed around housing association financialisation with available financial data, contributing to a better understanding of the likely future risks that may be generated throughout the sector.

The second strand included five semi structured one hour interviews with housing practitioners in associations operating in Manchester, alongside local policymakers in working in housing and regeneration, in order to gain a more grounded perception of how the risks and uncertainties in the elite interview strand of fieldwork are perceived and materialised at an urban scale. As shown in Figure 2.3 below, these took place within Manchester, speaking both to senior officers at a municipal level, and practitioners working in and around an area in the south of the city, with all lasting between one and two hours in length. Although this sample is small, the aim of this strand of research was to produce in-depth contextual data as to the variation of financialisation within an area, rather than to produce a representative account, justifying the small sample size (Mason 2002). The two respondents at a senior level were identified through documentary analysis of relevant local authority reports and contacted via email. Practitioner respondents were contacted via a snowball sample, with initial contacts asked to recommend colleagues who would be willing to participate in the study. In order to mitigate the limitations of this method in that it produces a sample based on just one professional network, I made independent contact with a chair of a residents' association on a neighbouring social housing estate in order to

broaden the sample size. In order to gain a sense of the context by which housing association neighbourhood management was being affected by “austerity” cuts to local authority housing services, I additionally interviewed a local authority neighbourhood services manager, in order to better generate data on the broader housing context of Manchester.

Figure 2.3. “Strand two” Manchester interview profile

Role	Theme	Date of interview
Senior Greater Manchester regeneration official	Regeneration and social housing strategy	Spring 2015
Manchester City Council senior official	Housing, regeneration and welfare strategy	Spring 2016
Manchester – based housing association neighbourhood manager A and B (joint interview)	Welfare, tenant management and allocations	Autumn 2015
Manchester-based housing association neighbourhood manager C	Welfare, tenant management and allocations	Winter 2016

Local authority neighbourhood manager	Welfare, tenant management and allocations	Winter 2016
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2.5. Reflections on the process of data analysis

The majority of interviews in both strands took place face to face at a place of the respondents' choosing, most often a workplace or a public space such as a café, though one interview with a housing consultant was conducted by phone. All interviewees were given an information sheet detailing the aims and purposes of the research prior to them providing written consent in accordance with University of Sheffield ethical procedures. All interviews were recorded and transcribed, with recorded data stored in a secure location accessible only by myself and my Department, and identifying details removed from completed transcriptions.

A documentary analysis was carried out prior to the interviews to identify initial key “themes” of the thesis, such as welfare reform, urban regeneration, and financial services industry practices. These were then used to select an initial tranche of potential interviewees in the strand one fieldwork phase in order to gain a broad-based understanding of the key features of housing association finance and its relation to the broader changes undergone by the sector. Once recorded and transcribed, these were then coded on an ongoing basis, with the analysis used to refine and shape the initial selection of themes while opening up new avenues of inquiry. These findings were then used to identify subsequent participants, enabling a more focused and in-depth approach to later interviews, increasing my effectiveness in probing for questions and

entering into discussions with participants. Data from both strands were coded according to fields such as attitudes to risk, commercialised development, how tenants were represented, and the production of new housing geographies, for example the peripheralization of social housing under financialisation. Documents were produced on an ongoing basis through this period in order to serve as a research diary, guiding the development of my key themes and research questions.

This staggered interview process, in which initial findings, coding themes and research questions were shaped in dialogue with one another throughout the research process, worked effectively in being able to explore fine-grained detail, particularly by the later interviews in the Winter and Spring of 2016. One downside to this process however was that it quickly became apparent that my initial understanding of social housing finance and policy had been too broad, with analysis of the initial batch of elite interviews at the end of the fieldwork process revealing potential avenues for questioning that could have been opened up if my knowledge had been stronger at the time. While to an extent this is an avoidable part of the research process, it suggests the need in future research designs to ensure that research questions are more narrowly defined at the beginning of the process, and key interviewees are left to the very end, so as to maximise the opportunity for data collection.

2.6. Conclusion

This chapter has set out my overall research design and strategy for this thesis as a process of knowledge production. In doing so, I have adopted an epistemological framework informed by feminist and other strands of critical human geography that affirms knowledge production as a practical activity, in which research is never conducted from a neutral or disembodied standpoint, but is always embedded in

existing historical power relations. This does not mean that all research is therefore relativist, but that researchers have an ethical duty to be clear about the nature and responsibilities of knowledge production as an inherently political process. As a result, I have explicitly adopted as the driving political goal in this research the need to make visible the abstract and “distant” connections that financialisation creates between investment decisions and the provision of social housing. A key part of this thesis is therefore the need to derive an adequate theoretical framework for understanding the social underpinnings by which financialisation operates, which is carried out in the following Part Two of this thesis.

The empirical part of this thesis in Part Three focuses on putting this framing to work as housing associations are reshaped into an asset class, examining financialisation as a form of representing and governing social landlords with the aim of ensuring that capital can flow throughout the urban landscape. To do so I have adopted a primarily qualitative research design split into two stands, with the first focusing on elite interviews with social housing stakeholders, and a smaller, secondary strand organised around an analysis of how trends identified in the primary strand are materialised within an urban context. This research design also includes a documentary analysis of relevant literature produced by the social housing sector, the financial services and real estate industries, and regulatory bodies, that enables findings from my interview data to be triangulated and verified, enabling more robust findings to be developed. Although findings from qualitative methods are more difficult to generalise than those based on quantitative methods, I have used an approach based on semi-structured interviews on the grounds that this provides a way of in-depth analysis and exploration of the social underpinnings of financialisation. In doing so, key trends and treatments of risk produced through the financialisation agenda can

be identified throughout the thesis, and be used to inform future research agendas aimed at promoting a more progressive social housing policy.

Part Two

Historical and theoretical analysis

Chapter Three: Theorising financialisation

3.0 Introduction

The aim of this chapter is to develop my analytical framework for one of the primary concepts used within this thesis: financialisation. Since the late 1980s, housing associations have made increasing use of private finance to fund their developments and other projects. As commercialisation has become more common in the sector, levels of debt have increased, and use of complex financial instruments such as derivatives to manage treasury functions has risen. After banks scaled back lending in the wake of the financial crisis, associations increasingly turned to the bond markets for new sources of debt, a move made all the more necessary by simultaneous government reductions in funding under “austerity” (Heywood 2016).

The financialisation literature provides a useful set of conceptual tools for understanding the relationship between housing associations and financial market processes (Wainwright and Manville 2017; Aalbers 2016). However, the term ‘financialisation’ is not without its pitfalls, as critics warn that unreflective use posits it as both a cause and an effect of the socio-economic processes it purports to analyse (Christophers 2015). To ensure nuance, this chapter aims at a broad analysis of the term in the wider academic literature beyond housing, focusing on its use within both political economic analysis and cultural political economy. I focus in particular on the respective strengths of Marxist approaches, Foucauldian-inspired investigations into the financialisation of daily life, and cultural economy and social studies of science perspectives, particularly those grounded in the “new materialism” such as Actor Network Theory (ANT). My aim in doing so is to produce a critical series of insights into the ways in which financialisation both results from, and is reproduced by, wider

social and economic processes. While advocating a Marxist approach, I argue that these cultural political economy frameworks have much to contribute by calling attention to the social practices and operations that must be enacted in order for financialisation to be successful, for example in shaping and governing social housing providers such as housing associations into a new asset class.

In its broadest sense, 'finance' can be defined as the range of methods through which funds are obtained and deployed to support profit-making activities and to establish claims on future streams of income (Lapavitsas 2013, 108). Over the past 20 years, 'financialisation' has largely displaced earlier 1990s accounts of 'globalisation', perhaps because its description of a series of transformations within capitalism since the crisis of the 1970s is consonant with an account of the neoliberal spread of pro-market reforms over the same period. Although not directly focusing on the term 'financialisation' itself, Arrighi's 1994 work, *The Long Twentieth Century*, influentially identified recurrent cycles of financialisation in the history of capitalist state building (Arrighi 2009). Explicit academic analyses of financialisation followed, with Froud et al (2000) using a special issue of *Economy and Society* to explore shareholder value as a legitimating discourse for financial engineering, and its effects in terms of an increase in returns for shareholders and senior management. In the same issue, Boyer (2000) explored the shift from a mid-20th century Fordist style of capitalism centred on mass consumption and a series of (racialized and patriarchal) industrial compromises between capital and skilled labour, towards an emergent finance-led growth regime, characterised by global finance, diffused asset ownership, wage repression, and the use of monetary policy to govern asset bubbles.

The empirical events of the subsequent 17 years have cemented the analytical utility of financialisation, as a major speculative bubble in real estate and other assets grew

across multiple national contexts from the late 1990s, culminating in a historic financial crisis in 2007 – 2009, and subsequent slump in core economies in Europe and North America that only recently appears to be in remission (McNally 2009). The term focuses attention on the ways in which the growing dominance of financial sector interests is reshaping other areas of social life, leading to research insights in fields as disparate as political and cultural economy, sociology, human geography, and even anthropology, where it has supplemented a long-standing interest in money and debt relations (2008). The financialisation of housing has become a major topic of study within this literature in the past ten years, with the crash revealing intimate links between urban and suburban housing and globally-mobile capital flows. Housing has been a key object of speculative investment under financialisation, with the regulated and standardised nature of mortgage finance with its easily accessible collateral in the forms of bricks and mortar seeing it become a much sought-after asset class for securitisation techniques in the run up to the financial crisis (2009; 2008). Private equity firms and institutional investors such as pension funds are increasingly interested in the returns on residential housing in countries such as the US, Ireland, Spain, Greece, though despite rising interest in Real Estate Investment Trusts (REITs) and other vehicles, this form of corporate landlordism has not yet occurred at scale in the UK (Byrne 2016; D. Fields 2015; Beswick et al. 2016).

The remainder of the chapter explores how these changes have been theorised in more depth, looking particularly at accounts that integrate Marxist analyses of political economy with discursive approaches to financialisation as a social process that operates through the scale of daily life. In the first section, I examine the broad methodological schools of thought that have been used to analyse financialisation, examining its theorisation by the Regulation School as a structure of accumulation,

and later attempts to complicate this account with a more discursive, sociological analysis. The second section then examines the political economy of financialisation more closely, contrasting post-Keynesian and Marxist accounts and arguing in favour of the latter. The third section focuses on Marxist approaches in more detail, in particular the structural analysis of Costas Lapavistas (2013) and the exploration by Bayliss et al (2017) of the ways in which financialisation reshapes the provision of goods such as housing. In the fourth and fifth sections, I argue for my own approach, which integrates a Marxist analysis with an approach that is attentive to the effects of financialisation on daily life, a methodological hybrid that allows the effects of financial structures on the daily lives and practices of tenants to be captured and explored. The sixth section situates this in light of recent research into the financialisation of housing in and urban context, while the final section concludes.

3.1 Methodological approaches to financialisation

As with the term 'neoliberalism', defining financialisation has become a difficult as the word's ubiquity spreads to an ever-wider range of contexts. A broad and contested term, it has been used to cover a highly varied set of phenomena, including structural transformations in capitalist accumulation, the reorganisation of corporate strategies, and the social implications of shareholder capitalism for everyday life. Most definitions within the literature centre on the notion that financial sector institutions, practices, and discourses are becoming more powerful and more dominant in society; Epstein (2006), for example, defines the term as a reference to "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Ibid., 3). Others, however, prefer a more specific definition, focusing on the extent to which financial transactions (by both financial and non-financial entities) are becoming the dominant source of profit:

Krippner (2005) describes financialisation as “a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production” (Ibid., 174) while Fine (2010, 2013) characterises it as an historical situation in which “economic activity in general has become subject to the logic and imperatives of interest bearing capital” (Fine 2010, 99). Drawing on Marxist political economy, both authors contrast a financialised capitalism where profits are increasingly appropriated through the circulation of claims on money, to a capitalism where profits are oriented toward productive expansion. Attempting to unite definitions, Aalbers (2015) depicts financialisation as “the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households” (Ibid., 214). This definition is deliberately ambiguous as to whether financialisation is an explanatory variable or an outcome, with the intention of enabling broad and flexible use.

It is possible to group research into financialisation into three rough schools. The first treats it as a structural transformation in accumulation, as capital markets reconstruct relations between business corporations and financial intermediaries, with far-reaching consequences for daily life. This view is often heavily influenced by the Italian political economist Giovanni Arrighi (2009), whose work draws on the *longue durée* histories of the French Annales School to argue that there have been four major cycles of financial expansion in capitalism’s 500-year old history. In this view, capitalism has a dominant geographical centre, which shifts over time thanks to a series of crises in productive capitalism. These bring increased state rivalry, and the export of capital via financial investment in new rising powers, shifting the capitalist core through history, from early modern Italian city states, to the United Dutch Provinces, the British Empire

and, most recently, the United States-led globalised economy. In this school of thought, the period following the economic crisis of the 1970s has seen the US dollar act as a world currency, underpinned by government fiat, its value maintained by the continued willingness of countries with an export surplus to finance US deficits in preference to maintaining a metallic standard such as gold (McNally 2009). The necessity of the dollar for trade, combined with effective though informal barriers to foreign capital investment in key domestic US markets, forced new industrial centres in East Asia to maintain access to dollars and to prevent currency appreciation by purchasing US government debt, reversing the direction of previous cycles of the export of capital (Arrighi 2009; see also Gowan 1999; Harvey 2005).

Arrighi's theorisation, grounded in world systems theory, has received criticism from some Marxists for focusing its explanatory framework on commercial trade over the accumulation of capital (Lapavistas 2013, 19). Nonetheless, it has been influential in characterising financialisation as a distinctive structural pattern of accumulation within capitalism. Approaches drawing from the neo-Marxist regulation school have built on this insight, seeking to investigate the institutional regularities that provide a measure of stability and coherence to distinct phases of capitalist accumulation (Lipietz 1985; Jessop 1988; Tickell and Peck 1992). For regulation theorists, the breakdown of Fordist-Keynesian class compromises and nationally-based industrial conglomerations had led to a new loosely defined "post Fordism", characterised by flexible labour markets and internationalised production chains, and enabled by technological advances in transport and computerised technologies (Jessop 1988). Finance has played a major role in the development of this system, as international capital markets become increasingly effective at disciplining governments, as the use of credit and asset ownership in areas such as pensions and homeownership

becomes an increasingly important source of subsidy for middle class living standards, and as central banks attempt to manage asset bubbles through monetary policy (Aglietta 2000; Aglietta and Breton 2001). Although such a “finance-led” (Boyer 2000) or “finance dominated” (Stockhammer 2008) accumulation regime was not intended to act as a comprehensive explanation of all modern capitalist processes, regulation theorists began to explore financialisation as a structuring feature of neoliberal capitalism. While regulation theorists of the early 2000s readily acknowledged the historical volatility of financial markets (Aglietta and Breton 2001), they were attracted to the idea that financial institutions themselves could play a governing role in capitalism, with credit rating agencies and institutional investors, for example, acting as a benchmarking system for key asset classes (Aglietta 2008).

The second broad approach to financialisation is the critical social accountancy school, associated with figures such as Julie Froud and Karel Williams (Froud et al. 2000; Erturk et al. 2008). Influenced by cultural political economy approaches that seek to analyse the role of discourse in producing economy activity (Amin and Thrift 2008), work in this school examines the narratives of corporate restructuring while engaging in a forensic examination of cash flows and accounts (Froud et al. 2006). Understanding discourse as a form of representational practice that constitutes as well as reflects economic objects, critical social accountancy examines the performative role of rhetorics such as shareholder value in redistributing wealth from labour to capital, while remaining attentive to the way in which such discourses are open to failure and unintended consequences (Froud et al. 2006, 72). Taking a sceptical view of financialisation as a macro-level structure that determines economic behaviour, these writers instead argue for a temporally-sensitive conceptualisation of financialisation as a non-determinist form of “coupon pool capitalism” (Froud, Johal,

and Williams 2002), fed by the pooling of middle class savings in capital markets, investment of which enables the emergence of a new 'working rich' of financial intermediaries. Coupon pool capitalism moves through meso-level conjunctures, each lasting around four to seven years, in which stability is temporarily achieved, before disintegrating into new conjunctures, though these may fail to realise their promised goals (Engelen, Konings, and Fernandez 2010). Financialisation is here conceptualised as a spatially and temporarily bounded utopian project associated with "Anglo-American capitalism" (Montgomerie 2006), yet one that is also deeply fallible and subject to crisis (Engelen et al. 2012).

The third approach draws on sociological frameworks and focuses on the financialisation of daily life (Martin 2002), particularly on the ways in which money and debt relations reshape everyday experiences. Often sharing a governmentality approach, these theorists examine finance as a disciplinary power that acts in self-contradictory ways, for example producing disciplined savers who are simultaneously risk-taking investors able to buy and trade assets through financial markets (Goede 2004; Langley 2008). Overlapping with this first group in theoretical inclination, though not necessarily in subject matter, are researchers from social studies of finance, who have brought sociological perspectives to the workings of financial markets (Cetina and Preda 2004). Although they rarely adopt the term financialisation, these researchers have often investigated the performative effects of technical financial discourses, for example the ways in which mathematical models aimed at the discovery of market values played an active and independent role in shaping those values through their effects on investor behaviour (Mackenzie 2008). Financialisation, within this paradigm, is not an abstract unfolding logic that acts upon the world, but a hybrid of financial and non-financial social relations.

Financialisation's breadth, however, has also led to questions as to whether the term itself possesses analytical traction in examining how finance operates, as opposed to producing a descriptive catalogue of its perceived effects (Michell et al. 2014). The proliferation of definitions of the term has brought criticism from Christophers (2015), who argues that critical focus has remained too exclusively on the *impacts* of finance, at the expense of uncovering the practices, structures, agents and processes that underpin financial transactions and enable them to occur (cf Poovey 2015; Ouma 2015). Given the increased presence of credit and debt relations at wider levels of economic and social activity, failure to distinguish between the causes of financialisation and its effects risks the reification of the latter as a causal force, wherever it happens to be found (Bayliss, Fine, and Robertson 2017). Further, a failure to historicise financialisation within capitalist development can produce the impression that this mode of capitalism is an aberration from an underlying and stable 'real' capitalism, despite the historical prevalence of crisis, speculation and the use of financial securities as key avenues for the accumulation of profits (Kindleberger 2001).

While acknowledging the need for a sophisticated theoretical and temporal framework for financialisation, others have defended the continuing use of the term on the grounds that it allows an exploration of the extent to which current financial processes can represent genuinely new developments within capitalism (Fairbairn 2015; Murphy 2015). This is particularly important given the expansion of financial relations into broad areas of social reproduction, such as social housing, with impacts on daily life (Martin, Rafferty, and Bryan 2008). With these concerns in mind, the next section turns to examine the theorisation of financialisation within political economy, in order to establish a historically-grounded understanding of the extent to which financialisation represents a historically new phase of capitalist accumulation.

3.2 Financialisation and financial crisis within political economy

Since the 1960s, mainstream economists have analysed finance in terms of the rational calculation by preference-maximising agents of investment options within markets. In particular, this model has been used to investigate the role of capital markets as institutions for the buying and selling of financial securities capable of establishing claims on future income flows, either in the form of equity (such as shares) or debt instruments (such as bonds). Within this paradigm, research was shaped by the “efficient market hypothesis” (Malkiel and Fama 1970) in which the price of securities could, in principle, incorporate all known information. Theoretically, the market was capable of greater calculative power than any single social actor such as a state planning board, given perfect information and rational behaviour, making capital markets an effective mechanism to discipline inefficient management (Jensen 1993). From within such a perspective, financial engineering through “securitisation” techniques (the bundling together of different assets into a single income stream that can then be re-sold) is argued to have a rational basis, enabling the creation of liquidity out of illiquid assets, such as a mortgages. These can then be easily traded, without altering overall price levels, allowing markets to function more effectively. This does not mean that orthodox academic economists are committed to the idea that markets function perfectly in reality: the “information theoretic” approach of Joseph Stiglitz (2000), for example, argues that markets are structured by the unequal knowledge of participants. Behavioural economics, too, has given rise to more empirically-oriented investigations of market behaviour (especially in the wake of the financial crisis), though these tend to diagnose dysfunctional episodes, like crisis, as a market failure rather than as a necessary part of how capitalist markets function (Christophers, Leyshon, and Mann 2017).

Within the financialisation literature, the presumption of market rationality has been subject to criticism from more heterodox angles of approach, particularly post-Keynesian, institutionalist, and Marxist schools of economics. Influenced by long-standing Marxist and liberal critiques of the rise of modern corporate organisation and its implications for the global economy, and an awareness of the recurrence of financial panics throughout capitalism's existence (Kindleberger 2001), these schools of thought take a longer view of financialisation, and allow greater priority to the social and historical power relations under which capitalist economies function. They are influenced by earlier twentieth century work, such as the writings of the Edwardian socialist, Hilferding (2007), who argued that "finance capital" (an amalgamation of banking and industrial interests) was a cause of inter-imperialist rivalry in the years before the First World War, and the work of the liberal Keynes, who criticised the emergence of a class of rentiers extracting speculative returns rather engaging in than productive investment (Keynes 2010).

In doing so, both post-Keynesians and Marxists have analysed financialisation as part of a structural transformation of capitalism since the 1970s. They identify it with a number of consequences: a relative slowdown in productivity and productive investment (Glyn 2007), depressed growth, volatile economic activity, heightened inequality and the entrenchment of new vested interests and class power into contemporary capitalism. Post-Keynesians such as Stockhammer (2004) have argued that financialisation is a causal factor in driving under-investment, since shareholder profits are favoured over the long-term development of firms, while Crotty (2005) has linked rising inequality to lower aggregate demand and pressure on investors to find higher returns. Both build on Keynesian insights that future uncertainty and shortfalls in aggregate demand (due to consumers tending not to spend all their incomes) lead

to fluctuating investment and sustained involuntary unemployment under laissez-faire capitalism, to the benefit of owners of scarce capital (Keynes 2010).

Although not directly related to post-Keynesian theorisations of rentier interests, debates on financialisation have also been influenced by the “financial instability hypothesis” of Hyman Minsky (2008), in which credit becomes systematically extended to riskier business prospects over periods of prosperity. This can then amplify destabilising tendencies in a market downturn, as firms sell assets for cash in order to cover liabilities and repay debts, risking a “debt deflation” spiral (Fisher 2016) in which capital is devalued and credit becomes restricted. This creates potential conditions for mass insolvency and generalised recession. Liquidity within this framework can contribute to instability through enabling speculative booms and busts that are divorced, in contrast to orthodox economics, from the rational calculation of underlying price fundamentals.

Within countries such as the UK, the expansion of consumer credit is often believed to have played a macroeconomic role at the national scale in maintaining consumer demand, with homeowners able to borrow against expected capital gains on their housing assets in a form of “privatised Keynesianism” (Schwartz and Seabrooke 2008; Crouch 2009). This effect is unstable, however, and financialisation has arguably also enabled speculative asset bubbles in which prices are inflated based on the expectation of future price rises, increasing volatility due to the risk of price crashes, while concentrating wealth into the hands of existing asset owners (Epstein 2006). The ability of housing to act as a store of asset wealth has increased academic interest in the extent to which home ownership can form the basis of an “asset based welfare” model, substituting for state provision in areas such as pensions (Kemeny 2005; Finlayson 2009; Lowe 2011). However, such a view potentially fails to recognise the

bounded, crisis-ridden nature of financialisation. Rising household debt, in the context of wage stagnation and market volatility, means that asset-based welfare looks to be an increasingly precarious strategy, and one that fails to deal with entrenched inequalities within the housing market (Montgomerie and Büdenbender 2015). For these theorists, the political implication is that financialisation cannot be a solution, so that policy reform is therefore required to restrict financial speculation and provide state support for productive investment, while structural reforms promote the interests of labour to build a more equitable and democratic capitalism (Crotty 2009; Crotty and Epstein 2009).

Accounts of financialisation that draw on post-Keynesian political economy highlight the negative systemic impacts of rentier dominance, whereas the focus within orthodox economics remains on calculative and rational investment decisions by agents operating within a market. In focusing on power relations within capitalism, the former school has affinities with Marxian approaches to financialisation, which attempt to provide a systematic account of the structural shifts within the accumulation of profit under the dominance of financial sector interests. However, whereas post-Keynesians view financialisation and slowdowns in growth as the product of rentier dominance, accounts grounded within orthodox Marxist economics have often diagnosed the expansion of financial accumulation as the result of an underlying slump in productive capitalism that began in the early 1970s, ending the decades of high growth following the end of the Second World War. The next section examines these analyses of financialisation, arguing that they can provide valuable insights into the relationship between finance capital and broader socio-economic shifts within capitalist accumulation.

3.3. Marxist approaches to financialisation: from M to M'

In attempting to provide an explanatory account of capitalist transformation, much Marxist theory has linked financialisation with underlying crises of productive accumulation. For Marxists, capitalism is analysed as a structured but contradictory set of social relations in which commodities are produced, exchanged, and distributed. The exploitation of labour produces surplus value for capitalists, which is then circulated through different branches of the economy. Within this analysis, finance forms part of the circulation of capital, with sums of money advanced for a return on interest acting to redistribute surplus value, and thereby appropriate a profit, without participating directly in the creation of that surplus value through production (Lapavistas 2013, 4; see also Fine 2013). A major influence in Marxist accounts of financialisation has been the “monopoly capital” analysis of Baran and Sweezy (2009) associated with the socialist periodical *Monthly Review*. In their view, stagnation in production led to an intensified emphasis on financial activity in the hope of earning a return (Foster and Magdoff 2009). Similarly, the economic historian Robert Brenner (2006) has argued that a general overcapacity, leading to declining profitability in productive capital, underlay both low production and the availability of cheap credit up to the financial crisis. In contrast, Kliman (2011) has reinterpreted Marx’s theory of the tendency of the rate of profit to fall, to argue that a production crisis has existed since the 1970s. Rather than financialisation itself being viewed as the cause of productive slowdown, it becomes a response to crisis in capitalist accumulation, as capital seeks new avenues for profit.

Theories of economic crisis within Marxism are highly controversial and heavily contested, forming a vast literature that is impossible to review here (Shaikh 1978; Fine and Harris 1979; Harvey 2007; Fine and Saad-Filho, 2010b; Heinrich 2012). In

brief summary, the tendency to draw a direct causal link between a slowdown in productive growth and a boom in finance has been criticised by writers such as Lapavitsas (2013), who argue that financialisation must be understood in terms of a complex set of mediations between the financial sector, including non-financial firms and households, rather than as a simpler reflection of changes within production. Factors such as productivity growth, changes in the labour force, new international divisions of labour, the rise of the dollar as world money, global capital flows, and technological advances in communications and micro-electronics all play a role in various versions of this narrative. What is especially relevant to this thesis, however, is that a theoretical framework for financialisation that captures its crisis-laden side must specify the institutional features of the current period of financial growth, and how these relate to a wider commodification of, and reliance on, finance for the provision of goods such as housing.

In specifying institutional features of contemporary financialisation, Lapavitsas argues that banks have come to play a significantly new role in relation to the wider economy, compared to the integration of banking and industrial interests observed by figures such as Hilferding (2007) in the early 20th Century. Throughout the twentieth century, multinational corporations became increasingly independent of banks for credit, funding themselves either through retained profits or externally through capital markets. Successive rounds of corporate stock buyouts thus led to financial trading becoming a growing source of income (Lapavitsas 2011, 620). Reflecting this, banks have increasingly sought new sources of income from household lending and deals in the open financial markets, earning fees and commissions through financial services and through trading in instruments such as derivatives used to govern exposure to economic risks. They have also turned toward providing consumer finance, as states

have withdrawn from areas of collective welfare provision, earning profits both from greater household borrowing and from handling household asset ownership in areas such as home ownership and workplace pensions (Lapavitsas and Powell 2013). Financialisation, in this view, does not just reflect overaccumulation within production, but a systematic change in the behaviour of both households and financial and non-financial firms, with the result that financial markets and institutions have a growing structural role in economic activity. For Lapavitsas, the centrality of household debt and savings in areas such as pensions or housing has been of such defining importance for financialisation that it is possible to argue for a “financial expropriation thesis”, in which households have become systematically important as a source of profit for a financial sector that is increasingly autonomous from productive growth (Lapavitsas 2009).

This formulation has been disputed on Marxist grounds by Fine (2010a), who has argued that an analysis that depicts financialisation as a usurious deduction from wages neglects to study the ways in which finance restructures the provision of goods (such as housing) that are necessary for the reproduction of labour power. Advocating an alternative framework, Fine has argued that financialisation should not be conflated with the presence of debt and credit relations as such, distinguishing a sum of money lent out to further consumption, such as a car purchase, from “interest bearing capital”, money advanced as capital in order to expand accumulation and earn a return on investment (Fine 2013). In Fine’s definition, financialisation should be strictly limited to the accumulation of interest-bearing capital and its intensive and extensive attachment to production, as it is only this which represents a change in the form of capitalist production. “Intensive” refers here to the proliferation of existing financial markets, while “extensive” refers to the extension of financialisation into new

domains (Bayliss, Fine, and Robertson 2017, 358). A mortgage to buy a house would therefore not count as financialisation, but the securitisation of a mortgage through its aggregation into a new financial asset that could be sold on to investors would count. This would provide a coherent framework for distinguishing the historically ubiquitous presence of mortgage markets in home ownership from the pre-financial crisis phenomena of securitised mortgages being traded among investors as a distinct asset class, taking on a fundamentally new role at the core of global capital markets.

In analysing how financialisation acts to transform the provision of goods, such as housing, that are a vital means of shelter and social reproduction, it is first necessary to understand how Marxists analyse the position of labour within the circulation of capital. An analysis of capital in general is a necessary prerequisite for understanding financialised capital in particular, and what may be new about the contemporary era. Within Marxist political economy, the circuit of capital for an individual capitalist begins when money, M , is used as a universal equivalent to purchase means of production and labour power in order to produce commodities, C , that can be sold for a surplus value. If all goes well for the capitalist, they gain a return on their investment, M' , which can either be consumed, ending that particular individual circuit, or reinvested back into production. This process of commodity production for the sake of realising surplus value should be distinguished from barter for consumption, where commodities are exchanged for money so that equivalent commodities can be bought to satisfy a need, which can be depicted as a single cycle of $C-M-C$. Rather, the investment of capital with the intention of earning a profit can be depicted as a circuit, $M-C-M'$, in which the use-value of commodities, the qualitative means by which they satisfy a need, becomes subordinated to the needs of maximising surplus value that can be extracted through commodity production. Money's ability to function as a universal equivalent rendering

anything as potentially exchangeable makes the accumulation of capital potentially limitless at this highly abstract level of analysis⁵, though Marxists argue that more complex analysis of capitalism reveals internal and external contradictions that pose limits to accumulation and lead to social, ecological and geographic crisis (Harvey 2007a; Fine 2006).

Within this idealised circuit, the worker appears as someone who sells their labour power, their capacity to work, to the capitalist as owner of the means of production in exchange for a wage. Crucially for Marx, this was an inherently exploitative transaction due to the distinction between labour and labour power, and their relation to the production of the value of commodities. In Marxist theory, value is a social relation, measured by the socially abstract necessary labour time required to produce a commodity, determined at the competitive level of the economy as a whole (as opposed to the value of any individual commodity being the particular, concrete labours that went into its specific production)⁶. Labour's role as the measure of value in Marx's theory meant that capitalist production was inherently exploitative, because the source of a capitalist's profits were ultimately located in the unpaid surplus value of commodities produced by workers over and above the value of their wages they received in return. This was so even if workers are paid the fair value of what it costs to reproduce their labour, because what they sell is not the product of their labours but

⁵ How money should be conceptualised within Marxist theory, including how it relates to other schools of economic and anthropological thought, is a complex area. For a sense of the debates within Marxist political economy see Lapavistas (1994, 2003, 2013), while Keen (2003) theorises Marx's approach to money from a post-Keynesian perspective. For a lively anthropological treatment of the relation between money, debt and the state through history, see Graeber (2013).

⁶ For Marx, value as socially abstract labour time is historically specific to capitalism and its separation of producers from the means of production that forces workers to sell their labour power to survive, rather than being a universal feature of all human societies. The literature on Marx's political economy is vast, often polemical and extremely controversial, with comprehensive summaries and reconstructions found in Harvey (2007a), Saad-Filho (2007), Fine and Saad-Filho (2010), Kliman (2011), Weeks (1981), Fine and Harris (1979).

labour power, their capacity to work and create value for capitalists. For Marx, although capitalism superficially appears to be defined by free exchange, appearing as “a very Eden of the innate rights of man [sic]...the exclusive realm of Freedom, Equality, Property and Bentham” (Marx 1976, 280), in reality it is a form of production that relies on the class dominance of workers by capitalists for its own survival. In addition to capitalism being a form of class society, within this theory it can also be seen as an inherently monetary form of production, with commodities produced in accordance with the need by capital to extract surplus value rather than the production of goods and services that meet human needs.

As such, it should be stressed that financialised and productive capitalism share common features. Both are inherently monetary, with capital taking the form of flows of value that undergoes a metamorphosis through sums of money, labour power and materials, and commodities sold on to realise surplus value. For both, this is an exploitative process in which the production of commodities is driven by the need to extract surplus value, rather than the provision of goods and services that meet human needs. Interest bearing capital, in this framework, is the advancing of a sum of money as credit by a “money capitalist” prior to M-C at the onset of the circuit, with the owner of this money earning a profit following the valorisation of C-M' through the return of their principal loan advance and an interest payment, financed through the expansion of production it enabled. Interest-bearing capital also has the capacity to become “fictitious capital” when it is itself traded as a commodity, so-called not because it is less ‘real’ than capital tied up in physical production, but because its price can fluctuate autonomously of the actual claim on future earnings it represents. The accumulation of interest-bearing capital is therefore a redistribution of surplus value from ‘productive’ to ‘money’ capitalists, though how this restructures production in practice is likely to

vary according to the material processes of commodity production and cannot be predicted in advance.

In adopting a restricted definition of financialisation as the accumulation of interest-bearing capital, Bayliss et al (2017) also argue that commodification and monetary calculation are necessary but not sufficient criteria, while also claiming that its influence can be exerted through non-economic means. In rendering social objects exchangeable, financialisation nonetheless depends on commodification and the extension of market relations through its direct reliance on commodity production or the “commodity form”, with the latter meaning a stream of payments that can be securitised even if no direct production takes place (Ibid., 359). Financialisation’s effects, in this view, are also experienced through “commodity calculation”, meaning the monetary forms of assessment that are used even where no exchange takes place, such as cost-benefit calculations (Ibid., 360). Commodification appears as an inherently cultural process, reliant on the discursive construction of subjectivities and practices of social reproduction that underpin financialisation, such as attitudes toward home ownership as the ‘natural’ tenure in the case of housing, which are in turn embedded in material practices that structure the constraints under which agents operate (Jessop and Sum 2001).

This strict definition of financialisation as the intensive and extensive accumulation of interest-bearing capital is an attractive one, linking it to systemic changes within capitalism while helping to avoid conflation with the presence of finance as such. The emphasis on analysing the situated context in which financialisation occurs also helps avoid the circular definition of financialisation as being both an explanation and a description of the social and economic processes it is supposed to conceptually illuminate. This is a useful approach, and one I adopt within this thesis as a first

approximation to analysing financialisation, On its own however, this rather formalist description also insufficient for an empirical analysis of financialisation, lacking an explanation of how it is that interest-bearing capital circulates or attaches itself to social and economic processes, suggesting the need for a further conceptual refinement.

To investigate this empirical question, Fine therefore argues in favour of adopting a “systems of provision” approach (Fine and Leopold 2002), which analyses how the consumption of a commodity is shaped by the agents and institutional structures of its production. In the case of the UK housing market, for example, Robertson (2017) argues credit expansion from the late 1990s led to house price inflation rather than increased supply because of the combination of a restrictive planning system and a speculative housebuilding industry able to restrict output to maximise profits. The intended methodological advantage of this is therefore to treat financialisation as a bounded entity, distinguishing the accumulation of interest-bearing capital from a commodity’s conditions of production so that financialisation is not implicitly assumed to be the sole causal agent in any given social process (Bayliss, Fine, and Robertson 2017). There are still limits to this methodological approach that suggest the need for a further analysis, however. While financialisation in this view is enabled through cultural practices such as those shaping the consumption of commodities, financialisation itself is seen as operating at a distance from these processes of economic or social reproduction (Fine 2017). This characterisation leaves the question of the extent to which the particular systems of provision can theoretically go beyond a technical description of the systems of supply for a particular product, however, or if there is any sense in which these in turn can act to shape the operations of finance itself. Although a systems of provision approach would show how financialisation operates *within* particular contexts, the financialisation of social housing would be

something that is done *to* housing associations, with agency theoretically displaced to the structural level at which capital operates.

This is questionable however, as the financialisation of a housing association would likely not just involve the 'economic' practices of lending and investment, but would also need to function as a form of governance reshaping the practices and depictions of housing associations in the process of converting them into an asset class. This conceptual distancing of financialisation from embedded social practices has been challenged by the next school of thought this chapter analyses, cultural political economy approaches that seek to analyse how these processes are reshaped at the scale of daily life.

3.4 Cultural political economy and the challenge of the "new materialism"

In focusing on practices that underpin commodification and enable it to take place, a Marxist approach to financialisation has some points of convergence with cultural economy research: both examine the sociological construction of markets and economic practices, though within very different methodological frameworks (Cetina and Preda 2004; Mackenzie 2008). Cultural economy aims to analyse markets as a performative phenomenon, that is, constructed by discourses that actively bring their object into social existence rather than naturalistically describing it, though proponents also argue that performative utterances can break down or produce unanticipated effects (Butler 2010). This approach has often utilised Actor Network Theory (ANT) and allied assemblage methodologies that collapse distinctions between structure and agency, arguing that the latter is the emergent outcome of relational networks of

human and non-human actants (Latour 2007)⁷. Loosely grouped together under the philosophical heading of the “new materialism”, these schools of thought share a problematic aimed at rejecting dualisms between the natural and the social world, stressing the active rather than passive role played by material technologies and non-human natures, emphasising instead a “flat” ontology in which any entity could be recognised as possessing agency (Coole and Frost 2010; Connolly 2013). While sharing a common antihumanism and philosophical scepticism with earlier poststructuralist intellectual movements, drawing in particular on thinkers such as Michel Foucault and Gilles Deleuze, as argued by Choat (2017), the new materialism is distinguished by a much closer engagement with the natural sciences, as part of a general attempted erosion of disciplinary boundaries.

Cultural economy is by no means limited to approaches that draw on or agree with the philosophical premises of the new materialism, or of assemblage approaches more generally (cf Erturk et al. 2008). I nonetheless focus on these in this section, in order to respond to the challenge they lay out for the Marxist analysis of capitalism forming a specific, structural form of production. Taking a sceptical view of the existence of economic structures, as opposed to knowledges and practices that result in processes of “economisation”, these researchers argue that no single factor should be privileged as a causal force structuring an emergent network (Çalışkan and Callon 2009; Collinge 2006). Within the financialisation literature, this has led writers sympathetic to this approach, such as Langley (2006), or from a Foucauldian perspective, Garcia-Lamarca and Kaika (2016), to argue against situating explanations for phenomena such as mortgage securitisation within ‘big picture’ concepts such as speculative

⁷ Not all writers using an assemblage approach would necessarily advocate new materialist philosophy. In what follows, “new materialist” is used to describe the philosophical framework, whereas “assemblage” is used to refer to the wider methodology.

investment. Instead, these theorists advocate a methodology that traces the networks of practices enabling housing financialisation to take place. As a result, proponents argue that structures such as the economy or a financial system should be viewed as an outcome of relational processes rather than as causal factors in their own right. This logic has led some ANT theorists, such as Michel Callon, to assert that capitalism itself is an “invention of anti-capitalists” who have sought to name and give coherence to what they oppose (quoted in Barry and Slater 2002, 297). Such an interpretation would directly contradict Marxist theorisations of capitalism as reproducing itself through distinct and historically situated economic categories such as value, exchange-value, and capital itself (Fine 2003).

Although many pure ANT theorists would argue that each network is qualitatively unique, others have suggested that Marxism and ANT are capable of reconciliation if the processes that constitute different networks can be identified as possessing a common logic, thus enabling the generalisation of systemic capitalist features (Castree 2002). Within the financialisation literature, a comparable argument has been made by Ouma (2016), who advocates for an “operations of capital” approach (Mezzadra and Neilson 2015), which examines the construction of financial assets as a specific and contested accomplishment, yet is attentive to wider capitalist processes and outcomes. From a Marxian standpoint, this wider scholarly interest in the performativity of markets and commodification has also been reflected in calls by Christophers (2014) for political economy to examine the practices through which markets are socially constructed by material and discursive practices. Studies grounded within cultural political economy have provided valuable empirical and methodological insights into financialisation, paralleling the allied use of assemblage approaches within urban studies to investigate areas such as dwelling and city space, housing

struggles, urban political ecology and networked infrastructures (Kaika 2005; Swyngedouw 2006; McFarlane 2011b, 2011a; Watt 2016). In addition, the insistence by Langley (2006), Ouma (2016), and others on the need to view financialisation as an outcome to be explained rather than as a causal factor in its own right is a valuable insight. This enables the potentially more empowering insight into the financialisation of entities such as social housing providers as a high-risk achievement that has to be constantly re-made and re-enacted, rather than operating as a top-down, a-social logic.

Assemblage approaches have provoked criticism from more structuralist urban theorists, however, who have voiced scepticism over the extent to which these methodological and empirical insights are compatible with the privileging of networks, flows, and processes over political economic categories such as class, rent, exploitation or indeed capital and labour at an *ontological* level (Brenner, Madden, and Wachsmuth 2011). This thesis shares such scepticism. While it may indeed be an intellectually trite manoeuvre to lay the blame for all bad things at capitalism's door, or disempowering to perceive the economy as a kind of mechanical and a-social structure, the conceptualisation of agency as irreducibly dispersed among a multiplicity of actants is also problematic. Taken to its conclusion, this logic would remove the ability to establish criteria to assess which causal actants were more significant than others in any given context, as well as to analyse structural factors they may be embedded in, a process that does not require the identification of a cause that is *ontologically* superior to the others (Choat 2017, 13). An analysis capable of accounting for structure is important to retain because although careful attention should be paid to the mutability of power relations, the longevity of capitalist social relations strongly suggests the need for a conceptual architecture that can account for

the historically differentiated endurance of some social categories over others (Söderberg and Netzén 2010). Although a conceptualisation of social housing financialisation as an outcome opens up important avenues for analysing the social preconditions that achieve it, this does not justify a theoretical silence as to how these processes may cohere into wider patterns of class inequality, displacement and crisis within contemporary urbanism.

New materialists could argue in response that this does not avoid the problem of the reification of any one object as a top-down determinant of all others and hence stripping the world of its agency and contingency, a problem Marxism in particular is argued to be prone to (Latour 1993). The classic example would be the model of an economic base consisting of forces and relations of production that determines a social infrastructure, with agency residing in a structure teleologically progressing toward communism, dismissing the independent validity of struggles against oppressions such as those based on gender and race⁸.

Such a 'topographical' model, as opposed to the flat ontology advocated by new materialists, does not necessarily reflect how social structures are conceived of within historical materialism, however. As argued by Choat (2017), a key premise of Marxism's view of materialism is not that the objective world is mechanically inert until acted upon by the forces of production, but that objects are produced under historically specific social and material relations that condition labour's social form (Ibid., 11). The properties of an object take on different meanings as its social form changes, with a central project of historical materialism being to denaturalise these forms and showing

⁸ For two feminist critiques of the failure of orthodox Marxism to take seriously the plurality of struggle, see the responses of Deutsche (1991) and Massey (1991) to Harvey (1991). The classic statement of a technologically determinist base/superstructure model from within analytical Marxism has been given by Cohen (1978). For a Marxist critique of this determinism, see Williams (1973).

how they are the outcome of structural relations that undergo historical change. Although these structures originate through material practices that operate prior or anterior to thought, such as commodity exchange by private, individual producers under capitalism, these practices are the product of irreducibly social forms, such as those that naturalise and de-historicise the commodity form. Rather than entailing a form of economic or technological determinism, this means that the specific categories of production must themselves be explicitly theorised and historicised (Rekret and Choat 2016, 289). Failure to do so risks naturalising the conditions under which social forms appear to take on agency, and thus failing to account for why these persist or may be subject to change.

As such, a recognition of capitalist social structures is still productive when these are taken as the starting rather than the end point for analysis, guiding an inquiry into what are the preconditions for phenomena such as financialisation, and what effects these may have. In the case of my specific thesis topic, I therefore analyse the financialisation of housing associations as a process in which they have to be actively and discursively shaped as an asset class. In other words, as suggested by Ouma (2016), to investigate financialisation we must explore what comes between M and M' in the circulation of capital, without losing sight of how these embedded practices cohere into wider patterns that are reshaping our access to housing as part of the accumulation of interest-bearing capital.

Rather than the circulation of capital occurring as an automatic process, I therefore argue in this thesis that social housing providers have had to be governed and represented in elite discourses as specifically entrepreneurial organisations, a high-risk and uncertain enterprise that has had to be mediated by regulatory and legal frameworks to shield lenders from the costs of failure. In doing so, my methodology

also heeds recent calls to examine the geographic aspects of financialisation, and will trace financial relations that extend from the savings of families in middle class suburbs via intermediaries such as pension funds to invest in the gentrification-led restructuring of central urban areas (French, Leyshon, and Wainwright 2011). In doing so, I also show how financialisation operates not only through structural processes of crisis and speculation in the urban landscape, but also technologies of governance that enable organisations such as housing associations, which historically have acted as welfare providers, to be reformed into acting as functional capitalists. The next section therefore turn to analyse this process in housing, analysing in particular how this operates as part of a production of urban space that shapes access to housing.

3.5. Financialisation and the production of urban space

Housing has been a key site for financialisation, acting as a major conduit for wealth through its ability to tap into national savings and capture ground rent in the urban landscape, while also becoming popular with investors as a regulated asset class with standardised valuation techniques and collateral that could be easily recovered in the event of default (Aalbers and Christophers 2014; Fernandez and Aalbers 2016; Bryan and Rafferty 2014b). From the late 1990s, urban land became a major asset bubble in many countries, leading to housing booms and price inflation within countries with developed mortgage markets such as the US, UK, Ireland, and Spain (Fernandez and Aalbers 2016). Transforming land and housing into a profitable asset class for investors, most notoriously through speculation in so-called subprime mortgage assets, ultimately triggered the financial crisis of 2008 (Aalbers 2008). While it has been an uneven process, the financialisation of housing continued past the financial crisis, with increasing investor interest in rental housing and the targeting by investors

of depreciated housing assets in the aftermath of the crash of 2007 - 2009 (D. Fields 2015; Beswick et al. 2016).

The dramatic ways in which finance can reshape the production of urban space was illustrated by the 2007-09 financial crisis and its aftermath. The culmination of a series of speculative asset bubbles and regional crises since the late 1980s (McNally 2009), the credit freeze and near-collapse of several major institutions triggered by speculative trades founded on “sub-prime” mortgages highlighted the integration of place-based housing markets into global capital (Newman 2009). The crisis revealed the extent to which how housing was being treated as an asset class to facilitate the operation of financial markets (Aalbers 2008), with implications for the reshaping of quotidian spaces, such as suburbia (Langley 2006), as well as geographies of race and class (Wyly et al. 2006).

Reviving critical interest from the 1990s into the production of real estate (Haila 2006; Beauregard 1994; Coakley 1994), academics have paid renewed attention to the ways in which financialisation is intervening in the production of urban space through investment and institutional reforms to land-use planning (Rutland 2010; Coq-Huelva 2013; Kaika and Ruggiero 2015). These impacts have not been homogenous, but a contradictory and variegated process, in which financialisation has both shaped and connected differing places, while changing its form to suit the geographies in which it is embedded (French, Leyshon, and Wainwright 2011). In a context where cities are becoming key infrastructural nodes for capital, as well as major sites of accumulation in their own right (Brenner and Theodore 2002), financialisation has become a profoundly urban process.

Unsurprisingly, given the legacy of the financial crisis, the links between debt, homeownership, and volatility within financial institutions has been a major area of study for this literature. This ranges over the restructuring of legal and regulatory frameworks to enable mortgage securitisation (Wainwright 2009), comparative research into financial and housing markets within differing national contexts (Schwartz and Seabrooke 2008; Fernandez and Aalbers 2016), credit-scoring and discrimination (Hall 2012), and housing's role within political economy (Aalbers and Christophers 2014). Fragility in mortgage markets following the crash has also led to a further wave of research exploring how the aftermath of the crisis has established new power relations in the urban landscape. These include work that is attentive to the limits of mortgage financialisation, particularly the ways in which the housing bubble led to a one-off transfer of wealth through housing assets that is unlikely to be repeated (Montgomerie and Büdenbender 2015), and research on the strategies used by private equity companies to purchase "distressed assets" for rent, following market collapse (D. Fields and Uffer 2016). Opposition to financialisation by urban community groups (D. Fields 2015), and the growing interest amongst different types of corporate entity in transnational landlordism are other avenues of recent work (Beswick et al. 2016).

To the extent that housing associations undergo financialisation under austerity, this is a process that can have serious consequences for tenants. Reliance on speculative developments to raise income can subject associations to the need to make a competitive return, reducing the resources used for social housing provision (O'Neill 2013), while a more commercial approach to risk could result in more exclusionary lettings policies to screen out tenants who may pose a threat of rent arrears. My thesis is therefore able to contribute to this second wave of housing research by exploring

the limits and contingencies of financialisation, while still situating it within broader political economic processes of urban displacement and dispossession within the social housing landscapes of cities. However, this thesis seeks to combine a focus on the impacts financialisation at wider scales with an approach that focuses on the implications of the spread of financial calculus into the operations of associations as they are reshaped into an asset class for investors. In the following section I therefore develop a framework for analysing how financialisation operates as a governmentality, so as to be able to capture how the disciplinary and power-laden impacts of post-2010 austerity are reshaping the social housing sector.

3.6. Housing, social reproduction, and the financialisation of daily life

As the site of the domestic sphere, housing plays a particular structural role in enabling social reproduction, defined here as the unwaged and often gendered range of mental, physical, and emotional labours by which we are materially and symbolically reproduced within a given society (Dalla Costa and James 1972; Federici 2017). Social reproduction, as understood in this thesis, has a twofold nature, in that it involves the reproduction of both ourselves as human beings, and also the socio-economic order more generally (Dowling and Harvie 2014). Under capitalism, for example, labour power has to be reproduced in order for it to be employed by capital, a process that relies not just on the wage but on the social relations that educate a workforce and provide it with housing and care, including unwaged domestic labours within the household such as cooking, cleaning, and childcare.

Under financialisation however, the home has become increasingly integrated into circuits of capital as housing has become a key global asset class. Public housing systems have undergone erosion and re-commodification under four decades of

neoliberal reform, while the provision of housing has become more closely integrated into global capital flows. Prior to the financial crisis, securitised mortgage assets were highly sought after by investors (Sassen 2009), while the years since the crisis have seen new corporate landlords emerge to take advantage of distressed housing assets in the wake of recession in countries such as the US, Ireland and Spain (Beswick et al. 2016). The resulting arrangements are precarious, and leave capital vulnerable to the possibility that labour may be unable to provide such returns, given the possibility of mass defaults and a financial crisis. The need to provide a competitive return to lenders is further intensified through advances in mathematics and computing, which enable techniques such as derivatives and securitisation to be used to disaggregate and trade risks, for example by purchasing insurance against a mortgagor default (Bryan, Martin, and Rafferty 2009).

While neoliberal thinkers have argued that labour is thereby transformed into just another form of (human) capital (Shiller 2004), Bryan et al (2009) contend that this process of risk calculating and trading places households at a systematic disadvantage, because workers under capitalism cannot be separated from the labour power by which they reproduce themselves, which limits their ability to trade exposures to risk. For instance, a worker cannot easily sell their house without buying or renting a new one, or divest themselves of their job without selling their labour elsewhere. Passing responsibility for managing the risks of financialisation downward onto households entails a new need for workers to manage that risk, and so introduces financial calculus and practices into the daily life of the unpaid labour by which households socially reproduce themselves as labour power (Bryan, Martin, and Rafferty 2009; García-Lamarca and Kaika 2016). By extending financial logics and calculus into the home in order to secure a return on investment, financialisation

therefore has the potential to enact new enclosures at the scale of daily life, incorporating social reproduction into wider circuits of capitalist accumulation (Martin 2002; Bryan, Martin, and Rafferty 2009).

The dual nature of social reproduction, in which we reproduce both ourselves as humans and labour power as a resource for capital, implies that there are wide-ranging political implications to the way in which housing is presented, whether as an independent, privatised good, or as a physical mediator of collective and power-laden processes by which we reproduce ourselves and are reproduced. The tensions created by the financialisation of housing become particularly intense in the case of social housing. Dwindling state grants have made it necessary for housing associations to depend on private lenders and investors for funds; a new type of outsourcing and levering in of private capital into the sector. Social landlords must now increasingly act as commercial organisations, while at the same time remaining reliant on government support, and these contrasting and competing logics have led to them becoming increasingly adept at calculating and managing financial risk in exchange for earning a return (Bryan and Rafferty 2014b; Dowling and Harvie 2014).

One consequence of this, as this thesis argues, has been that housing associations have also become ever more complicit in the production of new risk-reducing power relations with tenants, via, for example weakened tenure security, restrictive allocations policies, and greater powers over eviction (Manzi and Morrison 2017). New and disciplinary regimes of social reproduction have therefore been developed to reduce risk exposure, impacting on the social and subjective relation between landlord and tenant as austerity drives new waves of dispossession through the sector. While the urban characteristics of financialisation strongly suggest the need to explicitly theorise how housing associations are being reshaped as an asset class for lenders

and investors, this is also a process that requires a restructuring of the governance and priorities of associations from welfare providers to entities that are capable of generating a return. Rather than a linear process, the financialisation of housing associations should therefore be conceived as requiring a constant process of reshaping and remaking housing, and as such may be considered to be a risky and provisional accomplishment, potentially vulnerable to contestation and frustration.

3.7 Conclusion

In this chapter I have analysed the history and academic usage of financialisation as a concept, using this to set out the groundwork for a theoretical framework for analysing changes to housing associations in England. In doing so, I have set out my response to the challenge by Christophers (2015) for researchers to avoid unreflective use of the term, lest it risks becoming a reified and circular concept that can neither explain nor describe the social and economic processes by which finance interacts within non-financial entities. At first approximation, I have adopted a broadly Marxist approach within this thesis, based on the theoretical analysis by Fine (2013) of financialisation as the intensive and extensive accumulation of interest-bearing capital. I have chosen this approach due to the strength of Marxist political economy in developing generalisations about the development of capitalism that focus on the historical and social underpinnings of the structural forms adopted by socio-economic processes, analysing how economic categories are open to change rather than being abstract and immutable. A relatively tight definition as the accumulation of interest-bearing capital has the advantage of providing a clearer set of criteria for analysing financialisation as part of a restructuring of capital, helping avoid the trap of circular reasoning that associates it with the mere presence of finance as such.

I have also argued that this can only be a first approximation of financialisation, however, as on its own this definition too does not explain *how* it is that capital circulates. A focus on describing the systems of provision under which housing or other goods are produced (Bayliss, Fine, and Robertson 2017) would still appear to leave interest bearing capital itself somewhat unexplored as a force that acts on production, rather than its circulation being an outcome that itself has to be produced. Cultural political economy approaches hold an advantage in this regard, given their emphasis on the discursive construction of socio-economic entities that enable a closer examination of how financialisation may operate as a form of governance, for example the reshaping of housing association aims and priorities as they become an asset class. The collapse of structure and agency by these approaches, in particular those influenced by philosophies loosely grouped under the label of the new materialism, is also problematic as they lack the ability of historical materialism to examine both change and the longevity of the historical social forms under which phenomena such as financialisation occurs. This is politically problematic, as despite a theoretical privileging of change, agency, and the fluctuation of material and conceptual categories by approaches such as Actor Network Theory, these risk naturalising capitalist social formations while being unable to explain how these may be subject to change.

My own theoretical framework for analysing financialisation therefore explicitly adopts a historical materialist approach, while also recognising the insights from cultural political economy into how financialisation operates through a reconstruction of governance at the scale of life. Although financialisation of social housing providers operates through the circulation of capital, through the built environment, alongside Ouma (2016) I have advocated the need to get between M and M', analysing

financialisation as a provisional achievement that operates as a reconstruction of governance. In particular, I have advocated analysing how financialisation operates through the lens of the changing power relations that shape social reproduction and the governance of risk, including how financialisation is enabled through the costs of this process being passed downward from lenders, to providers, and on to tenants. This is a deeply political process, demonstrating the need to analyse how legal and regulatory frameworks have mediated financialisation while assigning costs, benefits and liabilities across different social actors.

As argued in Chapter 2, this justifies the adoption of a methodological approach in the empirical chapters of this thesis that analyses how elite and practitioner discourses represent associations as an asset class for finance. Financialisation has also been argued to be a profoundly spatial process (French, Leyshon, and Wainwright 2011), requiring the production of new geographies of housing in the process of securing accumulation. In the next chapter of this thesis I therefore now turn to analyse how cities have been reshaped by financialisation under policies guided by the reforms of urban neoliberalism over the past 40 years, drawing on the work of the geographer David Harvey (2007a) in particular to argue that this is giving rise to new forms of dispossession in the aftermath of the 2007 – 2009 financial crisis.

Chapter Four: Neoliberal urbanism and the treatment of land as a “pure financial asset”

4.0. Introduction

The term ‘neoliberalism’ is contested and controversial, but is generally used to refer to recent rounds of spatial and social restructuring since the 1970s, in which market-led institutions have displaced direct state planning in the organisation of economic life (Brown 2015; Harvey 2007b; Saad-Filho and Johnston 2004). The phenomenon can be observed at a global scale, with the creation of new international divisions of labour, the spread of production supply chains across national state borders, and trans-national legal and regulatory frameworks easing the passage of global capital flows (McNally 2009). Moreover, neoliberalism is often used to refer to a hegemonic consensus amongst governments since the 1980s on the merits of free market policies, such as privatisation of state enterprises, balanced government budgets, trade liberalisation and a strong defence of property rights, as codified in totemic schema such as the Washington Consensus (Williamson 1993).

Within this context, economic geographers have argued that cities have gained new importance as sites of economic governance and connective nodes within these processes, undermining the importance of regionally-focused former industrial heartlands such as the American mid-west, northern China, or the north of England (French, Leyshon, and Wainwright 2011). However, cities have simultaneously come under greater pressure to compete in order to attract investment capital through both the rolling back of public services, and a rolling out of neoliberal reforms to embed market institutions (Sassen 2001; Peck and Tickell 2002). Cutbacks to welfare

services, labour market retraining, and increased conditionality in social security benefits, have combined with the unlocking of urban land for profitable investment through powers of eminent domain, subsidies for development, and the erosion of public housing (Brenner and Theodore 2002; Weber 2002). Rather than flattening differences between places, this has been a crisis-ridden and variegated process of creative destruction, dependent on specific urban historical contexts and producing divergent and path dependent outcomes whose outcomes have been deeply shaped by previous institutional choices (Brenner, Peck, and Theodore 2010).

The financialisation of housing plays a deep and complex role in this temporal and spatial process of neoliberalisation, and particularly on the commodification of urban space. This chapter reviews the literature on the spatial ramifications of the neoliberalisation of housing. It begins with an analysis of the complex debates over the definition and scale of neoliberalism itself, examining both structuralist and non-structuralist approaches, before advocating an understanding of neoliberalisation as a “variegated” phenomenon (Brenner, Peck, and Theodore 2010). A second section then reviews the work of the Marxist geographer, David Harvey, whose theorisation of the urbanisation of capital has had a foundational influence on critical urban geography. It will explore his argument that urbanisation unlocks investment potential in an attempt to resolve underlying capitalist crisis tendencies, with the recapitalisation of urban space and the displacement of low income communities under neoliberalism acting as a vital source of “accumulation through dispossession” (Harvey 2005). Following this, a third section explores the ways in which critical scholars have examined these processes in relation to housing, including the analysis of displacement. The fourth section then brings financialisation back into the analysis, investigating the mediation of crisis tendencies through urban space, before a final

section examines contributions from legal geography about the use of legal and regulatory frameworks to shape social housing.

4.1. Methodological approaches to neoliberalism

Neoliberalism is a difficult term to pin down. In wider discourse it is sometimes associated with a pure pursuit of market logic. However, not only do few political parties or movements self-identify as neoliberal, but few governments – even in the US or the UK – adhere to a pure market-orientated logic. The multi-trillion dollar state-bailout of financial institutions in 2008 illustrates this, as do the persistent deficits run by the Thatcher and Reagan administrations in the 1980s (Blyth 2013), and the extent of government intervention and guidance in the UK housing market over decades. Critics have disputed the extent to which neoliberalism could be said to be dominant in light of such discrepancies, with Whitehead (2012) pointing out that few contemporary academic economists would adhere, in practice, to beliefs in the existence of perfectly efficient free markets, or in the inevitable failure of any kind of government intervention. If neoliberalism is understood in terms of such an extreme policy stance, it would seem difficult to ascertain its relevance for analysis beyond perhaps a rhetorical denunciation of certain policies.

The historical foundations of neoliberalism are equally disputed. Canonical neoliberal writers, like Milton Friedman, have portrayed neoliberalism as the revival of a classical liberal advocacy of commerce and trade, initially espoused by thinkers such as Adam Smith (Friedman 2002). Critical analyses of neoliberalism, by contrast, have argued that it is a more modern response to the failure by liberal institutions to prevent the rise of state planning in the 1930s, as advocated by movements of both the political left and fascist right (Mirowski and Plehwe 2009). For this second group, neoliberalism's

conceptual core lies in an epistemological scepticism toward the possibility of collective social knowledge, illustrated by figures such as Hayek (1996), argued that state planning could never capture the irreducibly *private*, tacit knowledge of economic actors. In such a view, market solutions do not simply produce superior economic results, but are, in fact, the only mechanisms capable of calculating the interaction of competing individual claims and goals. The public sector cannot represent collective values such as the public interest or public accountability, but remains just one more (monopolistic) institution. For writers such as Mirowski and Plehwe (2009), then, neoliberalism constitutes a process of state reform, in response to the mass politics of the mid-20th century, in which the market becomes the ideal model on which all other social institutions should be based.

In academic research, as Lerner (2003) suggests, there are three main definitions of neoliberalism. It can be treated as a hegemonic ideology, as a policy project aimed at state reform, or as a mode of governmentality in which power centres on a calculating individual subject. Each conceptualisation has implications for the extent to which neoliberalism can be considered as either an idealistic project, or a contingent process dependent upon local contexts for its enactment and contestation.

The view that neoliberalism is a hegemonic ideology covers a surprisingly broad range of positions. Writers drawing on cultural theory have analysed neoliberalism in terms of its ability to unsettle stable identities that may previously have acted as grounds for class solidarity: Dean (2008) draws on Lacan to explore neoliberalism's structuring of atomised social desire, while Hall (2011) has argued for its ability to deepen class inequality by creating social hegemony. Meanwhile, in sharp contrast to the classical view of liberalism as a protection for the individual against overbearing governments, sociologists influenced by Pierre Bourdieu (1992) argue that it constitutes an

ideologically-laden process through which the state gains legitimacy by enacting punitive measures against marginalised social others excluded from mainstream society (Wacquant 2012; Tyler 2013). From a political economy angle, writers have argued that it acts as a hegemonic class ideology, propagated through think tanks and backed by elite academic and policy networks operating through international institutions such as the World Bank and International Monetary Fund (Saad-Filho and Johnston 2004). Marxist writers also see it as an imposition designed to reverse the gains made by 20th Century labour and national independence movements following decolonisation (Harvey 2005), although many are quick to note that neoliberalism's global ubiquity means that it never exists in "pure" form, but is instead always articulated within particular local contexts (Saad-Filho and Johnston 2004).

There is an overlap between the first and second conceptualisations of neoliberalism. Work from post-regulation social theorists on neoliberalism as a process of state reform has suggested that it constitutes not merely a "rolling back" of the welfare state, but the "rolling out" of new institutional forms that provide coherence and longevity, stabilising the volatilities caused by marketization (Peck and Tickell 2002). This is consonant with a school of academics in human geography, who have focused on neoliberalism as a policy project: Brenner and Theodore (Brenner and Theodore 2002), for example, argue that it constitutes a creative-destructive process of path-dependent institutional reform. Roll back measures, such as the privatisation of public housing and the erosion of local public services, are partnered with roll-out measures, including the privatisation and policing of public space, the use of public-private partnerships to deliver services and social housing, and gentrification-led restructuring of inner urban areas for middle class settlement and consumption (Ibid.). Within this policy-oriented framework, the longevity of neoliberalism partly lies in its ability to

dominate the response to crises caused by past rounds of neoliberalisation, capitalising on events such as recession, deindustrialisation, or financial crisis to promote market reforms. Neoliberalism thus appears as the hegemonic, necessary enabler of economic growth, prosperity, and political stability.

Such a view leaves little room for contingency, which partly explains the third methodological approach to neoliberalism: treating it as a mode of governmentality (Larner 2003; Hoffman, DeHart, and Collier 2006; Ong 2006). Drawing on the work of the French philosopher Michel Foucault (1984), in particular his lectures on *The Birth of Biopolitics*, thinkers in this school adopt a post-structuralist framework to analyse how social entities are discursively constructed to make them both thinkable and governable through particular operations of power (Rose 1996). Here, power is understood not as a capacity held by pre-existing individuals or groups, but as a relational outcome of the ways in which technologies of governmentality discursively represent social entities and render them amenable to calculation and control. The process is spatial in nature: power never exists in a pure form, abstracted from its reach through particular geographic manifestations (Allen 2003), and never operates according to just one logic. Instead, potentially contradictory discursive representations coexist: for example, subjects in liberal societies can be represented as market consumers in one discourse, and as individual citizens within a political community within another.

Neoliberalism, within this view, acts as a particular form of governmentality in which the self is reconstituted as a calculative, entrepreneurial entity, for example through the representation in housing policy of social tenants as resilient, self-reliant choosers of their housing outcomes (Hart 2004; Dean 2008). Importantly, however, other representations and other types of power relation coexist with this, so that outcomes

are contingent, and resistance possible (Castree 2006). Research conducted within a governmentality framework is, however, often critical of attempts to identify an underlying structure in how neoliberalism reshapes the world, with writers such as Collier (2012) arguing this would be universalising, would deprioritise the local, and would incorrectly attribute agency to neoliberalism itself as an independent logic that unfolds across the entire social world.

Perhaps partly as a result of this approach, over the last decade, there has been a move to recognise the temporally and geographically variegated nature of neoliberalism (Brenner, Peck, and Theodore 2010). Markets are increasingly seen as divergent and crisis-ridden, working across multiple spaces (Peck and Tickell 2002), with significant differences between national contexts and cities in the global South, where welfare state provision was often basic prior to the 1970s, and contexts in the global north, where the roll back of comprehensive state provision in social housing formed the leading edge of change (Peck and Tickell 2002). It is still possible, however, for critics like Collier (2012) to object that this attention to varied contexts is superficial and “builds on an old Marxist manoeuvre that aims to show how economic conditions, state formations and ideologies are wrapped up in a common project – however flexible, polymorphous or cunning that project is” (Ibid., 194). Others make the opposite point: that an insistence on localised manifestations of neoliberalism downplays the extent to which its tenets and practices are hegemonic, circulating through elite policy networks and often imposed in a very real top-down manner (Hackworth and Moriah 2006).

A route out of this conceptual tension is suggested by debates within post-structuralist feminism, where authors have focused on resistance to neoliberalism in the sphere of daily life. Drawing on Sedgwick (2003), Gibson-Graham (2008) warns against the

potentially disempowering implications of interpreting neoliberalism through a “strong theory” lens as an explanatory variable, since treating it as a causal logic that is unrolled across the social world closes down alternate futures and routes for contestation that may exist in the present. Instead, neoliberalism can be viewed through a “weak theory” lens that is descriptively oriented and limited in its predictive capacity, allowing it to be seen as a precarious outcome of power relations that can be contested or disrupted by practices within people’s everyday lives. The local here is not small and inward-looking, but “open” to the wider world in a way that allows it to interface with dominant forms of capitalist power (Massey 2005).

As I argued in the discussion of Marxism and the new materialism in the previous chapter, while capitalist structures should be viewed as conditioning and giving meaning to social forms, these are still relations that have to be constantly remade, and therefore should be taken as the starting point rather than the end point for analysis. This thesis therefore views neoliberalism in terms of a variegated process of capitalist restructuring, but seeks to suggest that these present opportunities for resistance at a local level. Within social housing research, such a view of neoliberalism has been used to analyse how legal mechanisms and contractual requirements within public-private partnerships (such as the Private Finance Initiative (PFI) have been vulnerable to disruption and delays that open up opportunities for tenant involvement and the winning of concessions (Hodkinson 2011a). Although taken at an individual level such challenges may not overthrow the system, they open up an “Achilles heel” (ibid., 379) that leaves such capitalist strategies vulnerable to contestation, while allowing breathing space to working class and other subaltern movements operating across multiple struggles to co-ordinate and build opportunities for creating new political realities.

One advantage of this way of picturing neoliberalism as a process resting on social relations that have to be constantly made, and therefore are open to disruption and being un-made, is that it can readily be combined with the analysis of the financialisation of daily life discussed in the previous chapter, allowing an exploration of the ways in which social relations underpin financialisation. For social housing to be opened up to profitable activity, housing associations have to be transformed into organisations that can act as entrepreneurial, risk-taking enterprises, with disciplinary effects on tenants, but these open multiple possibilities for resistance at a local level. However, it is first necessary to understand, in more depth, how and why social housing has become a vehicle for the investment of private capital. In order to do this, I will turn to the work of David Harvey, whose work links spatial patterns of capitalist accumulation with attempts to manage capitalist crises.

4.2. The treatment of land as a “pure financial asset”

The way that markets treat land as an inherently scarce commodity, the supply of which is effectively fixed, has long been a subject of interest in the social sciences. Drawing on the work of the classical economist Ricardo (2004), who investigated the differential rents that could be extracted from agricultural land of varying productivity, neoclassical economists like Alonso (1964), Muth (1972), Mills (1967) and Rosen (1974) developed models in which residential land prices were treated as the reflection of consumer preferences over the use of space. According to their theories, which ground neoclassical approaches to housing, under conditions of free competition and clearly defined private property rights, house prices could be mathematically represented in terms of supply and demand under the constraints of available land and travel times within an urban area. However, as Whitehead (2012) points out in her review of this literature, housing is an expensive, long-term asset, unaffordable to most

people without credit, and its price is shaped by land scarcity, financial volatility, inelastic supply, cultural signifiers and other market imperfections. These factors lead to high transaction costs (Coase 1937) and make it unlikely that markets will produce efficient outcomes. For the majority of contemporary housing economists, the consequence is that policy intervention will be needed in order to achieve more equitable outcomes (Whitehead 2012). Housing failures, such as boom and bust cycles, shortages and overcrowding, here become a symptom of market failure, and a result of the real world failing to live up to utopian expectations.

Marxist critiques of these theories have focused on how capitalism goes beyond the spatial distribution of resources according to supply and demand: the requirement that the build environment should yield a profit creates the potential for crisis where these conditions cannot be met. Building on earlier research by Lefebvre (1991) into the production of space, the geographer David Harvey has reconstructed the value theory of Karl Marx (1976) to link urbanisation, wider processes of capitalist accumulation, and social crisis in a manner that draws attention to the intersections between financial and land markets (Harvey 2007a). Within Marxist theory, a commodity is an object produced for exchange, the value of which is measured by the socially necessary abstract labour time required to produce it. This does not mean the actual length of time required to produce any given commodity, but the share of collective social labour that a commodity represents, within a capitalist society where qualitatively different labours can be made quantitatively commensurable through their integration into a wider system of commodity production (Marx 1976, 129). However, such a formulation makes the theoretical price of land problematic within value theory: unlike most commodities, it does not usually require human labour to produce. Harvey resolves this issue by arguing that the price of land derives not from its current use, but on

entitlements to the capitalisation of *future* rents that can be extracted from its highest and best (profitable) use (Harvey 2007a, 367). This forward-looking orientation towards the most profitable exploitation of future labour also provides landlords with a 'rational' social role in facilitating the efficient allocation of capital, an interesting contrast to economists such as Ricardo who viewed landlords as an ultimately parasitic feudal holdover (Ibid., 230).

The co-ordinating role played by rent, as an income stream connected to an asset whose value could be separated from its current use, leads Harvey to the idea that there are deep structural affinities between finance and real estate. The pooling of capital by finance is usually necessary for the production of the built environment, given the large sunk investment costs (long turnover times and high exposure to risk) (Gotham 2009). In addition to this, Harvey argued that under capitalist social relations, land ownership would have a tendency to be treated as a "pure financial asset" (Harvey 2007a, 267), with paper claims to the future rents of land accorded a functional equivalence to financial securities such as stocks or bonds. These claims on future cash flows represent "fictitious capital" in Marxist terminology: they are nominal values, derived from discounted future payments, that can fluctuate independently of the actual sum of money used to purchase a financial asset (Lapavitsas 2013, 29). Here, the word "fictitious" does not mean that this capital is illusionary compared to an underlying 'real' economy of non-monetary values, but that its circulation through exchange opens up a gap through which claims to future earnings can circulate free from the capital tied up in production from which it extracts value (Harvey 2007a, 267). Fictitious capital must be distinguished from loanable capital (sums of money lent out for interest), though it can represent the prices paid for entitlements to those interest streams (Ibid., 29). Trades in fictitious capital can provide a useful function for

investors attempting to discover where their own capital can be allocated most efficiently, but the separation of exchange from use can also amplify speculative bubbles, as rising asset values become detached from any underlying profitable activity (Ibid., 267).

A central axiom of Marxist theory is that capital must circulate to reproduce itself: a sum of value is invested in production, which (if successful) returns the original sum, plus a valorised increment of surplus value that forms the basis of profit. Drawing on a reading of the three volumes of Marx's *Capital* (1976), Harvey argues that capitalism produces a tendency toward overaccumulation of capital, relative to opportunities for its profitable employment. The result is surplus capital, in forms such as unsold goods, unused capacity, idle cash balances, and surplus labour in the form of unemployment (Harvey 2007a, 196). Ultimately, this makes the system prone to crises, which act to devalue overaccumulated capital, enabling surviving capitalists to acquire spare assets at knock-down rates. The need to find profitable outlets for these surpluses may then lead to a combination of their temporal displacement through investment in long term projects, and their spatial displacement in the opening up of new markets and the production of new spaces for capital accumulation through means such as the creation or remodelling of new built environments (Harvey 1978).

Attending to the circulation of capital through the built environment enabled Harvey to connect urbanisation to these crisis tendencies within capitalist accumulation. His key theoretical texts, *The Limits to Capital* and *The New Imperialism*, distinguish between a primary circuit of capital (a single production cycle, accounting for the labour and raw materials used); a secondary circuit of production (which includes fixed capital that lasts more than one cycle and provides longer-term infrastructure for the primary circuit, e.g. transport and reusable machinery); and a tertiary circuit of capital that

encompasses scientific and technological innovation as well as social reproduction (Harvey 1978, 108). Importantly for this thesis, housing forms part of the secondary circuit, as the part of the built environment that is available for consumption (Ibid., 107). For Harvey, economic crises can be deferred by being passed from one circuit to the next as surpluses of capital accumulated in the primary circuit are invested (via state expenditure and financial markets) into the secondary circuit, for example the canal and railway booms of the 19th Century, or the mass suburbanisation that followed the Second World War (Ibid., 127). Contradictions within capitalist accumulation mean that crises are displaced rather than resolved this way, as the circuits act as “irrational rationalisers” for the system as a whole (Ibid., 112), cheapening capital costs through the destruction of existing value and the launching of new cycles of accumulation. Crisis and disinvestment in housing, in this view, is not the result of market dysfunction, but a structural necessity of capitalist accumulation.

4.3. Neoliberalism and “accumulation through dispossession”

For Harvey, then, internal contradictions within capitalist accumulation are displaced through the different circuits of capital. This also entails capitalism’s expansion into new business and new geographical areas, through what he describes as a series of “spatio-temporal fixes” (Harvey 2007a, 2005). Under the neoliberal era that began in the 1970s and 1980s, Harvey argues, new opportunities for profit were sought by unlocking investments that had previously been closed off to global capital (Harvey 2007b). Examples include exploitation of common resources among the agricultural communities in the global south, or private investment into services formerly offered under the welfare state services in the global north. Finance, for Harvey, is central to this process, since it enables capital to move quickly from one opportunity to the next, and also acts as a disciplinary force on living standards via the threat of capital flight

(Harvey 2005). In terms of social housing, Harvey's thesis has clear implications: the breakup of welfare services in countries such as the UK since the 1970s, including the re-commodification and residualisation of social housing, could be interpreted as a form of class warfare, with public housing assets unlocked for the market as part of a strategy of renewed accumulation.

While Harvey does not refer to financialisation directly, he does make it clear that "the credit system" plays a fundamental role in this process, enabling accumulation to be co-ordinated across uneven capitalist development by reallocating capital to more efficient uses. This allows production and consumption needs to be balanced, for example through loans from areas with surpluses of capital to those with deficits (Harvey 2005). Yet this merely displaces rather than resolves underlying crisis tendencies, since overaccumulated productive capital actually enables speculative activity that amplifies the impact of crises once they finally hit. Furthermore, for Harvey the failure of successive waves of spatio-temporal fixes to restore long-term profitability since the 1970s have given rise to ever-proliferating forms of what he terms "accumulation through dispossession" (Harvey 2005). Drawing on Rosa Luxemburg's reworking of Marx's concept of primitive accumulation in which resources lying outside circuits of capitalist production are forcibly appropriated by capital, Harvey suggests that the net result is new forms of enclosure, including but not limited to the establishment of private property rights over previously non-commodified resources (such as traditional land rights in agrarian societies), copyrights over intellectual properties, military adventurism and the neoliberal privatisation of former public assets and welfare services (Harvey 2005).

Harvey's theories have been criticised within Marxist scholarship for over-emphasising dispossession as a solution to capitalist crisis (Fine 2006), and for downplaying

ongoing and everyday struggles to move outside capitalist social relations (Angelis 2006; Hodkinson 2012). Within the context of housing association financialisation, Harvey's framework nonetheless has rich potential, allowing a sophisticated analysis of the ways in which financial accumulation, urbanisation, and the privatisation of social housing assets combine to produce geographies of dispossession that can be analysed through this research. Its value to this thesis is two-fold. Firstly, Harvey's framework calls for greater attentiveness to the role played by space in the ongoing reproduction of capitalist power relations (French, Leyshon, and Wainwright 2011). In particular, it allows connections to be made between financial investors and social housing systems in very different places, as middle class savers are linked to social housing via intermediary funds based in financial centres such as London or New York (García-Lamarca and Kaika 2016; Fernandez and Aalbers 2016). Secondly, and related to these considerations, Harvey's concept of the urbanisation of capital opens up questions about the role of the legal and regulatory frameworks governing planning and the use of housing in this process, including government policy initiatives, welfare regimes subsidising housing, and interest group networks of developers, planners, valuers, auditors, solicitors and others (Gotham 2009). I shall return to this second point later in the chapter, after further exploring the relationship between urbanism and neoliberalism.

The structural role of land as a pure financial asset also implies different forms that financialisation can take with respect to housing. Housing can be valued as a speculative asset for analytically distinct reasons to its ability to capture ground rent, such as standardised lending and valuation practices and the legally protected physical ease with which creditors can repossess collateral in the event of default (Fernandez and Aalbers 2016). This is reflected in the form undertaken by

financialisation prior to the financial crisis, in which the main object of accumulation was the securitisation and trading in bonds aggregated from mortgage payments, with these deals providing opportunities for the further creation of financial instruments such as derivatives to profit from these trades (Sassen 2009). This was mediated by relatively traditional real estate institutions such as property developers, mortgage originators and home ownership (Aalbers 2008). The “post crisis” context of low growth, low interest rates and fiscal tightening has provided new opportunities for investors to capture the ground rent of housing through corporate expansion into direct ownership of residential rented real estate and thereby capture the profits that can be extracted through treating land as a pure financial asset (Beswick et al, 2016). This has also been aided by technological advances that increase the ease by which profits can be extracted from the traditionally tight margins of the private rented sector (D. Fields 2017). Harvey’s treatment therefore provides a way of connecting globally mobile capital to local urban housing markets, and of understanding the array of emergent new strategies for accumulation in the area of housing, such as the spread of corporate landlords and complex financial tools such as securitisation or derivatives.

This ability of land to act as a pure financial asset has implications for how we analyse changes to housing associations under austerity. Many social housing estates are strategically located in central urban areas such as London that could provide opportunities for profitable speculation if they could be integrated into circuits of capital accumulation. As I will argue in the following chapter, the growth of more commercial practices by associations could therefore have the result of drawing them into treating their land and housing assets as a pure financial asset, and therefore leading housing providers themselves to undergo financialisation. To better analyse this process and the consequences it may have for tenants, the next section therefore turns to consider

the urban studies literature as it has explored existing dynamics of displacement and dispossession under urban neoliberalisation, to better establish the extent to which financialisation may represent a new phase of this process.

4.4. Class, displacement, and gentrification

In terms of housing, over the past 30 years critical urban scholarship has increasingly focused on the relation between neoliberal urbanism, and the question of the extent to which displacement and dispossession are becoming more common housing experiences. In particular, these issues have influenced debates over whether gentrification, as part of a wider process of neoliberal urbanism, contributes to issues such as displacement (Lees 2010). Neil Smith's (1979) "rent gap" account of gentrification and displacement famously suggested that processes of neighbourhood disinvestment and displacement in contemporary cities were not the result of market failure, but rather the structural product of land and housing markets themselves. For Smith, neoclassical approaches that assumed consumer sovereignty in the organisation of urban space according to laws of supply and demand were deeply flawed, because they took for granted the social conditions under which the built environment was produced.

Orthodox economics argued that private ownership within an idealised capitalist city gives the price of a piece of real estate in two components: the value of a property itself, accounting for depreciation and maintenance, and the ground rent of the land it occupies as a claim made by landowners on its use (Smith, 1979, 543). However, Smith suggested that the second of these, the ground rent, could be seen as a dual entity: alongside the actual level of ground rent that could be capitalised through sale in the present was the potential ground rent that could be realised if land was put to

its highest and best use in future. As neighbourhoods changed and adjoining business districts expanded, a gap could open up between actual and potential ground rents in inner urban areas, allowing landlords to cash in. The precondition of this, however, was the ejection of working class residents and the reconstruction of the neighbourhoods for a newer middle class clientele (Ibid., 546). Displacement was, in this view, not the product of dysfunctional market forces, but the result of markets that were operating all too well.

Smith has also been influential in theorising how gentrification has become a central process within neoliberal urbanism, extending his thesis on the rent gap to argue that gentrification-led restructuring became an increasingly generalised global urban strategy in the 1980s and 1990s (Smith 2002). Gentrification, in this view, was neither a spontaneous operation of the market, nor the product of the choice of individual consumers, but a policy-led process in which central and local governments took an active role in freeing land for development by commercial and other developer interests. Smith identified an explicit wave of such policy interventions in the 1990s as a “third wave” of gentrification, distinct from the small-scale and sporadic “first wave” observed by Ruth Glass (1964) in the 1960s, and a “second wave” of gentrification during the late 1970s and 1980s in cities such as New York, as middle class bohemians moved into and began to renovate neighbourhoods where property values had collapsed (Hackworth and Smith 2001). The third wave was characterised by the amalgamation of state and corporate interests working within cities in both the global north and global south, with investors including both local real estate developers and multinational capital interests. The simultaneous growth of new industries, industrial automation and service sector employment contributed to a new paradigm in which real estate development became a centrepiece of economic redevelopment, creating

new spaces of production and consumption as financial interests were attracted by rising land values (Smith 2002). While the phenomenon operated differently across different geographical contexts, gentrification nonetheless appeared to be a wider class process in which urban space was made safe for middle class interests at the cost of working class displacement, with previous social compromises revised by neoliberal reforms (Smith 1996).

However, a major area of academic debate has emerged over the precise sense in which gentrification is a class process, and the relation of its class element to wider social and economic transformations. For some (Hamnett 2003, 2009; T. Butler and Hamnett 2009), gentrification was the result of deindustrialisation and class decomposition, in which an expanding middle class replaced a working class that was undergoing a long-term decline within urban areas fuelled by the expansion of white-collar jobs in the service sector. An alternate body of scholarship challenged this view, on the grounds that its view of social changes was overly linear and evolutionary, and that it downplayed the role of urban contestation and struggle, neglected the often highly detrimental impacts of gentrification-induced displacement on affected communities, and mistook an empirical decline in traditionally-defined manual occupations for a disappearance of class as such (Slater 2006, 2009; Watt 2008, 2013; Davidson 2008). Moreover, following Marcuse (1985), displacement within this scholarship was seen as caused not just through direct or indirect 'economic' pressure (rent rises, evictions, or demolitions), but also through "displacement pressure" as neighbourhoods were altered, and consumption patterns changed to fit a range of middle class lifestyles, removing community networks and support services.

While my thesis does not focus on gentrification as such, this literature's analysis of displacement is nonetheless relevant to my study of social housing for the connections

it suggests between class, capitalist urbanisation, and housing. This thesis shares with the gentrification literature a sense that housing insecurity is created by wider processes of capitalist urbanisation, not merely imbalances between supply and demand. In particular, the treatment of land as an asset plays an active role in the exacerbation of unequal class relations, particularly in times of wider social inequality and stagnant incomes. By de-commodifying land, public housing can therefore act as a “buffer” that interrupts the flow of capital across urban spaces, limiting gentrification and other displacement pressures (Watt 2008, 2013). Yet housing associations are increasingly expected by policymakers to engage within commercialised activity in order to generate income as public grants are withdrawn, and the introduction of private capital is fundamentally connected to new expectations of profitability. This can fuel the growing unaffordability for low income communities of central urban areas, particularly should associations be forced to sell or divest centrally-located assets in order to redevelop in more peripheral locations. Effectively, such a set of pressures could fundamentally alter the spatial availability of social housing. Further, a more commercialised housing association sector may alter its renting practices, to exclude tenants who may pose a danger to their financial security of associations, for example those who risk falling into rent arrears. The financialisation of housing therefore represents an economic shift involving new class relations and a reconstruction of space within the built environment (Weber 2002; Rutland 2010; French, Leyshon, and Wainwright 2011).

4.5. The financialisation of housing in an urban context

As previously stated, real estate development exposes the circulation of capital to considerable sunk costs long turnover times, as money invested in land and the built environment is usually tied up for considerable periods before it can be returned to the

investor as a profit. Harvey (2007a) and other Marxist geographers influenced by Lefebvre (1991) have suggested that this acts as a powerful spatial and temporal barrier to accumulation, and that it leaves investment in the built environment particularly vulnerable to devaluation in the event of an economic crisis or revolution in productive capacity (Peck and Ward 2010). There are therefore major social incentives to reducing investment barriers through means such as the concentration of liquid capital into financial systems that can pool risk and that specialise in judging investment opportunities so that capital can quickly be switched to its most efficient use (Harvey 2007a).

Rephrasing this in Marxist terminology, capitalist urbanism in its pure form requires that the use values of a house or an apartment block, fixed to their particular spatial contexts, must be converted into liquid exchange values that can be produced and traded for the purposes of profitable accumulation (Haila 1988). For Smith (2008), this dynamic is geographically manifested as a process of uneven development in which barriers to investment and commodification are broken down, while at the same time urban space is subjected to a hierarchical differentiation in order to fit the requirements of accumulation. Class struggle for Smith is inherent to this process, with antagonisms between labour and capital both shaping and shaped by this uneven production of space.

An influential strategy among researchers working on financialisation has been to analyse how this contradictory attempt to extract liquidity from spatial fixity operates in a context where real estate and housing markets have become more tightly integrated into global capital flows (Gotham 2009; Aalbers 2016). In itself, the deployment of land for the purposes of accumulation is nothing new. Friedrich Engels attempted to theorise the relation between housing shortages, gentrification, and speculative land

ownership in his essay *The Housing Question* (Engels 1872). Institutional investors, such as twentieth-century pension funds, have often seen land as an opportunity; either as a lending proposition offering relatively secure collateral, as bricks and mortar are difficult to spirit away, or as an investment opportunity in its own right to hedge against inflation, since land prices tend to rise (Massey and Catalano 1978). How this occurs for Massey and Catalano is not straightforward however, with financial accumulation able to take the form of either lending strategies, such as the bond markets, or direct ownership of land, as in corporate landlordism. The enormous scale of land investment and the concentrations of capital involved under contemporary capitalism have therefore raised questions over the extent to which financialisation represents a new phenomenon: have financial markets simply subsumed real estate markets in treating land as an object of accumulation or even a pure financial asset (Gotham 2009; Rutland 2010; D. Fields 2017)?

It is possible to argue that the quantitative increase in scale and capital investment has led to a qualitative shift, in which finance no longer merely facilitates real estate development, but the production of the built environment is instead directed toward providing secure income streams that can be used as the raw material for financial securities (Newman 2009). As I have argued in Chapter 3, this is not a process that operates according to an abstract capital 'logic', but one mediated by urban politics, socio-legal regulatory frameworks such as the planning system, and other existing historical and spatial patterns of land use, since the protection of investor interests against uncertainty often involves the formation of specific coalitions of interest with particular local governments and property interests (Gotham 2009). The conversion of land into a pure financial asset is not a smooth process, however, and conflicts over the uses of space provide opportunities for activists and displaced communities to form

their own counter-coalitions in an attempt to create a different future for a particular space (D. Fields 2015).

As this might suggest, legal and regulatory frameworks play a major role in enabling financial investment. They both establish what can and cannot be owned, and order and regularise the channels for capital investment with techniques such as value appraisal, default contingencies, and privately mandated contractual agreements (Knuth and Potts 2016). Although both financialisation and neoliberalisation have been popularly associated with deregulation and the removal of legal protections, as Aalbers (2017) points out, the proliferation of regulatory frameworks aimed at securing and protecting investor interests has also played a role. As Nick Blomley has suggested (Blomley 2003a), the establishment of private property interests in land require not just physical enforcement but also regimes of categorisation and representation that both identify boundaries and naturalise the social relations that govern ownership of spatial resources. The next section of these chapter explores these further, while also arguing that this is a process that is open to disruption or contestation, with cases such as gentrification and displacement providing an example of the encounter between very different conceptions of the uses of urban space.

4.6. Critical legal geography as a method for analysing social housing

financialisation

Legal frameworks and the institution of reliable private property relations have long been essential for the growth of financial infrastructure. A financial asset, such as a bond agreement or a bank loan, is an intangible object relatively free from physical

constraints⁹. Instead, its construction is largely dependent on legal frameworks that make it recognisable and exchangeable as a commodity bearing value. Within recent financialisation literature, increasing attention has been paid to the role of legal frameworks in mediating financial accumulation, moving away from simplistic assumptions that law and regulation either constrain or liberate commercial activity in order to examine the law's role in actively shaping and constructing markets (Knuth and Potts 2016; Kay 2016). These institutional factors have a strong influence in constructing the nature of assets for investors: for example, housing has appeal as an asset not just because land is scarce and can act as a store of value, but because a host of well-recognised valuation practices and standardised institutional frameworks exist for generating reliable income streams from it (Fernandez and Aalbers, 2016). Such practices, however, have a legal and regulatory geography of their own: Wainwright (2009) has found that mortgage securitisation required extensive reworking to be translated from a US to a UK context, even following the extensive liberalisation of financial services after the "big bang" of 1986 (Wainwright and Manville 2017).

An analysis of the role of these frameworks is particularly important for housing associations, given the extent to which the sector has been structured through law and regulation. Requirements such as rent levels, allocations, stock management and tenant services, for example, have hitherto and to a large extent been governed through the regulatory system, rather than being explicitly set out in primary legislation (Cowan 2011). A major attraction of the sector for lenders has been the stability and

⁹ It should be noted that this is a relative but not absolute distinction. Even in an era where most cash is electronic, money and financial trades are not purely immaterial but also rely on physical IT infrastructures alongside more traditional notes and coins. Conversely, all commodities, whatever their material status, are the product of social relations that construct their meaning as an object that can be exchanged.

implicit guarantees of government support offered through this system, which offers regular rental payments backed up by housing benefit and significantly minimises the risk of lending (Heywood 2016). The power of regulators to set regimes defining norms and policy is also shaped by the geographies of the property relations and urban land markets in which housing associations are situated (Stewart 1994). These affect not only the value of stock and capacity of an association to develop the housing needs of local populations, but also the practices of tenants themselves in how they navigate their housing circumstances within an area.

Research into financialisation that recognises the co-constitutive social interrelations between law and space as moments of broader power relations is a growing area (Blandy and Sibley 2010). In contrast to legal positivist conceptions of law as a formal and internally coherent set of rules that can be objectively analysed and implemented, this literature draws instead on critical approaches that theorise law as an indeterminate discourse that is dependent on its enation by social agents in order to gain meaning (Kennedy 1986; Rose and Valverde 1998). However, although law holds a unique power to create and define meanings backed up by state violence, it is not necessarily a simple instrument of the powerful, since the discursive need for legal actors to portray the law as coherent and non-arbitrary provides opportunities for subaltern and working class groups to use the law to contest and resist existing power relations (Bourdieu 1992).

Drawing on these insights, within the legal geography literature law is increasingly understood not as an imposition of power over an inert, pre-existing spatial surface, but as always “worlded”, in the sense that it assigns symbolic meanings to social entities whose particular spatial aspects reflect how power can be brought to bear on their governance (Delaney 2011). Such a conceptualisation draws on the work of de

Souza Santos (1987), who analogised law to a map in which legal categories are cartographically projected on to social entities in ways that depend on the decisions of the mapmaker. Different choices about how to draw the map give rise to “interlegality”, where heterogenous legal orders can mutually co-exist without necessarily coming into conflict: for example the commercial laws of contract governing a mortgage secured on a rented house can coexist with legal housing tenure rights governing the occupant’s right to dwell in that house (Valverde 2009). As argued below this implies that a change to the legal frameworks regulating a particular area can have significant implications: with the financialisation of housing associations, the introduction of a need to secure a return to lenders has altered the governance of the sector, while weakening the rights of tenants over their homes.

This understanding of law as a historical social construct has been accompanied since the 1990s by a critical analysis of how space also shapes social processes, requiring power relations to be actualised in *necessarily* particular ways across different geographical contexts (Soja 2011; Allen 2003; Massey 2005). While broadly post-structuralist in orientation, these writers share some concerns with the materialist geographies of writers such as Lefebvre (1991) and Harvey (2009) about the extent to which the concept of abstract space allows place to be seen as subject to individual, bounded ownership within capitalist relations. As all these authors point out, absolute, Newtonian space does not exclude other social uses of space, such as the relative spaces defined by the position of two or more objects to one another, or the transport links within and between cities (Harvey 2009).

A paradigmatic writer in exploring the co-constitutive relations between law and space is Nicholas Blomley, whose work explores the geographies produced by regimes of private and other forms of property (Blomley 2003a, 2011). Drawing on

conceptualisations of private property as the state-backed right to exclude others from a resource (Rose 1999), Blomley's work shows how the enactment of private property rights territorialises power relations. A "topographical" space results, understood as an abstract set of co-ordinates that can be read and monitored by an individual, externalised owner (Blomley 2011). This treatment of ownership as the relation of an individual subject to an external object, rather than as a form of social relations between people, is not a pre-given fact of reality, but a relation that has to be accomplished and continually maintained through enactments that identify and demarcate space, and even violently exclude others from its use (Blomley 2003a). As part of the process, existing property relations come to obscure alternative forms of ownership and property, operating to alternative and more explicitly relational criteria, such as the uses and narratives people produce while inhabiting a place such as a social housing estate (Blomley 2003b, 2003a).

4.7. Conclusion

This chapter has explored how finance becomes spatialised as part of a process of urbanisation, drawing in particular on the Marxist geographic political economy of David Harvey (2007a) and the critical literature on relations between cities, neoliberalisation, and displacement. In analysing these processes, I have argued that financialisation can be usefully related to urbanisation through the tendency for land to become treated as a pure financial asset, with its particular use values becoming dominated by exchange value and the needs of capital accumulation. Over the past 40 years, these processes have gained increasing importance as cities have undergone a wider re-commodification of urban space under neoliberalisation and the erosion of social housing. This has involved not just the withdrawal of the state in favour of abstract free markets, but an active and ongoing process of state rollout of

commodified relations and institutional forms that promote and foster markets. The imposition of neoliberalisation has also involved the enforcement of new class relations through urban space as capital investment has returned to cities, risking the gentrification and displacement of low income and working class populations who might endanger the circulation of capital through the built environment in a process of what Harvey has called “accumulation through dispossession” (Harvey 2005).

Analogously to the discussion of financialisation in the previous chapter, neoliberalisation has been theorised here not as a determinist and inevitable social structure, but as an ongoing and contradictory process of neoliberalisation whose impacts and effects are variegated. As such, neoliberalisation should within this view be used as a starting point rather than a conclusion for analysis, resting on power relations such as class and other social hierarchies that are territorialised through the urban landscape. When analysing these in relation to financialisation, the crisis tendencies generated through the needs of capitalist accumulation and the extraction of liquidity from the fixity of residential real estate (Gotham 2009) also requires significant mediation by a number of institutional actors such as local governments, planners, auditors, regulators, valuers, solicitors and others. Housing financialisation in other words is not an automatic process, but one that has to be actively made by the state, providers, tenants, lenders, and other actors. The financialisation of daily life theorised in the previous chapter can therefore be usefully integrated into an analysis of the neoliberalisation of social housing as an ongoing and contradictory process, open to potential contestation and interruption.

Conceptualising how legal and regulatory frameworks shape financialisation is particularly relevant for social housing, with the tenure distinguished from private housing by the extent and form of regulatory frameworks that shape its governance

and use (Cowan and McDermont 2006). The following chapter will therefore conclude the second part of this thesis by developing a theoretical framework examining these issues in the context of the shift to private finance within housing associations. In doing so, I will explore the extent to which this has resulted in an increased insecurity for tenants, due to the creation of a need for associations to satisfy lenders while fulfilling their debt obligations. A major regulatory priority throughout the era of private finance since the late 1980s has therefore been to ensure the stability of the sector, with austerity measures and greater commercialisation since 2010 having the potential to produce a far more risky operating context for associations. The next chapter will therefore also focus on the governance of risk within housing associations, and the extent to which changing frameworks for managing these have the potential to lead to a qualitatively new trajectory in the sector's financialisation.

Chapter five – social housing financialisation and the governance of ‘risk’

5.0. Introduction

This chapter finalises the development of my theoretical framework developed throughout Part Two of this thesis by turning explicitly toward the question of the financialisation of housing associations, examining in particular the regulatory governance of associations as private, risk-taking enterprises as the sector has undergone neoliberalisation. Housing associations have been deeply shaped by their relation to successive governments, moving from a marginal tenure constituted by philanthropic, voluntary and other providers in the 19th and early to mid-20th Centuries, to becoming organisations explicitly used to fulfil government policy agendas from the 1970s onward. Since the eclipse of council housing with privatisation through the right to buy in the 1980s and ensuing de-municipalisation strategies (Forrest and Murie 1988; Cole and Furbey 1994), they have become the major conduit for new social housing, albeit within an overall picture of residualisation (Harloe 1995). Private finance has been fundamental in underpinning this process, enabling associations to develop even as grant funding has been steadily reduced and levering in capital as the public sector withdraws. This has been done both through associations developing on their own account, and through the direct transfer of council housing to new or independent housing companies since the 1980s.

In analysing this process, a key strategy adopted by the housing studies literature has been to analyse these changes within a “hybridity” framework, exploring tensions between social and commercial goals of providers, including their incorporation into

government policy agendas. While agreeing with the need to avoid falling into a binary trap of associations as either public or private entities, I argue for the need to recognise that the circulation of capital through housing in cases such as financialisation is a deeply social process. Furthermore, I argue the meaning of 'social' in social housing should not be taken for granted, drawing on Cowan and McDermont (2008) to argue that this label has been adopted at a time when the signifier 'public' housing has been eroded as social housing providers have been expected to take on market attributes as risk-taking entrepreneurs. Uncritical analysis of the tensions between social and commercial goals that does not historicise these categories may then reify the image of providers as independent social enterprises, naturalising market forces in the sector.

As an alternative, I develop a framework in this chapter for analysing the role law and regulatory frameworks play in mediating financialisation through the construction of associations as risk-taking enterprises. This is crucial with respect to the shift to private finance in associations that has explicitly involved the adoption of development risk by associations, suggesting that the role of the regulator is less to minimise risk than to ensure that providers can take on risk without unduly threatening social housing stock. In particular I draw on Veitch (2007) to argue that this has been a process in which law and regulation have attempted to responsabilise associations into acting as competent financial subjects, able to navigate risky property markets while rationally calculating the costs and benefits of their development activity. In doing so however, the systemic risks of the property market have become obscured, with legal techniques such as the protection of the right of lenders to repossess the stock of an insolvent housing provider shielding financial actors from responsibility for speculative urban land markets that may increase housing insecurity. As a result, the risks of

financialisation are thereby passed from lenders to providers, to tenants, with the redistribution of this risk economy a major factor in enabling financialisation to continue within a post-crisis context of heightened uncertainty.

The remainder of this chapter is structured as follows. The first section reviews the analysis of these changes within the housing studies literature, in particular the “hybridity” framework used to explore tensions between what are presented as commercial and social goals. The second section analyses the historical context of housing associations, arguing that the division between social and commercial goals adopted by the hybridity literature should take a more explicit account of the role of the state and lenders in the emergence of housing associations as a major tenure. While agreeing for the need for nuance in recognising that associations are not purely commercial actors and that social relations matter, I argue that this organisational focus neglects the urban power relations and processes of dispossession that have been theorised as a fundamental element of financialisation. This process has created risks whose management is likely to lead to further exclusions from social housing. In defining an alternate theoretical framework to hybridity, the third and fourth sections directly examines the definition of social housing, drawing in particular on the analysis by Cowan and McDermont (2008) on the spread of economic rationalities and the need to manage risks through the sector, updating their analysis for the contemporary ‘post crisis’ context. The fifth section analyses the development of the regulatory framework since the 1980s, while the sixth and seventh turn to how risk itself should be conceptualised as a mode of social housing governance in a context of financialisation and neoliberal urbanism. The final section concludes.

5.1. “Hybridity” within housing studies

As shown in the introduction to this thesis, housing associations have undergone greater levels of commercialisation since the 1980s. As post-2010 austerity policies have further cut back on funding and weakened tenant protections, this era of “minimal subsidy, low security and high risk” has led mainstream housing studies to focus on the concept of “hybridity” in order to explore how competing institutional logics may shape organisations. In analysing these tensions, the concept of “hybridity” has become an increasingly popular heuristic, analysing how associations combine aspects of private property companies, public welfare providers, and charitable and “community” provision (Blessing 2012; Mullins, Czischke, and Bortel 2012). Drawing on critiques of public-private distinctions in organisation theory (Perry and Rainey 1988), these tend to portray housing associations as shaped by tensions between market, state, and “community” values (Brandesen, Donk, and Putters 2005). With markets in this view defined by exchange and the state by coercion, community or the ‘social’ is argued to represent an ethic of “care for others on a voluntary basis, directed at a more or less defined and exclusive ‘other’” (Ibid., 751). Housing associations in this strand of research have therefore often been portrayed as organisations existing in the tension of these competing institutional logics, having to balance commercial requirements with meeting housing needs that are not fulfilled by the commercial market (Kickert 2001; Pawson 2006; Czischke 2009; Mullins, Czischke, and Bortel 2012; Sacranie 2012).

Questions over potential tensions in the ability of housing associations to maintain their “social goals” have become more pertinent as the level of commercialisation has risen in the sector, with researchers questioning the extent to which “commercial” requirements and “social” values of social housing providers may conflict as funding

levels are reduced across not-for-profit providers in multiple national contexts (Bratt 2012; Blessing 2015; Milligan et al. 2015). Many associations are also substantial property companies and landlords in their own right, with assets far in excess of most other charities and a long-term historical relationship with large scale finance and investment (Wainwright and Manville 2017). As such, associations are complex organisations with contradictory priorities and histories, operating within an overall context of a greater extension of market relationships into welfare state activity, with some arguing that the sector is in danger of having its social role undermined by commercialisation (Manzi and Morrison 2017). Such pressures also have the potential for confirming long-held concerns among critical researchers that the sector is undergoing a long-term, iterative process of “privatisation” (Ginsburg 2005), where larger providers are likely to adopt more explicitly commercial goals over time, although within the variegated context of a still diverse sector.

Most recently, austerity measures imposed since 2010 have severely reduced grant levels, cut social security benefits to tenants, and liberalised regulatory frameworks for social housing providers. At the same time, low interest rates and inflated land values have enabled many larger associations, particularly those based in London and the South East, to capitalise on their assets and expand their commercial arms. Researchers to date who have explored how this era of “minimal subsidy, low security, and high risk” is shaping associations, including the tension between “social” and “commercial” goals (Manzi and Morrison, 2017). For Manzi and Morrison, these tensions are creating a dilemma for English associations that for some is likely to undermine attempts at fulfilling social goals, although the risks of commercialisation may well leave associations vulnerable to failures that may require future state bailouts and intervention if attempts to navigate commercialisation go awry (Ibid., 16). Taking

a more optimistic view, Tang et al (2017) argue the relatively low fixed rates of interest associations have been able to access in this period, by borrowing from bond markets, provides some scope for “socially sustainable” financing (Ibid., 422). Finally, drawing explicitly on the financialisation literature, Wainwright and Manville (2017) have argued that the shift to bond markets in an overall context of commercialisation has entailed new power relations within the sector, as associations attempt to restructure their activities to strengthen their access to credit, again hindering attempts to create “social value”. Researchers within a hybridity framework rightfully stress the need for nuance and attention to organisational and strategic diversity in approaching the housing association sector, rather than sweeping assertions that social landlords are homogenously commercial entities (Morrison 2013).

Some writers within this literature have challenged research that examines associations through the lens of neoliberalisation or privatisation however, arguing that these two frameworks represent a “bipolar view of the state and market” (Mullins and Jones 2015, 262) that fails to recognise how social relations nuance and complicate these processes. In answering this charge, it could be argued that the depiction of neoliberalism here replicates the assumption that the state and market are opposed spheres, a view that fails to historicise the social relations that underpin how the state itself is used to create and maintain markets. Advocates of adopting a more critical framework within housing studies for example have explicitly argued that neoliberalisation and commodification is not a deterministic process, but “something that is *made* and can thus be *un-made* by human beings” (Hodkinson, Watt, and Mooney 2013, 12 emphasis original). As argued in Chapter 3 of this thesis, phenomena such as financialisation and commodification also have inherently cultural aspects, such as the bonds of trust between creditor and debtor and the necessity of

financial subjects to adopt a certain attitude of 'responsibility' toward debt repayment and a calculative attitude toward prospective investments (Martin 2002; Goede 2004). Such an attitude is inherently social and deeply normative, suggesting value judgements between responsibility to lenders and competing claims by other parties, such as tenants. Furthermore, there is a certain obscurity in this literature as to whether 'social' and 'commercial' goals are necessarily opposed, or if one can be used as a means to the other. Many commercial developments within housing associations for example are justified according to the claim that profits can be used to cross-subsidise new social housing.

In addition, there is also the question over the extent to which categories such as 'social', 'market', and 'state' can themselves be historicised. Although many proponents of hybridity emphasise the need to examine housing within its historical and policy context (Brandsen, Donk, and Putters 2005), there is still the need to consider whether the meaning of these categories themselves and their significance are subject to change. Before exploring these questions however, I first turn to historicise the growth of the housing association sector throughout the neoliberal period, analysing its relation to the previously mass council housing model, in order to bring out the central role in the relation between the state and private finance that has enabled the creation of a mixed economy of social housing.

5.2. The creation of a mixed social housing economy: from the 1970s to the eve of the 2007 – 2009 financial crisis

The Housing Act 1974 was a major piece of legislation in the development of the contemporary housing association sector, setting out a comprehensive regulatory framework under the governance of the Housing Corporation, a non-departmental

government body which had been founded a decade earlier to fund certain types of housing societies (McDermont 2010). While intermittent discussions between associations and the government over a formal framework for the sector had been ongoing since at least the inter-war years (Malpass 2000), this was a major step in the sector's use by the government as an explicit tool of housing and urban policy. Under the new system, housing associations would become officially registered providers with the regulator, becoming eligible for funding based on grants and cheap government loans, on condition of accepting its regulatory governance and surrendering the right to sell or otherwise dispose of social housing stock without first receiving prior regulatory consent (Ibid). Importantly, risk for associations was effectively minimised under this regime, with grants paid on completion of a project rather than at the beginning, meaning that the government would absorb any extra or unexpected costs and delays (Hughes and Lowe 1995). The ability of housing associations to act as an alternate conduit for public housing policy was a central feature of this regime, with local authorities increasingly discredited within central government as direct providers of social housing, as successive administrations sought to cut back on spending through the crisis years of the 1970s (McDermont 2010).

With the election of Margaret Thatcher's Conservative government (1979 – 1991), the roll-back of council housing and the de-municipalisation of local authority provision through the 1980s led to explorations of how to introduce private finance into the sector. In doing so, the government's intention, as set out in the 1987 white paper introducing the shift to private finance, was to introduce market discipline into the sector, while the Treasury was additionally keen to avoid the debts of housing investment from appearing directly on the government's official balance sheets (Cowan and

McDermont 2006). These policy intentions were ultimately formalised by the Housing Act 1988, a landmark piece of legislation that enabled the shift to private finance, enabling associations to borrow while transferring risks onto associations through a new funding regime that put greater weight on the income associations could obtain through rents, and the creation of new, private sector tenancies. Under the new funding regime set by the 1988 Act and operated by the Housing Corporation, associations would compete for project grants that would now be paid at the beginning of a development rather than at the end, ensuring that extra costs would have to be made up out of the association's own reserves or the rents of its tenants (Hughes and Lowe 1995). Whereas before grants had covered up to 90% of the cost of a scheme, subsidies under the new regime were initially cut to roughly 75% before falling to 50% by the mid-1990s, inducing associations to borrow in order to finance the difference (ibid., 188). Private finance was therefore essential to the development of this new system, with a key role for the regulator being to mediate the interests of lenders, providers, and tenants within the new framework.

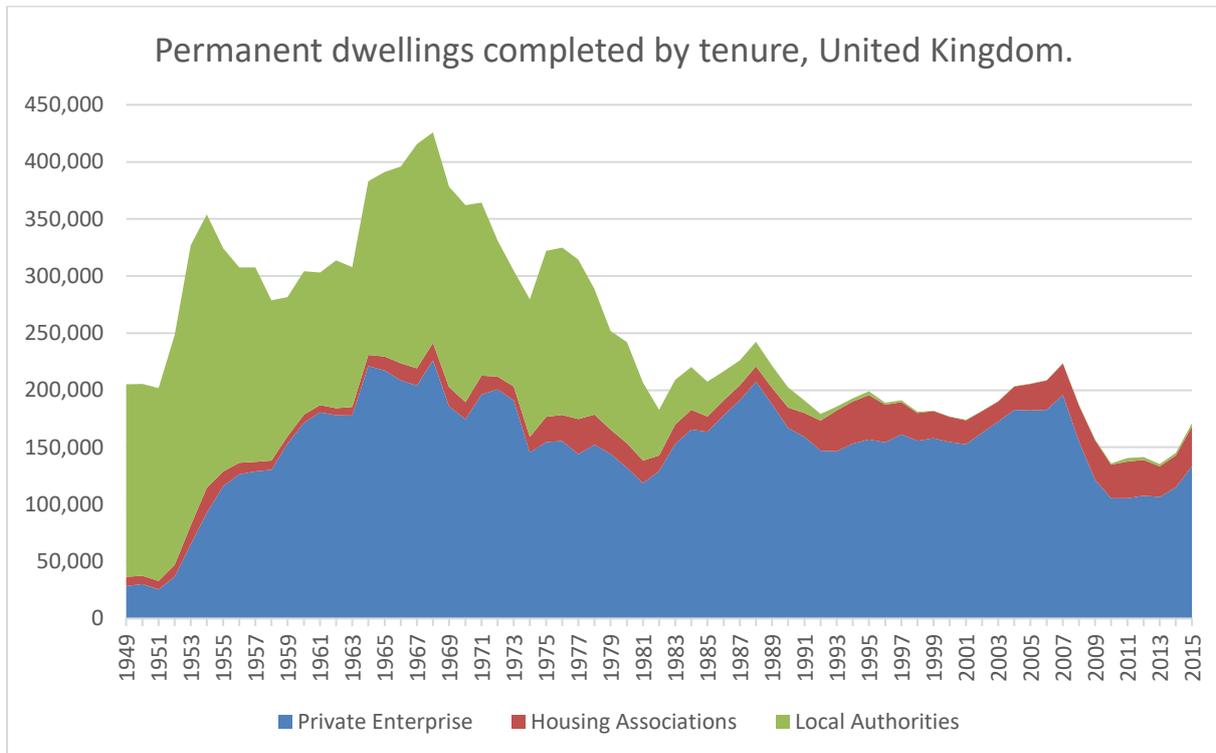
While associations were expected to place greater emphasis on meeting costs from their own resources, the 1988 Act also lifted association rents out of statutory "Fair Rent" rent controls, while creating new tenancies for association tenants, similar to those in the private rented sector. It did this through establishing a new "Assured Tenancy" for new tenants, bearing fewer statutory rights of security than the previous "Secure Tenancies" that had been introduced through the Housing Act 1980, and which are still used for council tenants. One difference between the two for example is that landlords with tenants under an Assured Tenancy can apply for mandatory "Ground 8" eviction orders for tenants more than eight weeks in arrears, with a judge holding no official discretion as to whether or not to grant a possession order if the

relevant criteria apply (Cowan 2011). Assured Tenancies do nonetheless hold far greater rights for tenants than the Assured Shorthold Tenancies used in the private rented sector, with the latter giving tenants no statutory protection against no fault evictions following two months' notice at the end of a tenancy period. Weakened security for tenants was therefore a fundamental component of this system, as associations began to be treated as commercial organisations that needed to make a profit in order to remain viable, even though profits are not distributed to shareholders.

Rents quickly rose under this new funding regime as costs were passed on to tenants, with an overall average increase of 81% for new lettings in the first two years of the system, rising to 104% for newly built houses (Hughes and Lowe 1995, 194). Much of this increase was still accounted for by state subsidy through rising levels of housing benefit, although Hughes and Lowe still expressed concern over the potential that the discretionary incomes of tenants would be squeezed. The adoption of a funding regime based on combined public grants and private finance also drove greater competitiveness between associations and rounds of consolidation throughout the sector, as associations merged in order to better maximise the use of their assets, while finance directors took on new importance in organisational management (Pryke and Whitehead 1993). The result of the rent increases was to spark a new debate about "affordability" within the sector, led by the National Federation of Housing Associations as the sector's representative body and leading to the establishment of an ongoing Continuous Recording (CORE) system to monitor rents and lettings (Cowan and McDermont 2006, 93). As rents among providers began to diverge however, a degree of rent control via the regulatory framework was nonetheless re-established in 2001 through "convergence" policies that limited increases to an above-inflation formula rate, intended to ensure social rents become consistent across

different social landlords in the same area in the long-term (Wilson 2017a). Greater commercialisation has therefore occurred within a social housing system that has remained one deeply shaped by regulation and its relation to the state, with the government actively setting the framework for rents and affordability of provision.

Figure 5.1. Permanent dwellings completed by tenure, United Kingdom 1949 - 2015



Source: DCLG Live Table 241: permanent dwellings completed, by tenure, United Kingdom, historical calendar year series. After Barker, 2004.

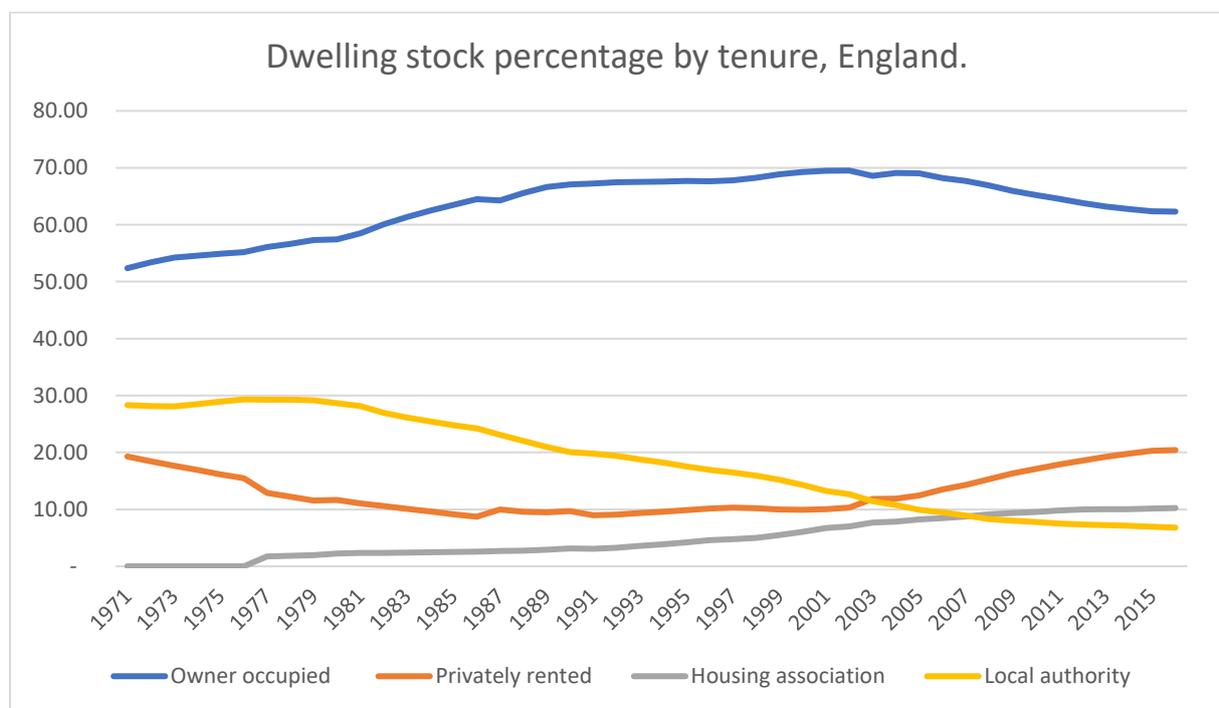
As shown in the widely-reproduced graph in Figure 5.1 above, the new mixed public-private funding regime saw an expansion of new housebuilding by housing associations in the early 1990s. This later declined until rising again in the aftermath of the 2007 – 2009 financial crisis, as the government of Gordon Brown (2007 – 2010) in New Labour's final years in office released additional development subsidies through the National Affordable Homes Programme 2008 – 2011 (Housing Corporation 2007a). Yet although new housing output rose under this system, with the exception of the 1990s and early 2010s, it was not an order of magnitude greater than

that of the more public-orientated funding system of the 1970s, while the total output of associations remained far below that of local authorities during the post-war decades. The demise of public funding for new social housing as the Fordist-Keynesian welfare state compromise was broken has therefore not led to an expansion of private housebuilding under neoliberalism to compensate for this lost supply. Associations have made only a small contribution to total output in absolute terms, though the use of public funding has also meant that the sector's development activity has functioned in a counter cyclical fashion, becoming relatively more important to the development industry as a whole in times of market collapse such as the early 1990s and late 2000s.

As Figure 5.2 below demonstrates, the decline of council housing has also been associated with an expansion of the housing association sector. As social housing underwent increasing residualisation with the privatisations of the 1980s, accelerating a process that had already begun in the post-war years with the growth of owner-occupation (Harloe 1995), provision of the tenure underwent increasing fragmentation with the introduction of stock transfers and public-private partnerships such as the Private Finance Initiative (PFI). Although these began under the Conservatives, it was under New Labour (1997 – 2010) that these policies were widely rolled out, fundamentally transforming the sector's ownership (Pawson and Mullins 2010). While stock transfer of council housing to associations began on the initiative of local government officials themselves in the late 1980s, the diversification and de-municipalisation of social housing often came through strings attached to central government policies, for example through measures such as the Estates Renewal Challenge Fund (1996 – 2000) and most significantly the Decent Homes Programme. The latter consisted of a major project of refurbishment and repairs for aging social

housing stock after years of dis-investment under the Conservatives, accounting for £22bn in spending by 2009 and initially intended to operate from 2000 – 2010 (National Audit Office 2010, 6), though completion of the programme has experienced severe delays, with an additional £1.6bn allocated between 2011 and 2015 (Department for Communities and Local Government 2015). A major portion of the sector's growth has therefore come directly from the de-municipalisation of council housing, in addition to providers developing on their own account.

Figure 5.2. Dwelling Stock percentage by tenure, England, 1971 – 2016



Source: DCLG Dwelling Stock by Tenure, England, DCLG Live Table 104.

Under the programme, local authorities were not able to access additional spending unless they took one of three options to relinquish control over their housing stock, the first option being stock transfer. The second was the formation of an Arm's-Length Management Organisation (ALMO), owned but not run by a local authority. The third was the formation of a PFI agreement to deliver housing, in which stock was

contracted out to be run by a private bank-led consortium for long-term periods of up to 25 years, raising controversial questions over accountability and value for money (Hodkinson 2011b). No fourth option for continuing local authority management was offered, causing the policy to be labelled a “Trojan horse” for de-municipalisation by MPs in the Department for Communities and Local Government Select Committee (ODPM 2004). Toward the end of New Labour’s term in office (1997 – 2010) in the late 2000s, traditional council housing had declined to just 24% of all social housing provision in 2008, with the remainder split between ALMOs, stock transfers, and “traditional” housing associations. By way of comparison, council housing has accounted for 92% of all social housing provision in 1981, in the early years of the neoliberal period under Margaret Thatcher’s 1979 – 1991 Conservative premiership (Pawson and Mullins 2010, 5). Contemporary social housing has therefore undergone deeper changes than a privatisation of state assets through policies such as the Right to Buy, with associations operating within a complex quasi-commercial patchwork in which the state has played a major and active role through the funding and regulatory system.

The expansion of housing associations throughout the neoliberal era has therefore been a process that has been dependent on the transfer of state assets and the development of a lending regime based on private finance. While “hybridity” has been used to analyse possible tensions within the sector’s respective orientations toward the state, the market, and ‘social’ goals, the intertwined nature history of the sector’s growth suggests a need to analyse the extent to which the meaning of these terms may have changed throughout the neoliberal period. This issue will now be analysed in the next section, asking the question of what may be distinctive about the social goals of housing associations within this neoliberalised context.

5.3. Defining “social housing” within its historical context

Providing a clear definition for the social goals of social housing given the fragmented nature of the tenure, particularly in light of increasing commercial diversification among associations, is a complex question. Use of the term to describe low cost housing provided by housing associations and local authorities gained traction in the 1990s among practitioners, academics, and eventually policymakers, though the latter preferred to refer to associations as part of the “independent” sector in the late 1980s to distinguish it from public provision (Cowan and McDermont 2006). Although used to distinguish it as a tenure from owner occupation or the private rented sector, with social housing combining distinct forms of ownership, regulation and security, it is perhaps surprisingly difficult to provide social housing with a clear analytical definition given its diversity and fragmentation. This is particularly so given the ongoing yet ambiguous relation of housing associations to the state, with the social landlords privately owned yet subsidised, regulated, and vital for conducting public policy functions such as homelessness rehousing (Cowan and McDermont 2008).

One early attempt was offered by Harloe (1993), for whom social housing could be defined as having three characteristics. First, the price at which it is provided is not primarily determined by profit; second, it is allocated according to a definition of need rather than simply the ability to pay; and finally that it is subject to extensive government control that has increased over time (Harloe 1993, 3; cited in Cowan and McDermont 2006, 3). Each of these distinguishing features have nonetheless been subject to critique by Cowan and McDermont (2006, 2008), who have argued that the term social housing is riddled with a constitutive obscurity given its origins in the fragmentation of public housing and its interrelation with the housing system as a whole. A definition of social housing as non-profit-making is highly questionable, for

example. Although housing associations do not distribute profits, they still operate with the intent of making a 'surplus', the size of which determines their freedom to repay debts or reinvest new housing. In broader terms than simple provision, social housing policy also heavily relies in practice on the private rented sector to meet goals such as homelessness rehousing, without which the system as a whole could not function given overall social housing shortages. Housing benefit payments additionally ensure that many more people on low incomes can afford to live in particular areas than they could otherwise.

Cowan and McDermont further argue that the concept of 'need' as applied to housing is also obscure and subject to historical change, concealing broader social and moral judgements. Victorian reformers for example distinguished between the deserving and undeserving poor, while social housing provision has through its history been shot through by discrimination based on race, gender, and other social hierarchies. In addition, contemporary politicians often inveigh against the racialized figure of the immigrant, or the attitudes toward work or 'contribution' of social housing tenants (Cowan and McDermont 2008). As such, 'need' can be used as a normative criteria to exclude as much as include people considered to deserve social housing, particularly given rising demand for the tenure amid widespread shortages and insecurity. In regard to the criteria of government control, housing associations are subject to extensive regulatory frameworks that are organised separately to the private market. Neither private renting or owner occupation operate according to textbook free market criteria however, subject to their own complex regimes of supply subsidies, government assistance to homeowners through measures such as Help to Buy (Wilson 2017b) or housing benefit for private renters, as mentioned above. Social housing regulation nonetheless is extensive, even under neoliberalism, and has

attempted to shape the behaviour and attitudes to responsibility of providers as much as tenants.

For Cowan and McDermont (2006) then, the inherently normative criteria lurking within the concept of need and the blurred boundaries between social housing and the private sector in terms of profit making and regulation means that the tenure does not have an internally coherent meaning of its own. Rather, it can only be made discursive sense of in terms of a specific historical development – a Foucauldian genealogy – that has constructed it as part of a wider set of power-laden relations and technologies of governance that enable certain behaviours and activities. When it comes to social housing specifically, this entails that the question itself of how the term ‘social’ can be defined only makes sense at the historical moment when practices that could be deemed social – such as the original motivations for providing low-cost housing – are being defined in opposition to other rationalities. The need to define social housing as ‘social’, for example, becomes a contested issue precisely when the concept of ‘public’ housing, previously the legitimating rationale for government interventions, has become eroded by another, the need to depict associations through a discursively economic rationality in the form of a “private, risk-taking enterprise” (Cowan and McDermont 2008, 175). As providers have been reshaped as more entrepreneurial organisations, this raises questions as to the extent to which the social goals of associations are taking on new meanings in an urban context dominated by neoliberalisation and financialisation. As analysed in the next section, this has the potential to lead to a radically changed sector in comparison to previous examples of commercial activity in its history.

5.4. Social housing within a neoliberal context

Ongoing tensions between social aims and commercialisation within social housing can be seen through the ways housing associations have been legally categorised throughout their history, according to the assumption of a clear distinction, at least in principle between public and private spheres that is dominant within the legal profession. Housing associations have engaged in profit-making activity well before the 1980s, with the Guinness Trust part-funding its charitable activities in the 1950s through investments in stocks and shares (Cowan and McDermont 2006, 47). This practice created tension over an already ambiguous charitable status of many associations however, prompting a court challenge by the Trust's rivals in the local authority sector over their favourable tax treatment. In *Guinness Trust v West Ham Borough Council* [1958] 1 WLR 541 the Trust nonetheless eventually won, with the Court of Appeal ruling that profit was simply a means for the Trust, and not its charitable objective. As local authorities lost support for their dominance as direct providers of socialised housing by the 1970s, amid the scandals of the poor or isolated quality of some new estates, and the sector's gradual residualisation as wealthier workers began entering home ownership, larger associations began to emphasise their quality as organisations vital for carrying out *public* policy. While still stressing their "voluntary" role, in the sense of independent professional expertise rather than unpaid activity, at this point in time associations could be unproblematically ruled as public bodies in cases such as *Peabody Housing Association v Green* (1978 P&CR 644), without being treated in practice as though they were part of the government (Cowan and McDermont 2006, 49). The importance placed upon the question of whether associations are private entities has therefore varied throughout their history,

with the boundary between the state and associations being a permeable one as the focus of housing policy changed throughout the post-war decades.

The expansion of the housing association sector since the late 1980s has operated under a very different context however, with associations simultaneously operating as quasi-private entities able to access private finance, while also being entities in receipt of state subsidy that are deeply intertwined with the operation of social housing policy. The de-municipalisation of council housing for example has meant that housing associations are essential for fulfilling public policy goals such as homelessness rehousing, while regulators have had to balance increasing commercialisation within the sector with the need to safeguard invested public grants (McDermont 2007). In other words, the term social housing adopts significance precisely within a context of a mixed and quasi-commercial economy of welfare provision. This raises questions however over whether social housing only gains its current significance within a context of neoliberalisation, with neoliberalism understood not as an expansion of free markets, but as the institutional reform of the state and other areas of social activity along market lines, within which the possibility of public, collective action is ontologically delegitimised (Mirowski and Plehwe 2009). As such, the use of the term 'social' housing is therefore intertwined with the neoliberalisation of the welfare state, not because housing associations act as purely self-serving commercial concerns, but because it only gains meaning in a context where there is the "recognition that there is little distinctive left in the public realm" that cannot be delivered by alternate providers (Cowan and McDermont 2008, 175).

To re-iterate and clarify this argument, alternatives to state provision such as charity or community action are, of course, not in themselves neoliberal. Nor is this an argument that housing associations are only concerned with commercial objectives,

or that how associations conceive of, view and pursue their objectives at an organisational and practitioner level does not matter for their actions. What is bound up with neoliberalisation however is the specific economic rationality that has been used as a tool of governance within the sector, in the sense that the organisational form of associations in an era of commercialisation and private finance has required their reconstruction along the lines of a “private risk-taking enterprise” (Cowan and McDermont 2008, 175). To manage their risks, such enterprises must act as though they have clear boundaries and responsibilities if they are to ensure that they meet their bottom line and maintain their solvency as market actors. Fulfilling this goal however creates a policy space both for forms of regulation that attempt to responsabilise associations as individual, competitive enterprises, in addition to creating a power relation in which the interests of lenders have to be satisfied if the sector’s access to private finance is to continue.

The creation of this power relation between lenders and associations and a more neoliberalised form of governance for the sector does not altogether remove spaces for formal public accountability within the sector. Within case law, the litigation of *R (Weaver) v. London & Quadrant HT* (Div Ct); [2010] 1 WLR 363 (CA), where a possession for rent arrears was challenged on human rights law, resulted in the significant legal decision that associations are to be considered as hybrid public entities in so far as they exercise public functions in relation to their housing management. Though the full implications of this decision are still legally unclear and beyond the scope of this thesis, it has left associations potentially open to challenge under the Human Rights Act. Although the tenant’s challenge to the eviction process for a starter tenancy failed in *West Kent Housing Association v Scott* [2012] EWCA Civ 276, the court acknowledged that it was “just about arguable”. The rights of

housing associations to mandatory eviction on grounds of rent arrears is yet to be fully tested (Cowan 2011, 130). Recalling the discussion of legal geography in chapter three of this thesis, this example does however suggest that law is not just a tool of the state or neoliberalism, and can therefore be studied as an active discourse that mediates the processes by which financialisation takes place.

5.5. Risk and the regulatory framework for housing associations

This analysis is particularly relevant for the development of the regulatory framework for housing associations, which has seen not only the introduction of “new public management” systems emphasising competition and quantified targets, but also competitive bidding regimes operated through the subsidy system and a greater role for audit and ongoing monitoring. Although the development of this system has often phrased by policymakers in terms of greater freedoms for providers, critics have nonetheless argued this could be better depicted as a form of “centralised decentralisation” (Hoggett 1996) due to ongoing government control of subsidy and regulatory targets and priorities. Tools of audit and self-regulation have become more important as a means to governing the sector, providing standardisable numerical metrics that have been a key technology of governance as the regulator has moved from a more prescriptive system based on policy circulars setting out accepted practices, to a “risk based” system based on self-assessment and ongoing monitoring (Cowan and McDermont 2006, 110). Given the importance for the state in underpinning the ability of housing associations to function as borrowers, understanding the development of this system as a means of governance is important for an analysis of how financialisation has been embedded within housing associations, in addition to how it might develop at a time where the government is withdrawing support for subsidy under austerity.

Neoliberal reform to service delivery has been a major component of this “centralised decentralisation”. Since the 1980s both council housing and housing associations have seen the direct promotion of competition-simulating targets and metrics, with competitive bidding models and the imposition of “new public management” service mechanisms through the sector from the 1980s, widening to incorporate metrics intended to measure social outcomes under New Labour under policies such as “Best Value” (Mullins 1997; B. Walker and Murie 2004). Many associations in the 1990s also adopted organisational techniques poached from the private sector such as call centres and internal management restructures, placing new skills requirements on their boards (Walker and Smith 1999; Collier 2005). Such quasi-market approaches have also extended to tenants themselves through “choice based lettings” systems grounded in virtual currencies in order to ‘bid’ on available properties, receiving priority according to graded preference bands depending on their circumstances and defined needs, although others have questioned how meaningful such ‘choice’ is given chronic housing shortages (Carr et al. 2010). Policymakers and some housing researchers have argued that such measures have the potential to provide clearly defined benchmarks to drive up standards, or at least reshape associations into focusing on providing better customer service in comparison to often bureaucratic council housing provision (Pawson and Mullins 2010). Others have warned however that such reforms can undermine the professional autonomy of housing officers while encouraging “managerialism” and the manipulation of outcomes to meet set targets without necessarily improving services (Walker 2001; McKee 2009).

In analysing this, McDermont (2007) has theorised the development of the governance of housing associations as a form of “regulatory space”, in which territories of regulation are actively constructed and defined between regulator and regulatees and

other stakeholders, though not on an equal basis. In this analogy, law such as that defined by the Housing Act 1988 performs as a 'map' that defines a territory of governance (Santos 1987), identifying lenders, providers, regulators, tenancies, subsidy powers, and the demarcation of organisations as either public or private sector for legal purposes. These actors then attempt to shape one another's' behaviour through this territory. The production and maintenance of the common security of a territory of regulation can come at the cost of excluding others who might undermine or trouble that space, such as housing association tenants who enter into arrears and undermine the cash flows of social landlords, and hence the continuation of the system as a whole.

For Cowan and McDermont (2006), money has played a powerful role within this system through enabling governance-at-a-distance between associations and the regulatory body acting in its capacity as a funder. The subsidy regime in which associations must conduct projects according to set criteria can also be seen as a two-way relationship involving a degree of mutual interest between both parties, rather than a one-way process in which one side mechanically determines the other, creating a shared set of priorities between the two (Cowan and McDermont 2006, 85). In lending to an association, a lender must gain reassurance that it will be paid back by attempting to ensure a reasonable flow of funds, while also enacting some form of monitoring process in order to ascertain the borrower's actions and ensure it is acting in a financially 'responsible' manner, correctly judging the available risks and returns in order to ensure continued streams of payments (Langley 2008). These are unavoidably social relations, indicating that financialisation cannot be studied as a process limited to a-social definition of the 'market' alone.

While the analysis of the 'social' in social housing as a form of governmentality is useful for understanding change within the sector, financialisation raises questions over what new forms of expertise, modes of thinking and "arenas of government" (Cowan and McDermont 2008, 176) are being produced that may be reshaping the goals of associations. While associations have in the past engaged in private investment to fund charitable aims, the scale of contemporary financialisation and its ability to network global capital interests with localised sites of housing makes it imperative to investigate the extent to which this is enacting new power relations within the sector between lenders, providers, and tenants. This is particularly complex given the government's ongoing use of associations to meet public policy goals, generating potential conflicts between the need to maintain stability in the sector and policy desires for it to take on greater risks as it becomes more commercialised. Although this issue is similar to that of the tension between social and commercial goals explored in the hybridity literature, the framework pursued here also suggests the value of situating the analysis within specific theorisations of financialisation. As argued in the third chapter of this thesis, this should not be considered a purely 'economic' process devoid of social relations, but one which relies on social forms and governmentalities of daily life that shape how these relations are capable of being reproduced (Martin 2002). This suggests the need to update the analysis of Cowan and McDermont, in order to account for a financialised context in which providers are encouraged to treat their land and housing as pure financial assets.

It should be stressed that the social nature of these issues also raises serious problems for the hybridity literature, in which social and commercial logics are represented as opposing poles of attraction (Blessing 2015; Milligan et al. 2015). Rather, as argued throughout Part Two of this thesis, 'economic' categories are

inherently social forms, subject to historical change. As suggested by Aalbers and Christophers (2014), while political economy is central to an analysis of housing in that it acts as a medium for the circulation of capital through the built environment, capital is a fundamentally social relation. This implies the need to interrogate the extent to which social goals could be complicit within financialisation, for example reifying the image of housing associations as social enterprises to the extent this obscures other questions, such as public accountability.

Furthermore, the question over the extent to which providers are undergoing financialisation raises the issue as to whether this necessitates a redistribution of exposure to risk, a process in which non-commercial actors such as tenants are at a systematic disadvantage due to their reduced ability to pass on risks to others (Bryan, Martin, and Rafferty 2009). As argued in chapter three of this thesis, this is occurring within the context of a specifically urban process of displacement and dispossession, with greater levels of commercialisation within the housing association sector raising questions of the extent to which associations may be pulled in as active participants in an ongoing process of “accumulation through dispossession” in the urban landscape (Harvey 2005). This raises the question however of the implications of the 2007 – 2009 financial crisis and austerity for how associations adopt and manage risks, with the remainder of this chapter setting out an updated framework for analysing these risks within a post-crisis context.

5.6. Governing risk and uncertainty in the post-1988 private finance model

The neoliberal erosion of public services since the 1980s have been accompanied by a rolling out of new institutional forms that incorporate commodified forms of service delivery, such as voucher systems, new public management targets, auditing and

contractual outsourcing to private and not-for-profit providers in addition to direct privatisations (Whitfield 2001). Private finance has played a fundamental role within these changed forms of provision, enabling private capital to be levered in upfront to fund the service in exchange for a long-term stream of debt repayments, whose reliability can be particularly valuable for institutional investors such as pension funds and insurance companies with long-term annuities to pay out (Bowman et al. 2015). This use of private finance to fund services however has the potential to create a “co-imbriation between the state and finance” (Dowling 2017, 295), where the state relies on the financial sector to achieve social policy goals while financial actors use the state as a means for profitable accumulation. As such, rather than minimising the role of the state, continued access to finance can often require extensive legal and regulatory frameworks governing the use and operation of outsourced services in order to ensure that their continued operation is able to be compatible with opportunities for profitable activity (O’Neill 2013).

While governments can usually borrow at cheaper rates than the private sector, a key defence of outsourcing has rested on the claim that the introduction of market forces instils greater discipline and efficiency compared to supposedly sclerotic state provision, resulting in better services for a lower cost (Kerr 1998). This assertion has been critiqued by Froud (2003) however, who in a critique of the Private Finance Initiative (PFI) has argued this argument rests on a conceptual conflation between risk and uncertainty. Drawing on a longstanding separation of the two within economic theory (Keynes 2010), for Froud, risk should be considered a quantifiable probability of an adverse circumstance, capable of being materialised by businesses and other organisations through practices such as cost-benefit analysis. Uncertainty by contrast is a more qualitative property, used to describe the radical unknowability of future

events that cannot be predicted through probabilistic means. This distinction becomes important in the design of contracts and legal frameworks governing privatisation and outsourcing, because the state usually has a much greater capacity to respond to the contingencies and uncertainties of chance future events than any one single private organisation (Froud 2003, 589). Businesses for example must have some means of assessing the likely results of their actions if they are to be able to have any hope of long-term survival and protection of their bottom lines. In practice, favourable agreements for private sector interests are also often written into such contracts in cases such as PFI agreements, given the greater access to legal resources large businesses have in comparison to often underfunded public agencies (Hodkinson 2011b).

Writers such as Beck (1992) and others have critiqued the idea that risk is a pre-social category that can be scientifically identified and demarcated by individual actors, independently from the systemic risks produced by the interactions between these actors. For Froud however, what counts is less the uncertainties within the actual scientific accuracy of prediction of risk, and more that collective standards for risk calculation can be materialised through practices and discourses that structure the behaviour of economic actors (Froud 2003, 572). As such, although the design of privatisation and outsourcing projects usually explicitly attempt to identify risks that can be transferred from the public to the private sector, such projects will also function to remove uncertainty for private sector partners in order to clearly demarcate activities through which they can pursue the chance to make profits. Contracts and other legal frameworks will therefore often seek to minimise uncertainties for private sector partners through contracts and other legal frameworks. In turn however, rather than simply transferring risk to the state in a zero-sum game, this also creates risk for the

public sector through closing down its policy space by locking service delivery into project designs and contractual agreements that insulate providers from future contingencies. This then exposes the state to the risks of being unable to respond to service failures, through being bound to past agreements as part of ensuring that private and quasi-private providers are able to deliver services on a profitable basis.

This governance of risk and uncertainty through the use of law can be seen in the shift to the use of private finance by associations. Although associations were and still remain largely not-for-profit entities, providers were nonetheless able to borrow at relatively cheap rates in comparison to private companies because of the minimal risk they were perceived to offer to lenders, due in significant part to their nature as government-backed, quasi-public sector entities (Heywood 2016). This has created the issue for the regulator of how to maintain the stability of associations and guard against a provider becoming insolvent and defaulting on its loans, an incident that would have major consequences for both the sector and its tenants. When housing associations borrow, they do so by securing their loans against their asset base. This can include social housing stock, alongside other assets such as land holdings or commercial property (Ibid). If an association defaulted on a loan that was secured on social housing stock, then legally it would be possible for that stock to be repossessed by the lender and placing its status as social housing in jeopardy. Such an incident has not yet occurred, but if it were to do so it would be a nightmare scenario for the regulator, risking serious consequences for tenants, the public grants invested in the stock, and the sector's credit ratings as a whole. While these consequences would be likely to be serious enough to prompt government intervention to prevent any losses of social housing stock, this in itself would likely to increase the sector's perceived risk for lenders due to putting the sector's reputation for safety into question (Ibid).

Although a creditor enforcing their security against an association remains a hypothetical scenario, the ability to do so is still an important point of leverage, as the ability to take possession of the housing stock used as collateral removes uncertainty for lenders that they may not be able to recover any losses if a borrower defaults. Attempts by the New Labour government in its first term to bring down housing benefit expenditure for example were scuppered after pressure from lenders on the grounds it threatened the stability of their income streams (Kemp 2000). A revealing example of this was given in the first years of the lending regime under John Major's Conservative government (1991 – 1997). A draft clause in the Bill of what would go on to become the Housing Act 1996 attempted to limit lenders' ability to take control of assets by granting the Housing Corporation powers to appoint a manager in the event of default and transfer assets without the prior consent of lenders. In response lenders enacted a capital strike, with the law firm Allen & Overy circulating a briefing note entitled *Housing Bill – Secured Lending Under Threat* and bond markets used at the time suspended while the uncertainty introduced by the Bill was ongoing (Whitehead and Williams 2009, 8). The government eventually backed down, highlighting the seriousness with which the right to take possession of collateral is taken by lenders. As a result, the need to ensure lenders are satisfied has been a major priority for the regulator, resulting in a framework where the governance of associations has become more dependent on private sector entities in order to ensure that housing associations can become component enough to navigate through market forces. The next section analyses the extent to which law and regulation play a role in shaping new, financialised subjectivities capable of participating in more marketized activities.

5.7. Risk and “de-centred” regulation: governing financial subjects

Risk has become a major concept in the social sciences, with regulatory theorists exploring the management and control of risk through means such as audit and ongoing examination (Power 1997; O'Malley 2004). A significant influence in this respect has been the German sociologist Ulrich Beck, whose book *Risk Society* argued that the individual was being socialised as the basic unit of governance in contemporary society. Arguing along similar lines to the governmentality approaches discussed in Chapter 4 of this thesis, this was not a liberation of the individual from institutional control, but rather the individual subject being the outcome of institutional processes of ongoing monitoring, education, retraining and consumption systems that shape the individual as a rational, private actor (Beck 1992, 130). For Beck, this process nonetheless undermines the actual capacity for people to shape the social world, as the individual produced in this way rests on social forces that the individual has no control over and must align itself toward in order to survive. The diffuse and atomised nature of Beck's world lends itself to a form of “organised irresponsibility”, as collective harms are systemically produced, such as climate change, the responsibility for which cannot be laid at the door of any one specific actor. The need to navigate the risks of this world then becomes paramount for individual subjects, given their inability to alter the social contexts they operate within.

Such an atomised society within this analysis would lead to the downgrading of class as a salient category in explaining the social world, arguing that the diffuse yet existential nature of contemporary risks such as ecological catastrophe or financial crisis erase class distinctions. Critics have countered however that the distribution of the effects of social disaster are heavily political, and stratified according to class and other divisions that lead such risks to intensify social inequalities rather than

supersede them (Curran 2015)¹⁰. These insights into risk, responsibility and harm have been developed within socio-legal studies by Veitch (2007), who has used the concept of organised irresponsibility in particular to examine how legal and regulatory frameworks structure and assign responsibilities for social harms. Within Veitch's argument, legal and regulatory frameworks have gained a greater importance in assigning risks and harms to specific individuals as society has undergone a process of "juridification", that is, the use of law as a dispute resolution tool as alternate dispute resolution mechanisms have broken down (Veitch 2007, 84). As indicated by Knuth and Potts (2016), this expanding role for law is a highly relevant process for the analysis of financialisation and the creation of rights to and claims over property. These regimes of contract and private property have become a more prominent means of governance within neoliberal society compared to the corporatist organisation of Fordist-Keynesian capitalism, with a greater explicit role for state-led economic planning as negotiated by governments, corporations, and in a junior albeit significant role, industrial trade unions.

Although this creates formalised divisions of labour for responsibility and liability however, the intervention of legal systems can also be used to depoliticise and disappear responsibility and accountability. A corporation for example would not be liable for specific responsibility for the production of social harms such as climate change, despite its ongoing culpability for the production of environmental harms through its everyday, legal activities (Veitch 2007, 117). This argument is relevant to the analysis of housing association financialisation, as the shift to private finance has

¹⁰ Marxist, feminist, postcolonial and many other critical theories have made related arguments, though through different frameworks, about the isolated, sovereign individual being an artefact of modern, liberal capitalist society, with the production of such an idealised subject resting on the constitutive oppression of racialized, gendered, and proletarianized others.

necessitated the acceptance of a degree of risk by social landlords in conducting operations such as housing development. As argued in chapter four however, these individual development form part of a collective production of the systematic risks of commercial real estate development through a contradictory process of capitalist urbanisation that leaves the property market vulnerable to speculation, uneven development, and cycles of volatility (Harvey 2007a; Gotham 2009). As urban land has become a lucrative object for profitable speculation, the ability to trade claims to property investments and loan payments on financial markets exacerbated volatile property booms throughout the 2000s (Gotham 2006), creating systemic risks that culminated in the collective social harm of the 2007 - 2009 financial crisis. Liabilities for this systemic process can remain focused on the individualised relation between creditor and borrower however, as highlighted by the focus on irresponsibility in sub-prime lending in the dominant political responses to the crash (Sassen 2009). Moreover, this individuation of responsibility also conceals a systemic asymmetry of power between creditor and borrower, for example the lender's ability to seek legal redress through the repossession of loan collateral in the event of default.

As governments have moved toward a greater emphasis on market relations and the to achieve policy goals, academic analysis of regulation has shifted from an understanding of it as a top down, hierarchical model of state instruction, to a more de-centred model in which governments seek to internalise norms and procedures through self-regulation (Black 2001). In emphasising proceduralisation through processes such as audit, best practice, and ongoing self-assessment, private actors also gain new importance in embedding and shaping regulatory norms through the specialist expertise required by professional business service providers such as solicitors, accountants, financial analysts, valuers and others (Scott 2002). The

intertwined characteristics of regulation and the private actors necessary to ensure it is followed means that regulation operates in the “shadow of the law”, with law and its ability to enforce and encode behaviour governing at a distance rather than through direct instruction (Rose and Valverde 1998).

Although the control of risk has become a major object of governance, the policy aim of associations taking on the risks of development through the subsidy system operated by the regulator has meant that risks cannot be eliminated, but must instead be responsibly managed according to ‘rational’ evaluations of risk and reward. If associations are to continue to access private finance without a provider failing and bringing the entire funding model into question, financialisation has therefore required that associations be reshaped into behaving as better capitalists, able to soberly calculate the costs and benefits of taking on levels of risk that will acceptably contribute toward policy goals. In other words, if financialisation is to function effectively in ensuring that capital is able to circulate through the built environment, then rather than being an automatic process it must also be capable of functioning as a governmentality shaping the social attitudes and norms at work within the sector (Martin 2002).

5.8. Conclusion

Building on the analysis of financialisation and neoliberal urbanisation throughout Part Two of the thesis, in this chapter I have developed a theoretical framework through which the need to govern risk has been analysed as a core component of the regulation of housing associations. It should be stressed that the governance of risk must not be conflated with a need to minimise risk by the regulator, however. Rather, the transference of some measure of risk to housing providers throughout the post-1980s neoliberal period has become a fundamental component of the sector’s

operational practice, with the use of private finance meaning that associations have been explicitly expected to take on development risk as a means of building new houses. Rather, regulation has sought to reshape housing associations along the lines of entrepreneurial, risk-taking enterprises capable of rationally adapting themselves to the market, although this has operated within a broader policy framework of “centralised decentralisation” in which a remarkable degree of central control has been maintained over the sector.

In addition to government control, the shift toward private finance has also led to growing influence of lenders in the regulatory framework. In the governance of this framework, law has played a vital role in mediating the relation between providers, the regulator and lenders through the need to insulate the latter from uncertainty if they are to continue lending. A key legal element of this has been the use of social housing stock as collateral by housing associations for loans, giving a lender the legal ability to repossess assets in the event of a provider becoming insolvent and defaulting on its loans. Importantly, this creates a risk for both the government and tenants, in that the public funds invested in social housing may be lost, and with it the homes of social housing tenants. Lenders have actively defended this ability against attempted infringement by the government, undertaking a capital strike in order to successfully pressure the government into removing mooted protections for social housing stock in the event of default in what would become the Housing Act 1996. The regulatory framework should therefore not be conceptualised as a top-down mechanism of state diktat, but a “de-centred” (Black 2001) process in which lenders and private sector actors such as financial consultants, solicitors, valuers and auditors have assumed increasing importance. This theoretical finding is fundamental to my analysis in Part Three of my thesis, where a key question is how financialisation in a post-crisis,

austerity context is reshaping these relations between lenders, providers, the regulator and tenants, with potentially serious consequences for the risks passed downward to people living in social housing.

Finally, the theoretical considerations analysed in this chapter suggest the need to complicate approaches within housing studies literature, often drawing on a “hybridity” framework, which analyse these changes as a form of tension between commercial and social goals (Kickert 2001; Pawson 2006; Czischke 2009; Mullins, Czischke, and Bortel 2012; Sacranie 2012; Manzi and Morrison 2017). The social nature of housing associations should not be taken as a historically unchanging category, but one that has assumed importance as the public accountability of housing associations has been downgraded as associations have been encouraged to act as risk-taking enterprises throughout the neoliberal period (Cowan and McDermont 2008). This is furthermore a process in which the political economy of housing under financialisation has been of central importance, with the circulation of capital through housing operating not as an a-social process, but one in which capital itself such be seen as a social relation (Aalbers and Christophers, 2014). The ‘social’ goals of associations should therefore not be viewed of as a residual after taking into account state and market directives, but as fundamentally intertwined with the development of providers as more entrepreneurial, risk-taking enterprises. The analysis by Cowan and McDermont of associations as risk-taking enterprises should nonetheless be seen as in need of updating in a post-crisis context in which associations are faced with much greater uncertainty, as well as heightened risk. As I will now show in Part Three of this thesis, this is an issue of growing importance within the sector, as providers have been further drawn in to processes of financialisation within the context of neoliberal urbanism.

Part Three

Accumulation and dispossession in the
financialisation of housing associations

Chapter six – Constructing a “financial terrain”: the regulatory governance of associations from the Housing Act 1988 to the 2007 – 2009 financial crisis

6.0 Introduction

As argued throughout Part Two of this thesis, welfare states have undergone major changes over the past 40 years as part of a wider process of neoliberalisation. The rolling back of welfare services from the 1980s has been accompanied by a rolling out of new institutional forms that incorporate commodified forms of service delivery, such as voucher systems, new public management targets, auditing and contractual outsourcing to private and not-for-profit providers in addition to direct privatisations (D. Whitfield 2001). Private finance has played a fundamental role within these changed forms of provision, enabling private capital to be levered in upfront to fund the service in exchange for a long-term stream of debt repayments (Bowman et al. 2015). This use of private finance to fund services however has the potential to create a “co-imbriation between the state and finance” (Dowling 2017, 295), where the state relies on the financial sector to achieve social policy goals while financial actors use the state as a means for profitable accumulation. As such, rather than minimising the role of the state, continued access to finance can often require extensive legal and regulatory frameworks governing the use and operation of outsourced services in order to ensure that their continued operation is able to be compatible with opportunities for profitable activity (O’Neill 2013).

This chapter explores these dynamics through an empirically-grounded analysis of the fundamental components of the lending regime for housing associations established by the Housing Act 1988 as explored in Chapter 5. My primary aim in this chapter is to analyse the power relations created by this regime, in particular between lenders, providers, tenants and the regulator, as it operated from the late 1980s up to the financial crisis. This will provide a strong, historically-grounded basis for the analysis of housing association financialisation within the post-crisis context explored in subsequent data chapters of this thesis. In doing so, a key objective in this chapter is to demonstrate how a major priority of the regulator throughout this period has been inextricably linked with the need to insulate lenders from uncertainty through regulation and a weakening of tenant security. Within this chapter, I argue that a fundamental component of this has been through the use of housing association stock as collateral, necessitating the construction of a financial “terrain” (Gotham 2009; D. Fields 2015) in which collateral assets can be identified and valued within the urban landscape. In doing so, the mapping and governance of stock as an asset means that this financial terrain intersects with the “regulatory space” for the housing association sector’s governance (McDermont 2007), contributing to the literature by demonstrating the usefulness of a dialogue between the housing financialisation literature and socio-legal geography.

An additional objective is to analyse these dynamics through the sector’s changing regulatory governance as associations underwent commercialisation in the years from the 1980s to the financial crisis. Building on Chapter 5 of this thesis, I argue that the “obscurity” over the sector’s aims and norms identified by Cowan and McDermont (2008) can be seen at work, with the right of creditors to take possession of social housing stock in duress shaping the need to satisfy lenders into a major regulatory

requirement. I argue however that in addition to aims and norms, the competing policy trilemma for the government in satisfying lenders, safeguarding social housing stock, and expecting associations to take on risk, has led to the government acting as an implicit guarantor of the sector's debts. This can only be an implicit guarantee however, due to likely consequences of an explicit guarantee leading to the categorisation of housing association debt as public sector debt, moving billions back onto the government's balance sheet. Key elements of the power relation between the government and lenders cannot therefore be subject to formal accountability, an issue that will take on more significance in the analysis in chapter 9 of the growing risks experienced by the sector.

In exploring the development of this system of private finance, this chapter draws on empirical data gathered through the course of this thesis. One major source of this has been my documentary analysis of the housing association sector, including regulatory reports gathered from the sector's regulatory bodies. As discussed in previous chapters, regulatory functions for the sector was initially governed by the Housing Corporation (HC) from 1974 – 2008, then temporarily overseen by the short-lived Tenant Services Authority (TSA) before its 2012 abolition and replacement by a "regulation committee" within the Homes and Communities Agency (HCA). This chapter also selects from the elite interviews with key social housing stakeholders during fieldwork in the spring and summer of 2015. Participants quoted here include two financial consultants to the sector, both of whom have in the past worked for the lenders' association the Council of Mortgage Lenders (CML) in a professional capacity, a solicitor advising the sector, a policymaker involved in setting regulation, and a policy officer for an organisation related to the sector.

The remainder of this chapter is structured as follows. The first section explores the key factors in the liberalisation of the regulatory regime under the commercialisation of the sector from the late 1980s to the financial crisis. I argue that this model has rested on the need to transfer risk to associations while removing uncertainty for lenders, while also encouraging providers to act as more competent and entrepreneurial risk-takers. In the second section I then analyse key features of the model, in particular the use of assets as lending collateral by housing associations, and how this has generated new sources of obscurity and blurred accountability in the sector's governance, while boosting the power of lenders. The third section examines the power relations created between lenders, providers and tenants, in particular focusing on the "financial terrain" constructed by the collateral system and its key means of valuation, including the consequences and points of potential intervention for tenants in the event of crisis.

6.1. Commercialisation and regulatory liberalisation: from the Housing Act 1988 to the 2007 – 2009 financial crisis

In this section I examine the rise of a more commercialised housing association sector, bringing together an analysis of the legal and regulatory frameworks applicable to housing associations with a focus on their regulation and governance. In doing so, I focus on the foundations of this model as it developed from the Housing Act 1988 to the financial crisis of 2007 – 2009. As shown in chapter 5, this time period was characterised by a steady de-municipalisation of council housing as the dominant form of social housing tenure, with stock transfer in particular swelling the growth in the housing association sector (Pawson and Mullins 2010). As grant levels for social housing also fell from the early 1990s, the mechanisms used to provide new social

and affordable housing steadily came to be more reliant upon the market in the period up to the financial crisis. The planning system for example played a major role in delivering new social and affordable housing for example, with associations able to purchase stock at below-market cost from developers through mandated “section 106” planning gain agreements negotiated under the Town and Country Planning Act 1990 between developers and local authorities as part of securing planning permission. The latter has been a major source of new supply that has contributed just under a half of new provision in the past two decades, albeit concentrated in areas of rising land values such as the South East of England (Brownill et al. 2015). This acted as a major conduit for new social housing, though the reliance on commercial developers meant that new homes built would reflect existing concentrations of economic activity in a UK characterised by deepening regional inequality.

The shift toward a more commercial social housing sector was also reflected in changes within the development programmes of associations, particularly among larger associations based in areas of rising land values such as London and the South East of England (Heywood 2016). A major component of this was the rise of low cost home ownership products such as shared ownership and shared equity, in which providers and tenants will jointly own a house, with the occupant paying rent on the association’s share but having the opportunity to purchase the whole house themselves over time through a process known as “staircasing” (Cowan, Carr, and Wallace 2015). An additional new feature throughout the 2000s in particular was the growth in development for “keyworker” housing, aimed at alleviating a growing problem of housing unaffordability for public sector workers, indicating the extent to which social housing policy was shifting toward directly alleviating the needs of would-be homeowners (Raco 2008). This reflects the issue identified by Cowan and

McDermont (2008) in the previous chapter of a growing economic rationality within social housing policy, with a shift in emphasis toward countering affordability being cast as a problem of increased market supply, rather than the provision of new subsidised rental housing for the vulnerable. It should therefore be stressed that a shift toward marketisation was already well under way prior to the financial crisis and post-2010 austerity policies, evident throughout the decades since the 1980s. This was reflected in a steady liberalisation of the regulatory regime governing associations, as shown in the timeline in Figure 6.1 below.

Figure 6.1. Key regulatory and policy events affecting housing associations, 1988 - 2012

Year	Event	Impact
1988	Housing Act 1988	Establishment of mixed public-private finance model.
1988	“Large Scale Voluntary Transfer” (LSVT) of housing stock begins	Widespread transfers of stock from local authorities to housing associations.
1990	Town and Country Planning Act 1990	Current framework set for planning gain obligations as a source of social housing supply.
1997	New Labour government elected	Expansion of stock transfer and public-private partnerships as formal government policy.

1999	Derivatives liberalisation	Housing associations permitted general consent to use free-standing derivatives to manage interest-rate risk.
2000	Decent Homes programme	Major funding programme for social housing repair announced. Extra funds for council housing conditional on acceptance of LSVT, PFI, or ALMO transfer.
2001	Rent convergence implemented	Rent increases limited by formula, although set above inflation.
2004	Housing Act 2004	For-profit entities legally able to become registered social housing providers.
2004	Commercial diversification undergoes greater regulatory liberalisation	Registered Social Landlords no longer must inform the regulator or conduct diversity review if commercial income exceeds 5% of income. At least 51% of income is still expected to come from core social housing activity.
2007	Cave Review	Recommends abolition of HC and division of subsidy functions into HCA and regulatory functions into TSA.

2008	Housing Corporation abolished	Functions split between newly established Homes and Communities Agency (funding) and Tenant Services Authority (regulation).
2007 - 2009	Financial crisis	Developments come under pressure.
2010	Coalition government elected	Imposition of austerity policies; abolition of TSA announced.
2012	TSA abolished	New regulatory framework announced, regulatory functions incorporated within HCA under a "regulation committee".

The diversification of associations into more market-oriented developments such as shared ownership were reflected by changes in the technologies of regulation used to govern a more commercial sector, moving from a prescriptive system laying out detailed guidance for associations toward a "risk based" system based on ongoing audit and self-reporting (Housing Corporation 2007b). These reforms enabled greater engagement in commercial activity, with housing associations from 2004 for example no longer having an obligation to notify the regulator if diversified activity exceeded 5% of turnover. At least 51% of housing association activities nonetheless still had to focus on the delivery of core social housing functions (Housing Corporation 2004). Profit-making entities have also been legally able to become registered providers since the Housing Act 2004, although the actual take-up of this by private businesses has as of yet been minimal. Marketisation throughout this period therefore occurred through multiple strands: the acceptance of greater risk by providers in the shift to private finance, as shown in Chapter 5, a greater dependence on developers for

affordable housing contributions, and a growing diversification of associations into more commercialised products such as shared ownership.

My research indicates that this should not be conceptualised as a straightforward retreat of the state in favour of the market. Rather, a number of significant regulatory measures were put in place in order to ensure that the risks taken on by associations in this more marketized framework were managed effectively. One form this took was straightforward restrictions imposed by the regulator on the types of collateral that could be used for commercial development, with providers first having to look to use non-housing stock as loan security, then existing surpluses, and only then social housing stock in “exceptional” circumstances (Devonshires 2004). Other measures show a deeper shift within the form of regulation, away from prescription and toward an attempt to resubjectivise associations by rescaling responsibility onto them to show they could be competent market actors, for example through a new requirement to satisfy the regulator that they had a “robust” business plan for commercial diversification, rather than simply reporting their ongoing activity (Housing Corporation 2004). Throughout this period the auditing requirements of the sector also moved to a more commercial footing, adopting accounting standards comparable to that of the private sector and “resource accounting” techniques that encouraged them to think of their stock as potentially commercialisable assets (Cowan and McDermont 2006).

The growing private management of risks such as exposure to interest rates is also, I argue, evidence of associations being expected to be made responsible for managing their risks through private tools such as the purchase of derivatives. Following the Housing Act 1988, associations started to make use of derivatives, financial instruments whose value depends on the movement of a third, underlying asset (Bryan and Rafferty 2007). In an interest rate swap for example, two counterparties will make

an agreement to exchange respective interest rate payments on the same underlying loan, often involving one party paying a fixed rate and the other a variable rate. Once the swap contract is agreed to, the party that now pays a fixed rate instead of a variable rate will benefit if interest rates rise, while the counterparty paying a variable rate instead of a fixed rate will benefit if they rise.

The use of financial instruments in treasury management underwent a degree of liberalisation in 1999, when associations were generally permitted to make use of “free standing” derivatives to manage their interest rates (Housing Corporation 2002). The logic of this was that associations would have the greater freedom to ‘swap’ the variable rate interest payments on their loans for fixed rate payments with a counterparty, enabling them to build greater certainty into their long term business plans by knowing what their debt payments would be in advance. Unlike embedded derivatives which form part of a broader loan agreement, freestanding derivatives can be entered into directly with a financial counterparty, introducing associations to wider chains of financial intermediaries. Housing associations were still expected to use derivatives only for risk management purposes, rather than the hope of speculative gain. Their discretion was nonetheless widened in 2007 when approved providers were permitted their use to hedge non-interest rate exposures, such as inflation rates, while selected associations were also permitted to borrow in foreign currencies such as euros, yen, or the dollar (Housing Corporation 2007c). Greater regulatory liberalisation has therefore seen an expansion of the capacity for associations to access new markets while also taking on new risks, creating an issue for the regulator in how to effectively govern this process.

A key tool for the regulator in governing this system has been the use of the “consents regime” in governing permission for how registered providers can dispose of their

property, which can range from sales of stock to using their assets as collateral for a loan (Homes and Communities Agency 2015d). Regulatory control of specific assets over time has become loosened, with the introduction of “Category 6” general consents given for certain types of commercial transaction, though this permission could be rescinded by the regulator (Housing Corporation 2008). As commercial developments have become more common, often conducted under subsidiaries in complex group structures, the regulator has also attempted to minimise the risk that non-regulated subsidiaries could pose toward core social housing stock (Manzi and Morrison 2017).

While the regulator has attempted to limit risks to social housing stock, it should be stressed that these risks cannot be eliminated altogether. As analysed in chapter 5, this is because the private finance model used by the sector depends on the transfer of exposure to the risks of development from the state and on to providers and tenants. As argued in the following quote from a solicitor advising the sector in the context of associations with larger development arms receiving credit downgrades, this therefore creates a policy dilemma for the sector in that provider must take on levels of systemic risk if the social housing system is to function:

For obvious reasons, the HCA is saying you need to manage your risk very, very carefully. But on the other hand, there is an expectation that these organisations are going to innovate. And I think there is possibly a bit of a danger that the risk becomes too, almost that associations start to say, “Well we're not going to take any risk whatsoever”. Which then doesn't, that doesn't help the other side of the balance, which is innovation.

Solicitor, PhD fieldwork data, Spring 2015.

The regulator's role in governing this system should therefore be seen as not simply preventing risk to social housing assets, but rather as an attempt to shape providers as competent market actors, enabling them to take on risks while attempting to minimise the risk faced by social housing stock. The ongoing role of legal as well as regulatory frameworks is even more apparent in the next section, in which I examine the bank-led private finance regime that emerged through this era more closely.

6.2. State-backed finance: regulation and the stability of the bank-led finance model

As shown in chapter five, this period from the 1980s up to the financial crisis saw the growing use of private finance by associations as they were encouraged to take on debt through cuts to the grant regime. During the initial lending period from the early 1990s up to the 2007 – 2009 financial crash, lending to the sector was concentrated among a small number of high street banks. As will be shown in Chapter 7, this bank-dominated lending regime was to change in the post-crisis period with the shift to the bond markets in the tighter credit conditions following 2008. Housing associations are long-term borrowers, often seeking loans of up to 30 years in length in a reflection of the equally long-term nature of social rented housing management. Banks were willing to lend to associations on relatively affordable terms throughout this period, reassured by the relative stability offered by the regulator (Heywood 2016). Loans were typically set at a rate benchmarked to an index such as the London Interbank Offered Rate (LIBOR), a standard measure based on the rate on which London-based banks state they are willing to lend to one another (Wainwright and Manville 2017)¹¹. As shown in

¹¹ While a standard measure, the LIBOR rate was hit by scandal in the aftermath of the financial crisis when some City traders were alleged to have manipulated the index by falsifying the rates at which they would be prepared to lend to one another (Ashton and Wainwright, 2015).

Figure 6.2 below, the majority of the sector's debt up the crash was accounted for by £49.8bn held by just five high street banks and building societies, though this was substantially higher than the £37bn in drawn finance reported by the regulator (Tenant Services Authority 2011).

Figure 6.2. Largest five lenders to the housing association sector in December 2008

Bank	Loan facilities
Lloyds Group (including HBoS)	£13.6 billion
Barclays	£10.7 billion
Nationwide	£9.3 billion
Santander (Abbey)	£8.2 billion
Royal Bank of Scotland	£8.0 billion
Total	£49.8 billion

Source: Tenant Services Authority (2009b) pp 2, cited from Social Housing Magazine, March 2009.

Throughout the pre-crash lending era, banks made additional money by selling derivatives to associations to manage their treasury functions. A derivative is a financial security whose value is based on an underlying asset, which could be take the form of another security, an index, a commodity or any range of items (Bryan and Rafferty 2007). The most common of these used within the sector took the form of "interest rate swaps", by which an association could exchange its variable interest rate payments for a fixed rate payment with a bank or other counterparty. Paying a fixed

instead of a variable rate on debt can be preferable to associations as this enables them to build in certainty to their business plans, although the reverse of this is they miss out on lower payments if interest rates fall over a sustained period, with fixed rate debt accounted for 69% of the sector's borrowing (Homes and Communities Agency 2016a). As such, even though this financial model was still dominated by relatively familiar bank lending, the finances of the sector was growing in complexity as providers sought private tools such as derivatives in an attempt to manage their exposures to financial risk.

A major factor in inducing banks to make long-term loans on relatively affordable rates for associations throughout this period was the stability offered by the regulatory and funding system for associations. Housing benefit payments made directly to landlords rather than tenants played a major role in de-risking the rental streams of providers, with the security of cash flows this offered acting as a substantial assurance to lenders that providers were unlikely to go into default (Heywood 2016). The stability offered by the regulatory system has also acted as an encouragement for lenders, with reporting and monitoring requirements and powers by the regulator to intervene in the management of a struggling association further insulating creditors from a potential default (Arasaratnam, Massimo, and Benisek 2013). The state has therefore played a major role in structuring the attractiveness of associations for lenders, who although may have only offered low returns were also a reliable producer of income streams for the financial sector.

In addition to these overt regulatory protections, data gathered during my fieldwork revealed that the state also played a less formal, implicit role in de-risking the sector for lenders. During my interview with a consultant to the sector and a previous employee of the Council of Mortgage Lenders (CML), a representative body for

housing finance institutions, it became clear that an additional factor lowering the cost of borrowing was the perception by lenders that the government would intervene in order to protect lenders if an association become insolvent:

The other thing of course is they are seen as pretty safe, partly because they're seen as there being some kind of implicit government guarantee, that if a large housing association went belly up, it would be sorted out without loss to investors. And although of course government would deny that, because otherwise of course you're effectively saying these are on the government balance sheet.

Housing consultant, PhD fieldwork data, Spring 2015.

A provider entering a default would likely have serious consequences for both tenants, the invested public grant that could be lost through a bankruptcy, and for the credit ratings of the sector as a whole, the costs of which make it highly likely that the government would stage an intervention. As shown by this quote however, this can only be an implicit, not an explicit, guarantee. When the mixed public-private funding model for the sector was established with the Housing Act 1988, a major consideration for the Treasury was for housing association debts not to appear on the government's balance sheet, even as social landlords continued to be heavily subsidised by the government (Malpass 2000). Avoiding the potential for an increase in recorded government debt has therefore been a consistent policy priority, with Chapter 8 discussing 'deregulatory' reforms implemented through the Housing and Planning Act 2016 in order to ensure that the liabilities of associations can be classed as being part of the private sector. A key element of government protection for the sector has therefore remained within the scope of policy discretion, rather than being made

accountable as an explicit guarantee through the legal and regulatory frameworks governing a potential insolvency.

Recent changes to these insolvency powers will be more fully considered in Chapter 9 of this thesis. What is important for the analysis in this chapter is how this has shaped the power relations within the sector between lenders, the regulator, and providers. As shown in Chapter 5 through the critique by Froud (2003) of the distinction between risk and uncertainty, a major concern for private sector actors in areas such as outsourcing contracts is the ability to use legal and regulatory frameworks in order to provide some certainty over what actions they can take in order to minimise their costs. This dynamic can also be seen in the use of private finance by housing associations, with a key element being the minimisation of uncertainty for lenders through the legal protection of their right to take possession of loan collateral in the event of a default. Legally, in such an event, a social housing tenant would still retain their tenancy agreement, which in the case of the standard Assured Tenancies used throughout the housing association sector would still offer formal long-term security. However, one of my interview respondents made it clear that if social housing stock were to be repossessed, this would have serious consequences for the tenant's protection of rent increases, leading to potentially serious consequences:

The biggest risk to a consumer is if a lender repossesses. Because if a lender repossesses, at that point it ceases to be social housing. So all of the protections of being in a regulated sector disappear at a stroke. While they'll have the protection of their tenancy, in most cases that does not confer protection as to the rent level. So on the next anniversary of the rent increase,

in principle a mortgagee in possession could put that up to commercial market level. And if the tenant can't pay, the tenant can't pay.

Senior housing policymaker, PhD fieldwork data, Summer 2015.

The impact of this may be lessened if a provider was operating within an area in which social rents were near or at market rate, or if housing benefit payments would cover the extra costs. Social housing stock that has previously been under public ownership, for example those that have undergone a stock transfer, until very recently used to hold an additional statutory protection in the form of section 133 of the Housing Act 1988, which until its repeal in the Housing and Planning Act 2016 required formal approval from the relevant Secretary of State before it could be sold from the sector. An unmanaged default would still nonetheless represent a nightmare scenario for the regulator and tenants, particularly in areas of high land values such as central urban areas which could see the expulsion of tenants or soaring welfare bills paid to landlords. The protection of rents through regulation, rather than statutory rent control¹², can therefore be seen as a major factor enabling the shift to private finance, protecting lenders from the uncertainty of not being able to recover their losses, while exposing tenants and the public sector to the risks of losing social housing stock from the sector.

It should be stressed that the need to prevent this situation has led to constraints on how the sector can be regulated, with lenders as shown in Chapter 5 being willing to take active measures up to and including a capital strike to defend against infringements on their ability to take possession. The housing policymaker quote

¹² Except in cases such as any remaining pre-1988 tenancies that would still be covered under the Fair Rent system.

above can be seen to highlight one major aspect of the constitutive “obscurity” analysed by Cowan and McDermont (2008) by which the aims and norms of housing associations have been reshaped throughout the neoliberal era. Here, lenders can be seen to be constructed as a major interest group within the sector, with failure to satisfy lenders risking the loss of social housing stock altogether and placing tenants at grave risk.

In addition to the obscurity of aims and norms explored by Cowan and McDermont, the necessarily *implicit* nature of the government’s guarantee of protection for a provider against insolvency shows the need to develop this analysis to incorporate an obscurity over the nature of the state’s guarantee of the sector’s stability. The use of private finance by associations has been able to develop to the extent it has in part because of this guarantee, with the implied stability enabling associations to borrow at lower rates than they would be able to otherwise. The government is unable to make this an explicit guarantee however, as directly infringing on the right of lenders to take possession could lead to a drying up of credit, while explicitly assuming responsibility for the solvency of providers would likely see their debts being reclassified as part of the government’s balance sheet. This would further undermine the official status of associations as independent, risk-taking organisations, undermining the official justification for private finance.

As a result, this creates obscurity not just in the aims and norms of the sector, but also in the power relations that govern the sector’s regulatory framework. Lenders are key power brokers in that their money is needed in order for the system to work, but by the same token this private power cannot be made formally explicit and therefore potentially accountable within the regulatory framework itself. As a result, I argue that this means that power relations between lenders, tenants and providers have been

necessarily obscured, with public accountability therefore subordinated to private interests in order for the private finance model to be maintained. The underpinning role of private money for the sector has been recognised by Cowan and McDermont (2006), who have highlighted the regulator's need to keep lenders satisfied in order for the flow of credit to continue that enables the social housing sector to function. This finding as to the blurred lines of responsibility between lenders and the state extends this insight, showing that the ability of lenders to take possession of collateral has also played a major role in obscuring the accountability of the financial sector due to the need to insulate lenders from uncertainty, as well as risk, an issue that is becoming more pertinent since the onset of the financial crisis.

In the relatively benign years of stable subsidy, albeit lower in comparison to the pre-1988 system of grants and government loans that largely covered development costs, low inflation and loosening credit from the late 1990s up to the eve of the financial crisis, what would occur in the eventuality of an unmanaged provider default may have been a somewhat moot question. The lending system following the Housing Act 1988 initially developed with relatively few financial upsets on the part of housing associations, though not without incident. Deficits incurred by West Hampstead Housing Association due to over-extended temporary housing accommodation in 2002 required a rescue via the Guinness Trust taking on the distressed assets (Inside Housing 2002). This implicit guarantee was nonetheless effective through the years up to the financial crisis, insulating lenders from uncertainty in an era when the sector was effectively considered of minimal risk. Growing commercialisation, rising debt and the increased need to satisfy the interests of lenders within the social housing sector all combine to raise the issue of the extent to which housing associations were undergoing financialisation in the run up to the financial crisis. The next section

examines this through analysing further the question of risk within the sector, focusing in particular on how collateral has been used to make financial interests legible in the urban landscape, and how this has changed in the aftermath of the financial crisis.

6.3. The creation of a “financial terrain” through the use of social housing as collateral

As demonstrated in Chapter 4 of this thesis, one key definition of financialisation used within the housing literature has been the tendency for land to become treated as a pure financial asset (Harvey 2007a). As argued by Massey and Catalano (1978), the simple presence of lending to a development company such as an association does not necessarily indicate a specific relationship between the financial sector and land. Commercialisation in housing associations could indicate this, if providers were to increasingly treat their land and housing as assets from which monetary value should be extracted. Conversely, the use of private finance in social housing could equally be argued to represent a financialisation of the welfare state, with a “co-imbrication” between lenders and the government (Dowling 2017) arising to the extent that the latter relies on finance to meet public policy goals, while the former gains the opportunity to accumulate profits through long streams of interest payments. The weight placed by lenders on the safety of housing association debt indicates the importance of welfare state financialisation to this process, with creditors attracted more by their stability than the promise of returns arising from land values. Such a view may see the role of land as incidental to financialisation, important only to the extent that they act as a form of monetizable social infrastructure guaranteed by their insulation from risk by the state.

As housing associations have taken on debt however, the sector and lenders have had to find technologies of valuation for their social housing stock that can enable it to be used as collateral for loans, in a way that is mutually intelligible between providers and the financial sector. In doing so, as seen in chapter 4, law acts to produce a “grid” through which a “territory” of property assets can be defined, mapped and identified in the urban landscape, creating rights of access for some actors while excluding others (Blomley 2003a). The identifiability of property assets as a means of territorialising the sector’s regulatory governance has previously been identified by McDermont (2007), who has highlighted the key role played by the regulatory consents regime governing the disposal of social housing stock. A key argument of this section is that this analysis should also be extended to the role played by the valuation processes used by lenders within social housing finance. The need to create valuations for social housing is necessary if financial actors are to be able to transcend the fixity of real estate, enabling liquidity to be extracted from housing stock through rendering it calculable and in-principle exchangeable (Gotham 2009; D. Fields 2015). Achieving this for social housing is no straightforward task however, due to the complexity of the regulatory framework and the strength of tenancy occupants have over their homes. As seen below, the creation of a private finance model for housing associations should be viewed of not simply as a matter of deregulation in the sense of minimising the estate, but of “regulated deregulation” in which the state plays an active and ongoing role in setting and regulating the contours of markets that enables ongoing accumulation (M. Aalbers 2017).

In creating valuations for social housing finance, the housing association sector and its surrounding web of professional business service providers rest on two primary techniques, Existing Use Value – Social Housing (EUV-SH); and Market Value –

Tenanted (MV - T), both calculated on the assumption that a property could be sold, for example if stock were to be taken into possession by a lender (Petty 2016). The former EUV-SH technique rests on the assumption that housing assets would continue to be social housing in perpetuity, based on a discounted cash flow technique effectively calculated through the value of the rental stream over a long-term period¹³ minus the cost of operations (Jones 2007, 4). While not the only legal form of valuation that could be applied, this is the standard method as set according to guidance from the Royal Institution of Chartered Surveyors (RICS), showing the importance of regulation by private as well as public actors in providing standardised measurement techniques that enable social housing sector to function (Scott 2002).

While in some areas of low land values this could be little different to market rate, in expensive areas such as inner London this could be as low as 20% the value of a vacant property (Petty 2016, 1). As such, this highlights the importance of the role of the uneven development of space for the borrowing capacity of housing associations, with providers located in central urban and other 'high value' areas being able to use their stock to access far higher levels of credit than social landlords based in areas such as deindustrialised towns where values are much lower.

A major impetus for the creation of EUV-SH was to enable stock transfers to occur via access to private finance, with section 133 of the Housing Act 1988 acting as an effective statutory barrier to repossessed stock from being sold from the registered social housing sector without the consent of the relevant secretary of state (Ibid.). As previously highlighted in this chapter, the repeal of s133 through the Housing and Planning Act 2016 could potentially increase the borrowing capacity of stock transfer

¹³ Fieldwork interviews with social housing policy officers indicate this is done over a 30-year period.

associations, placing them on a level footing with traditional housing associations through enabling them to value their stock according to the second technique, MV-T, which measures the value of stock as being able to generate rents at market rate, subject to the expectation that the occupant would keep the strength of their social housing tenancy and thus restricting it from being sold for its maximum value as an unencumbered vacant property (Ibid., 2). As one interviewee in my fieldwork suggested when commenting on s133 reform while the Housing and Planning Act was in the process of being drafted however, the difficulty of extracting liquidity from social housing assets meant that the impacts of this in terms of borrowing capacity could be limited:

There's some degree of excitement among stock transfer associations that suddenly their properties are going to be worth a lot more and they're going to go out and borrow a lot more. I think they forget that what actually supports borrowing is cash flow. Just because the valuation techniques have changed and made their properties worth that much more, it's not going to – they can't necessarily support a lot more debt.

Financial consultant, PhD fieldwork data, Winter 2016

This limited ability to extract value is partly reflective of the uneven economic geography providers operate within, with stock in many 'low value' areas incapable of generating high absolute levels of rent, a situation reflective of the low incomes of renters in many areas of the country (Reynolds 2011). However, this also reflects the limited ability of social housing stock to extract value in comparison with that in the private market, being subject to rent control, extensive regulatory frameworks, and close integration with welfare services such as the rehousing of homeless people. The

uses of social housing qua social housing therefore still acts as a barrier to the extraction of exchange value.

An interview with one policy officer nonetheless highlighted one way in which the creation of a financial territory, through making space amenable to governance by financial actors via the regime for identifying and valuing collateral, could be used to shape behaviour in the sector. Many associations with large development programmes may face restrictions on their borrowing capacity, due to already reaching the limits by which they are able to secure loans on their stock. Conversely, many stock transfer associations may have weak cash flow but unencumbered assets, providing incentives for merger:

If you were an association that has got development ambitions and you're producing enough surpluses to service your debt, but you haven't got enough assets to draw down new loans, and your neighbourhood association perhaps doesn't have lots and lots of cash but lots of unencumbered assets, well, isn't that a match made in heaven?

Policy officer A. PhD fieldwork data, Spring 2015.

As such, the use of private finance by associations shapes how they use their land assets as resources, shaping their behaviour and the composition of the sector as a whole through providing incentives for merger¹⁴. Although this is still mediated by relatively traditional forms of bank lending to (social) landlords, it nonetheless still represents one form in which lender interests are territorialised in the urban landscape.

¹⁴ There is no suggestion here that these incentives for merger happen in a linear fashion, with Wainwright and Manville (2017) highlighting how concerns about the potential negative impact on credit ratings can also discincentivise mergers.

While the prospect of a lender insolvency may have been relatively hypothetical in the years of stable subsidy and economic growth prior to the financial crisis, more recent years have seen growing cases of instability as housing associations have entered difficulties in expanding their development arms, the implications of which will be analysed fully in Chapter 9. Returning to the question of obscured accountability and the state guarantee raised earlier in this chapter, there is also the issue of how lenders themselves would judge the costs and benefits of repossession of the assets of a provider in default. repossession of social housing stock would not be risk free, acting as an unprecedented measure for lenders. There is no guarantee that taking possession of the assets of an insolvent housing association would recoup the money lent to it, though unencumbered land assets may result in higher returns in high-value areas such as London. Such an act could also entail serious reputational risk due to the potential adverse consequences for affected tenants. Rather than lenders being unaffected, they too would therefore experience risks in the event of repossession. A property market consultant I interviewed offered the following hypothetical depiction of the dilemmas of such a process :

Do I want you and 10,000 unhappy tenants damaging my brand name? I'm Barclays bank, does Barclays bank want to be saddled with your crap housing association? No it doesn't. So the last thing I want to do is take possession of your association.

Property market consultant, PhD fieldwork data, Spring, 2015.

Interestingly, this suggests that the risk of reputational damage for lenders could be one potential source of leverage for tenant campaigns in the event of the collapse of their landlord, though with extremely high stakes for people's homes. This could

therefore provide one opening, in such a desperate situation, to enter financial terrain (D. Fields 2015) via contesting the use of social housing stock as an asset that could simply be repossessed at will. Nonetheless, lenders have actively defended this right to call in the collateral since the financial crisis, with the greater volatility of housing markets raising a greater possibility of a housing association entering financial distress:

I mean it's a bit of bluff on both sides, but basically the associations realised that the lenders will have no choice ultimately. They won't like it, they don't want it, they don't wish to go there, but actually if they don't you're in this position where it's like any loan. If you don't enforce your security you undermine the whole basis of lending.

Property market consultant, PhD fieldwork data, Spring 2015.

This makes it clear that lenders will not hesitate to repossess stock if the consequences of doing otherwise would be a loss of faith by providers in their ability to enforce their rights. Lenders therefore have substantial soft power within a social housing system whose existence depends on the smooth circulation of private finance (McDermont 2007). Although the ability to use social housing stock throughout this period as direct collateral for commercial developments was limited, creditors have nonetheless been keen to prevent any infringement of their ability to take possession of social housing stock in duress, due to the vital role this power brings them as a hedge not just against risk but, even more crucially, against uncertainty.

6.4. Conclusion

This chapter has analysed the fundamentals of the bank-led private finance model established by the Housing Act 1988. In doing so I have focused primarily on the period

from the late 1980s up to the 2007 – 2009 financial crisis, though also taking into account more recent measures in the Housing and Planning Act 2016 that have repealed restrictions in s133 of the 1988 Act that prevented stock previously belonging to the public sector from being on-sold out of the social housing sector. Throughout this period the regulatory system underwent a progressive liberalisation, loosening borrowing restrictions and from 2004 in particular enabling far greater degrees of commercial diversification in the sector than would previously had been permitted. This greater permissiveness nonetheless was associated with measures by the regulator to retain governance at a distance (Cowan and McDermont 2006), with audits and monitoring obligations requiring more commercialised associations to demonstrate their competence as risk-taking, entrepreneurial enterprises. Associations also used this period to purchase derivatives and take on more debt, although lending until the financial crisis was dominated by a small number of high street banks. Private finance was key to underpinning this model, though derivatives and a limited number of bond issues aside this primarily took the form of bank loans, mediated by traditional property development by social landlords.

Greater levels of commercialisation in the sector should not be considered as deregulation, in the sense of the minimisation of the role of the state in favour of the market. Rather, this was a process of neoliberal “regulated deregulation” (Aalbers 2017) in which providers were empowered by the state to take advantage of commercial opportunities in a market whose contours and practices were deeply shaped by the state. In doing so, the need to satisfy lenders became a major regulatory priority in order to maintain the flow of credit to the sector, while the norms and aims of associations began to be obscured by the extension of ‘economic’ rationalities as associations began to take on more exposure to commercial risk (Cowan and

McDermont 2008). Although providers were expected to take on risks as part of the private finance model, the regulator attempted to limit the exposure of social housing stock to commercial risks, for example by restricting the ability of providers through the consents regime to use social assets as collateral for non-social housing development unless all other options were exhausted. While this reflected a desire to minimise risk to social housing stock, it should also be stressed that the rise of a more market-oriented, commercialised system dependent on the use of private finance has also systematically expected associations to take on risks as part of the cost of development. The role of the regulator has therefore not just been to minimise risks to social housing stock, but also to attempt to mould associations into organisations capable of managing these risks more effectively.

The evidence uncovered within this chapter nonetheless suggest the need to advance the theorisation by Cowan and McDermont (2008) of obscurity over aims and norms as part of the growth of a more commercialised and entrepreneurial housing association sector. Although risk management has been a central regulatory aim, the need to govern the inherent risks of the shift to private has also entailed a constitutive “obscurity” in the accountability of power relations within the sector, in particular that of lenders. A key finding here has been of the importance of the ability of creditors to take possession of social housing stock used as collateral if a provider defaults, with lenders placing a high value on their right to exercise this capacity as a key basis of lending, even though repossession would still entail downsides such as reputational risk. This ability has been prized because it protects lenders from the uncertainty of not being able to recoup losses in the event of default (Froud 2003), but I have argued that this has also created a constitutive obscurity in both the accountability of lenders within social housing, and of the government’s ability to act in a crisis where a provider

may become insolvent. Despite this, a major factor in enabling associations to borrow has been the implicit perception by lenders that the government would stand behind the risks of the sector in the event of default, effectively de-risking housing associations for creditors. This guarantee cannot be made explicit however because it would risk the re-classification of association debt onto the government balance sheet, meaning that a key element of protection for social housing cannot be subject to formal public accountability, obscuring the power relations between lenders and the regulator.

Finally, I have considered the question of whether the private finance model analysed in this chapter raises specific issues linking the financial sector to interests in the urban landscape via borrowing by associations. While it could be argued that lenders through this period valued associations for their implicit backing by the state, providing a regular payment stream at very little risk, I have nonetheless argued that the creation of a financial “territory” through the governance of space has been a key feature of this private finance model. Finance in this model up to the crisis was largely though not exclusively mediated through this period largely by traditional bank lending, and property development by associations themselves. The use of social housing stock to secure loans by providers nonetheless created a financial terrain for the identification and valuation of this collateral by lenders, intersecting with the “regulatory space” that has previously been explored by McDermont (2007), and therefore contributing to a legal geographic analysis of the sector.

Although legal powers of repossession have so far not been actualised by lenders, the “shadow of the law” (Rose and Valverde 1998) can be seen in how collateral limits have shaped the actions of providers, for example in pursuing mergers to gain increased borrowing capacity. Although this financial terrain is an attempt to extract

liquidity from the fixity of social housing assets however, rather than a purely abstract and “distant” process (Clapp 2014; D. Fields 2017), this is still one grounded in the material social housing assets used as homes by tenants. Lenders are potentially wary of repossession due to factors such as reputational risk if they pursued evictions through hiking rents, potentially creating an opening for tenants in such a desperate situation to enter financial terrain and contest these rights over their homes, though this would still represent a desperate strategy for tenants (D. Fields 2015). Lenders would still be likely to defend their ability to access collateral however, particularly given the heightened financial uncertainty in the years since the crisis, which the next chapter will now explore.

Chapter seven – Housing associations and the turn to the capital markets: new opportunities, and new risks

7.0. Introduction

The aim of this chapter is to analyse the extent to which the private lending model used by housing associations underwent a transformation in the immediate aftermath of the 2007 – 2009 financial crisis in the UK. As credit tightened during the crisis, banks scaled back their long-term lending to the housing association sector as their own costs of funding rose, leaving associations in need of alternate finance. The exit of the banks was compensated for by the entry of institutional lenders such as pension funds and insurance companies, enabling associations to access finance through issuing bonds to financial organisations seeking long-term, relatively secure debt with which they could offset their own liabilities. Although this prevented credit from drying up for the sector, it nonetheless raises questions as to whether their relationship to finance has changed, and if so, the extent to which this can shape an understanding of financialisation as a dynamic and evolving process as the relation of associations to finance and the capital markets evolves.

As demonstrated in this chapter, the major initial impact of the financial crisis was to see banks scale back their lending, leading housing associations to shift toward the bond markets to access new finance. A bond is a type of debt instrument in which the issuer, such as a housing association, agrees to pay an interest rate coupon over a period of time plus the original principal raised through the bond issue. Once issued, bonds can also be sold on and traded independently through secondary markets,

enabling the original debt instrument to be profitably traded on or, in Marxist terms, circulate as fictitious capital (Fine 2013), although secondary trades appear to have so far been limited in terms of housing association bonds¹⁵. Unlike equity, bonds as debt instruments based on either a fixed rate or linked to an underlying index provide a relatively stable rate of return over their existence, providing a relatively less risky asset so long as the issuer is able to honour repayments. The relatively stable and state-backed debt profile of housing associations, who are typically interested in borrowing over the course of 25 years, has been attractive to institutional lenders, leading to a significant expansion of the sector's creditors (Heywood 2016).

Institutional investors such as pension funds and insurance companies that pool and mediate the savings of others in order to purchase assets have been key actors in this process, with some studies exploring the scope for attracting it into social housing provision as government subsidies are cut through austerity programmes (Oxley et al. 2015). For housing associations themselves however, direct institutional investment has been limited. While some limited equity finance has taken place within the social housing sector, the perceived stability and state-regulated nature of housing associations has enabled them to borrow long-term at relatively low rates, reducing their need to attract institutional investment (Tang, Oxley, and Mekic 2017). A key finding of this chapter is that some investors seeking higher returns in exchange for higher risk have nonetheless expressed significant interest in housing associations as an asset class, exploring equity models such as sale and leaseback that would give them a foothold in the sector. Interest in these models has so far been limited due to their reliance on index-linked finance models in which repayments are linked to a

¹⁵ PhD fieldwork interview with housing treasury consultant, Spring 2016.

measure such as inflation, creating the potential for high long-term costs. Tendencies generated with the financialisation of housing associations such as providers reaching the limits of their secured borrowing capacity, and the need to attract finance for shared ownership developments with higher commercial risks, may lead to greater exploration of equity finance in the future if and when interest rates rise.

To explore these issues, this chapter draws on empirical evidence including financial industry and academic research reports, data gleaned from databases within trade journals such as *Social Housing Magazine*, and anonymised fieldwork elite interviews with housing association executives and financial stakeholders. Interview respondents quoted in this chapter include real estate valuers, a housing association chief executive, policy officers, solicitors, financial consultants and an investment fund manager. In the first section I examine the immediate impacts of the financial crisis, showing how the credit crunch led to banks withdrawing from long term lending, causing associations to turn to the capital markets for new finance, in particular bond lending. The second section examines how associations have navigated the capital markets, with some finding opportunities to refinance their debt on more flexible terms, though there are also questions over how effectively providers have been able to access the markets. The third section examines how associations have used this flexibility, for example through engaging in more complex deals such as derivatives trading with other providers, suggesting a direct way in which financial accumulation may be spreading through the sector. The fourth section examines the question of institutional investment directly, arguing that the financial sector has so far struggled to develop profitable models that can be deployed at scale into residential rented real estate. While interest has therefore so far been limited, the fifth section nonetheless finds that investors seeking higher returns have nonetheless been developing

experimental investment models that could be deployed at scale in the future, though these are likely to be on less favourable terms to associations than the debt they can currently access through the bond markets.

7.1. The financial crisis and the turn to the bond markets

As shown in Chapter 6, lending to housing associations was initially concentrated among a small number of high street banks, from the advent of formalised lending with the Housing Act 1988 up to the eve of the 2007 – 2009 financial crisis. The crash represented a severe disruption to this model however, with banks seeing their own funding costs skyrocket during the worst of the credit crunch. When a bank makes a loan, it relies on the ability to borrow funds on an ongoing basis in order to clear payments requested by account holders, making a profit if the interest rates on its loans to customers are higher over time than the rates on its own costs of borrowing. As financial markets seized up during the worst of the crisis, lenders to housing associations began to argue that significant parts of the £50bn in loans they had previously made to social housing providers had now become lossmaking, a claim repeated by the head of the HCA's regulation committee to MPs within Parliament's Communities and Local Government select committee (House of Commons 2013, Ev 1). This claim was also made in the course of my fieldwork by a policy officer advising the housing association sector, who went on to explain that this increase in costs for banks led to a sharp rise in the costs of new borrowing for providers themselves in comparison to LIBOR, a standard financial industry benchmark index:

Prior to the credit crunch, banks would lend housing associations 30 year money for 25 basis points above LIBOR...After the credit crunch banks obviously struggled to get hold of cash themselves. They got short term cash,

and they were only lending short term, and the margins went from 25 basis points to something like 350 basis points at one point, so a huge change in interest costs.¹⁶

Policy officer A, PhD fieldwork data, spring 2015.

Although loans were still available, the sharp rise in costs for long-term debt that would meet the 30-year periods at which associations prefer to borrow at meant that providers struggled to access credit from banks as they scaled back their lending. This represents one direct form in which the risks generated by the financial crisis were hierarchically redistributed, with lenders passing their own higher costs downward onto housing associations.

In addition to charging more for new borrowing, banks also began to seek opportunities to reprice existing debt. One potential area where this could be done was through banks searching for breaches in the “covenants” attached to loans, agreements that specify that borrowers keep to certain behaviours as a condition of lending, with a breach legally treated as a form of loan default. Common restrictions include the “gearing ratio” that associations can operate under, i.e. limiting the amount of debt they can hold compared to their existing equity, the level of turnover they maintain in order to cover their interest payments, and their ability to on-lend debt to subsidiaries, for example those carrying out development programmes (National Housing Federation 2014). Compliance with these agreements are closely monitored by banks, though they do not necessarily have to take action in the event of a breach¹⁷. It should be noted that this also suggests a form of private regulation (Scott 2002)

¹⁶ One basis point = 00.1%.

¹⁷ Interview with Auditors, PhD fieldwork data, Spring 2016.

operated by banks themselves, who may wish to limit the ability of an association to raise cheap finance against their reliable social housing assets, and use it to invest in riskier commercial developments for a higher return.

Early reports issued during the credit crunch from organisations such as the National Housing Federation (NHF) claimed that some lenders were pro-actively searching through covenant agreements in order to find excuses to declare a breach, leading to the opportunity to reprice existing loan agreements (National Housing Federation, n.d.). In one fieldwork interview, a housing association chief executive for an association based in a non-Manchester city in the north of England nonetheless explained that initial fears that banks would adopt such tactics had not materialised:

What they're not doing is to really crawl over your financial returns, your annual accounts, to see whether there's a breach there to trip you up. We did think they might do that and I think [Building Society X] had a go at it, and the solicitors got back to them in robust terms and they backed off. And other lenders haven't tried that. But when we go to them and say can we have some new money, they say yeah, and how about renegotiating this lot then?

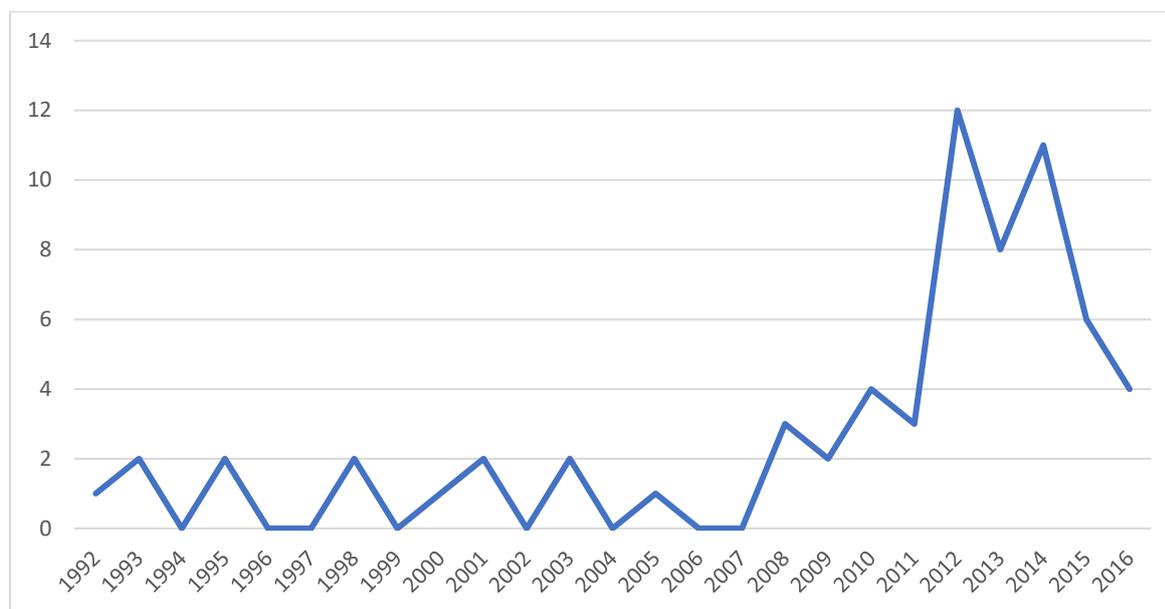
Housing association chief executive, PhD fieldwork data, Autumn 2015.

As revealed by the above quote however, banks instead sought opportunities to reprice the existing debt held by associations when they needed access to new borrowing, charging far higher rates that could risk pricing associations out of the market. The financial crisis therefore risked bringing down the lending model built up over the previous two decades, leading providers in search of new creditors.

Access to credit quickly revived for associations however as providers were successful in sourcing new debt through the bond markets, chiefly from institutional lenders such

as pension funds or insurance companies (Heywood 2016). Institutional investors had previously invested in commercial property in the UK from the 1950s onward, with less restrictive rent controls and planning requirements, the post-war construction boom, the need to offset inflation, and demand for credit from developers otherwise cut off from bank debt due to capital controls all combining to attract financial companies into land ownership (D. B. Massey and Catalano 1978). Institutional investment in rental housing nonetheless tailed off through the 1970s, with financial industry sources quoted in government reviews alleging that continuing rent controls in residential rented property led them to exit the market (Montague 2012). Under the financial model established by the Housing Act 1988, housing associations had also seen a small level of bond activity, with the NHF and the regulator jointly establishing The Housing Finance Corporation (THFC) as a bond “aggregator” in 1987, acting as a not-for-profit company through which associations could club together joint issues in order to access finance from the financial markets. This remained marginal up to the financial crisis however, with providers continuing to access relatively traditional bank finance for much of the period from the late 1980s.

Figure 7.1. Number of public bond issues by housing associations with value above £100m, 1992 – 2016



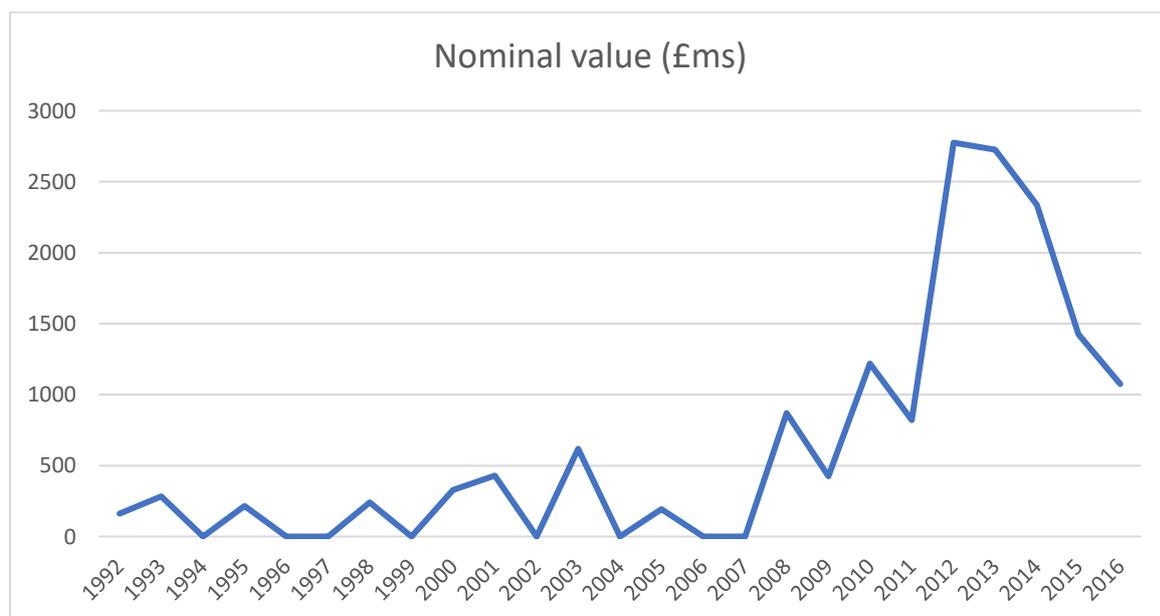
Source: Social Housing Magazine (2016), Housing Association Public Issues Over £100bn. Data cited from Markit, Royal Bank of Canada Capital Markets, and the Royal Bank of Scotland.

Bond issues were nonetheless to return as a major source of new finance for social landlords in the years following the financial crisis. As demonstrated by Figure 7.1 above, based on data on public bond issues compiled by *Social Housing Magazine*, the level of bond issues nonetheless began a sustained rise with the onset of the financial crisis. The data shown by these figures are limited, showing only bonds over £100m that are publicly listed on an exchange such as the London Stock Exchange, excluding smaller issues and bonds that may be privately placed directly with a specific set of investors. Private placements can be preferred by smaller providers as they do not have the same procedural requirements as public placements, such as obtaining a credit rating, receiving formal legal advice and making payments for administrators

and trustees to oversee the process of bond issuance (Dale and Sait 2013). Smaller associations could also access bond debt through aggregators, such as either THFC, or for-profit vehicles such as GB Social Housing (Heywood 2016).

Figures 7.1 and 7.2 nonetheless are useful in that they provide a strong indication of the growing interest in open bond placements, with the number of issues soaring in particular from 2011. While the majority of the sector's existing debt is still held by banks, who still account for 68% of the sector's historical loan book, bond markets have nonetheless become the single most important source of new credit, with providers raising £1.6bn out of a total of £2.2bn in debt borrowed in 2016 (Homes and Communities Agency 2017a, 5). As shown below in Figure 7.2, the period since the financial crisis has seen a significant increase in the nominal values raised by the sector via the public bond route, peaking at over £2.6bn in 2012 and 2013.

Figure 7.2. Nominal amount of finance issued to housing associations per year for public bond issues over £100m, 1992 – 2016

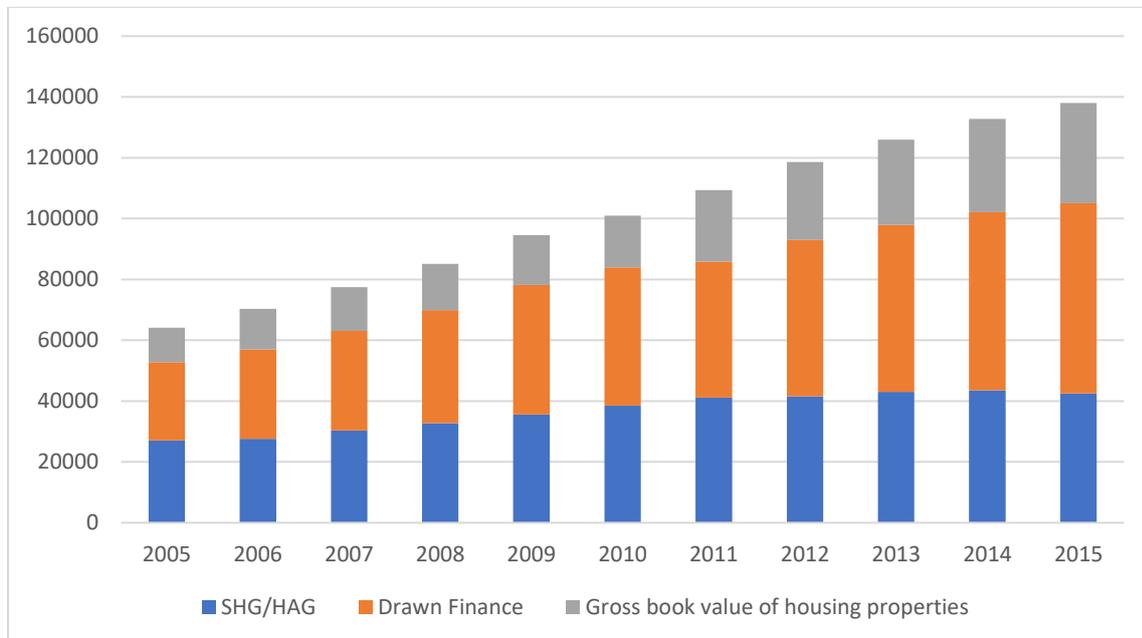


Source: Social Housing Magazine (2016), Housing Association Public Issues Over £100bn. Data cited from Markit, Royal Bank of Canada Capital Markets, and the Royal Bank of Scotland.

By 2014, rating agencies reported that housing associations had limited refinancing needs, meaning that most new debt raised would be for new developments, although borrowing need was expected to increase again between 2017 and 2019 as existing debt matured (Arasaratnam, Massimo, and Benisek 2013, 13). This may indicate why bond issues decreased in 2014 and 2015, though the unexpected Conservative victory in the general election of 2015 led to a number of increased uncertainties for the sector, which shall be analysed in Chapter 9.

As Figure 7.3 below demonstrates, housing associations were nonetheless able to successfully exploit the bond markets as a source of new credit at scale in the aftermath of the financial crisis and the tightening of available long-term bank debt. As shown in Chapter 6, although housing associations may not offer high returns, their stable, state-guaranteed nature and heavy amounts of public subsidy make them highly reliable borrowers, offering the promise of safe and stable returns at a time of weak economy growth and a dearth of quality investment opportunities (P. Williams, Salisbury, and Caven 2011). This can make associations an attractive option for organisations such as pension funds or insurance companies, enabling them long-term, safe assets to match their liabilities in a global economic environment dominated by low yield, the return an investor earns on a bond.

Figure 7.3. Drawn down finance against public grant levels as a share of the gross book value of the English housing association sector's stock, 2005 - 2015



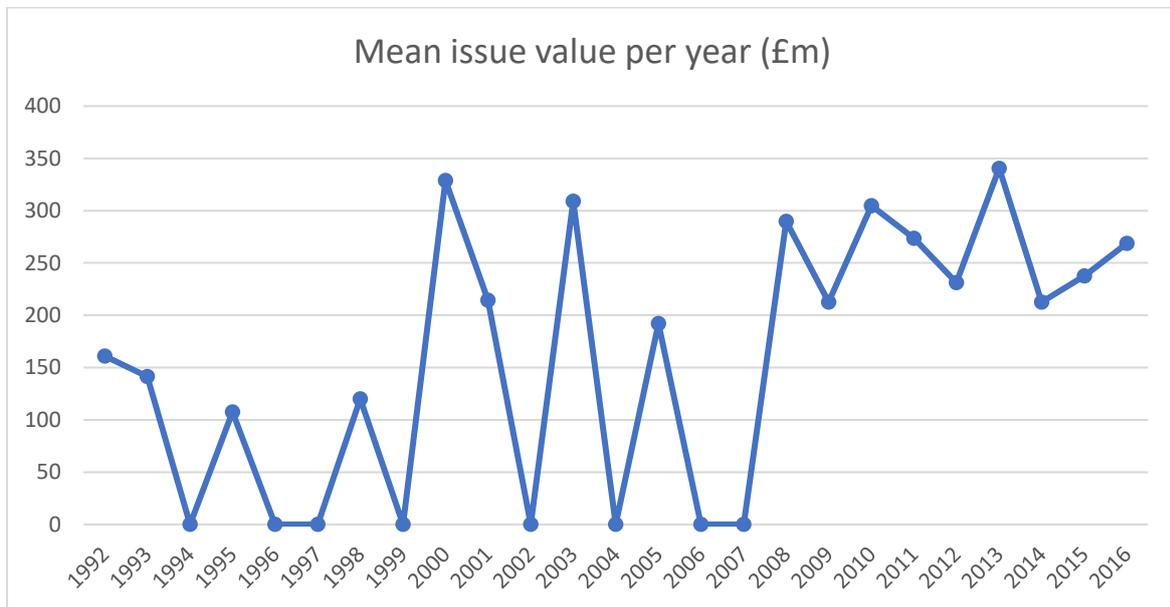
Source: Regulatory global accounts of housing providers (Homes and Communities Agency 2017a, 2016a, 2015a, 2014a, 2013a; Tenant Services Authority 2011, 2009a).

By 2016, the total amount of bond finance raised was reported as being roughly £19bn (Heywood 2016, 6), a substantial portion of the sector's £62bn in total drawn finance facilities in 2015. As shown by Figure 7.3, this enabled the continuation of rising levels of drawn finance even throughout the years of the financial crisis and post-2010 austerity policies were to substantially cut Social Housing Grant available for new developments, the impacts of which will be analysed in chapter 8. From 2005, debt levels continued to rise ahead of subsidy even with the increase in spending authorised in New Labour's final years under Prime Minister Gordon Brown (2007 – 2010) under the National Affordable Housing Programme (2008 – 2011), which initially set out £3bn in extra investment (Housing Corporation 2007a, 1). As these figures

collate the accounts reported by group parents, it is also possible that this graph understates the debt held by housing association subsidiaries, but they are used here in order to highlight the overall historical trend of the sector.

The period following the financial crisis also saw additional state-sponsored schemes to boost lending to the sector, with the Affordable Homes Guarantee Programme 2013 – 2015 lowering the cost of borrowing for associations by underwriting £10bn in housing association debt used to participate in the government's Affordable Homes housebuilding programme (Department for Communities and Local Government 2013). Additional support came from the European Investment Bank, which financed over £4bn in social and affordable housing and regeneration programmes in the decade prior to 2017, with an additional £1.2bn in loans planned to still go ahead despite fears of the consequences of a UK exit from the European Union (Cross 2017b). Further support also came from the announced inclusion in 2016 of housing associations in an additional £10bn bond buying scheme as part of the Bank of England's quantitative easing programmes (Kollewe 2017). Housing association borrowing has therefore received significant ongoing support from public agencies since the crisis, easing the sector's inability to secure favourable long-term debt from banks.

Figure 7.4. Mean issue value per year of public bond issues by housing associations with value above £100m, 1992- 2016



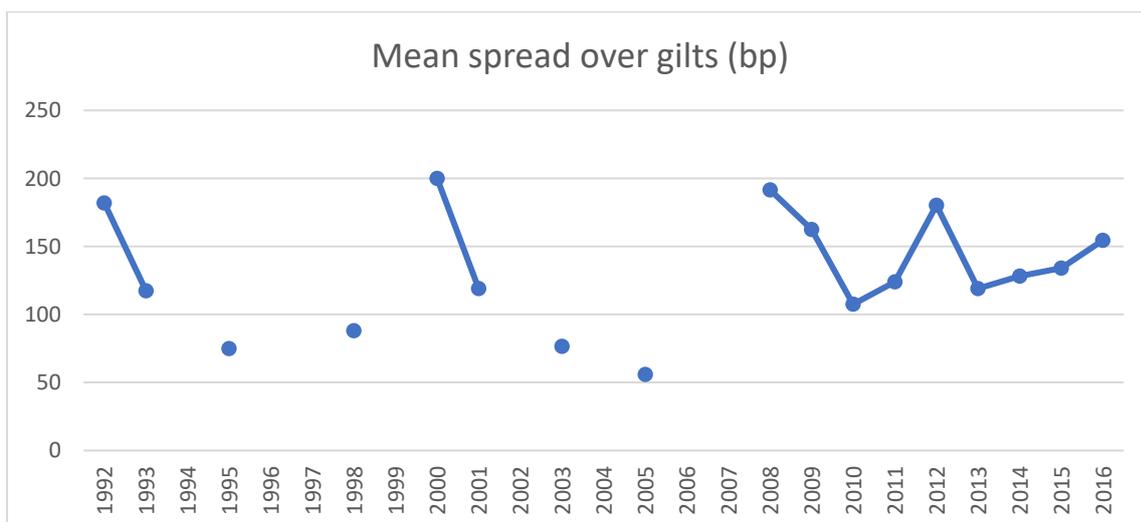
Source: Social Housing Magazine (2016), Housing Association Public Issues Over £100bn. Data cited from Markit, Royal Bank of Canada Capital Markets, and the Royal Bank of Scotland.

As shown by Figure 7.4, single issues of public bonds are frequently over £200m. The amount of debt raised per issue is likely to be influenced by the demands of the financial sector itself, with Wainwright and Manville (2017) finding that bond issues of over £250m can attract passive investment funds that attempt to track market indexes, raising the demand for lending (Ibid., 830). While 90% of housing association bonds purchased between 2008 and 2013 were purchased by just 13 companies (Dale and Sait 2013), by early 2016 up to 40 investors were reported to be active in the market by one interview respondent in my fieldwork, although the trading of bonds in “secondary markets” was still reported to be minimal by the same respondent¹⁸.

¹⁸ Housing finance consultant, PhD fieldwork data, Winter 2016.

The chart in figure 7.5 below compares the average spread per year of bond issuance rates against the government bonds they were benchmarked against at the time of issue gives an indication of the change in borrowing costs relative to government debt of the sector in the bond markets over time, although this data should be treated with caution. A 'spread' in this sense is the difference in basis points between the housing association bond and its reference 'gilt', or UK government bond. In representing the extra margin of housing association bonds over their associated reference gilts, this chart suffers from the same omissions in figure 7.3 of not including private placements and public issues under £100m as the previous chart. In calculating this figure, the average interest rate for the bonds of different associations issued in the same year have been compared against their associated government reference bonds. These figures will therefore be affected by significant variation among associations, and fluctuations in government bond issues at the time that will in turn be affected by multiple economic factors.

Figure 7.5. Mean spread over gilts of housing association public bond issues over £100m, 1992 - 2016



Source: Social Housing Magazine (2016), Housing Association Public Issues Over £100bn. Data cited from Markit, Royal Bank of Canada Capital Markets, and the Royal Bank of Scotland.

Although these are serious caveats, the data here have been included as they give some indication of the relative expense of borrowing for associations in comparison to government borrowing when issued. In particular, initial high prices during the 2007 – 2009 financial crisis and decline in its aftermath, before rising again in 2012, a year in which gilt rates fell to record lows amid financial crisis in the Eurozone and concerns over UK economic growth, both of which would increase the demand for UK government debt as a relatively risk-free asset (Inman 2012). Although returning to lower margins in 2013, these began to slowly rise again over the course of the following years, possibly reflecting factors likely to harm the sector's credit rating such as the onset of welfare cuts, higher levels of commercialisation, and greater policy hostility with the re-election of the Conservatives with a full governing majority in the summer of 2015.

As with bank lending, bond finance was typically secured on housing association assets. Bonds also have the capacity to offer fixed rate debt at relatively affordable rates (Tang, Oxley, and Mekic 2017), a favourable scenario for housing associations who seek long term fixed rate debt in order to build certainty into their business plans, as seen in Chapter 6. The next section analyses these new features of bond in comparison to bank debt for associations, exploring in particular how these may shape the investment strategies pursued by associations.

7.2. Access to the bond markets: a 'flexible' form of finance?

Direct access to bond markets can be somewhat daunting for associations, requiring negotiation with new legal requirements such as the need to comply with insider trading disclosures, and engagement with multiple actors who may be less flexible than banks in meeting the needs of a specific provider (Taylor 2011; Oxley et al. 2015). Bond finance nonetheless holds certain attractions for associations, offering fixed rate debt free from more restrictive bank covenants, while also offering the opportunity to raise a single sum for use across the entire organisation's strategies, rather than specific development projects (Wainwright and Manville 2017). In addition, the ability of housing associations to refinance their existing debt through the bond markets meant that many were able to free themselves from their existing bank covenants, which as the following quote indicates could provide organisations with a much greater freedom in terms of determining their individual borrowing strategies:

It's a real constraint on associations' ability to borrow, if you're bumping your head up against your gearing ratio. The ability to on-lend to subsidiaries. I mean the interest cover ratio, maybe, maybe something that somebody would want to do away with. I mean a lot of the big associations now, one of the reasons they're going for big bond funding issues and paying down the debt is that they just don't want to have those covenants there at all.

Housing association chief executive, PhD fieldwork data, Autumn 2015.

Although bond agreements can also have loan covenants attached, such as the maintenance of reserves to service debt (Stothart 2016a), the shift to the bond markets offered an opportunity for associations to renegotiate their existing agreements through refinancing, giving them the potential for greater operational flexibility. As the

above quote suggests, this entails a changing relation to finance, with associations seeking greater borrowing capacity and the ability to support subsidiaries carrying out diversified activities, such as care provision or commercial developments. In doing so, this can potentially entail leveraging the stability and credibility of their social housing stock to support other, potentially riskier activities, although the regulator has previously attempted to govern this practice through requiring that social housing assets are not placed at undue risk (Homes and Communities Agency 2013b).

In contrast to the initial period of private finance from the late 1980s onward, more recent financial activity by associations in this new lending environment can entail a decoupling of activities from specific, government grant funded projects, although this too entails new risks that have to be managed. As shown in the previous chapter, the shift toward private finance saw a gradual process of regulatory liberalisation prior to the financial crisis. As explained by a solicitor advising the sector, this process has continued in the years following the financial crisis, with associations seeking greater flexibility to engage in commercial activity:

[The government has] freed them, but they've given them the responsibility to deliver within their hands. So a lot of housing associations want some financial backing that's giving them flexibility...If you look back as well when [associations] first began to borrow financial money, it was very often because they wanted to supplement their public money to develop. If you look at what housing associations are doing now to get finance, what they want is they want a financial facility that they can draw down in a variety of different ways to deliver their business plans.

Solicitor, PhD fieldwork data, Spring 2015.

While cast in terms of offering greater financial freedom, as highlighted by the reference to responsibility in the above quote this also entails a responsabilisation of associations into effective financial subjects, able to judge risks and rewards in such a way as to enable the ongoing circulation of capital. In managing these risks, the changing borrowing practices of the sector also provide opportunities for a deepening of financialisation as understood in terms of the spread of financial calculus in order to generate a competitive return (Bryan, Martin, and Rafferty 2009), even if bond finance may have fewer strings attached than the previous bank-dominated model for accessing new finance.

While this new lending context may provide associations with the greater capacity to engage in opportunistic financial accumulation, there remain questions over the extent to which social landlords have the ability to successfully navigate the risks of this environment. Although access to the bond markets has generally been considered to provide relatively affordable finance for associations (Heywood 2016), some participants in this study have expressed scepticism over the capacity of providers to adequately negotiate effective deals within the capital markets. In arranging deals, banks have been key intermediaries between associations and bond buyers, working as “bookrunners” that oversee and piece together bond issues. As argued by one financial consultant in my interviews however, this creates a potential conflict of interest, with banks who work as bookrunners potentially being more concerned to maintain favourable relations with the institutional investors they work with on a regular basis:

Housing associations, even the biggest ones, will go to the market once every three years...The bookrunner, the arranger, appears to be your friend acting for you to get the best deal but actually, they're in the bond market every day,

selling bonds, trying to sell bonds to the same investors, and actually the people they most want to keep on their side are the bond buyers, the investors. And if they piss off a housing association from time to time that's no skin off their nose.

Financial consultant, PhD fieldwork data, Spring 2016.

While this allegation cannot be directly confirmed within the scope of this thesis, at least some corroborating evidence can be found reported in a study into investment and corporate banking practices by the financial regulator, the Financial Conduct Authority (FCA). In an analysis of the determinants of fees paid to banks in areas such as the arrangement of debt capital, the report uncovered that “one housing association stated that the fact that banks and advisers are paid a success fee meant that clients may be put under pressure to complete [debt capital market] transactions irrespective of whether it was in their interests” (Financial Conduct Authority 2016, 149). An analysis of the practices of banks in facilitating the use of the bond markets by associations should therefore be an urgent area for further study, in order to ascertain the extent to which this may be a systematic problem.

7.3. Derivatives and financial accumulation

This use of their financial capacity by associations can include not just funding non-grant supported developments, but also opportunities for direct participation in financial accumulation, for example through housing associations taking advantage of bond agreements to arrange derivative trades with one another, cutting out banks as direct counterparties. As shown in Chapter 6, a derivative agreement is a financial transaction whose value rests on another, underlying asset, with housing associations often entering into interest rate swaps with counterparties in order to exchange

variable for fixed rate payments. Although this provides associations with certainty over what their long term 25-year loan repayments will be, it also exposes an association to the risk of higher payments than they would otherwise have to make if interest rates are lower than anticipated. Bond issues can often result in large amounts of finance at fixed rates of debt that are not immediately required however, providing an opportunity for financial arbitrage if a use can be found for the spare funds.

In 2013 for example, a large, London-based provider, Notting Hill Housing Trust, swapped £30m of its fixed rate debt with Aster Group, a smaller, Oxfordshire and south west-based association. Notting Hill was able to do this because it had previously issued a £250m fixed rate bond, leaving it the spare capacity to swap with £30m of Aster's floating rate existing debt payments, enabling the smaller association to fix their debt at cheaper rates than they were being otherwise offered by banks in the aftermath of the financial crisis (Hollander 2013a). Following this, Notting Hill carried out an additional deal with a second association, Octavia Housing, later that year (Cross 2013). In return, Notting Hill was able to hedge their own exposure to fixed rate payments at a time when ultra-low interest rates would have seen them paying higher amounts than they otherwise would have done if their debt was linked to the current market rate. In doing so, both associations were able to benefit from this transaction, with each estimating they would save £1m over the lifetime of their 25-year debt, although consultants such as Cannacord Genuity expected that the appetite for such deals would be limited as most associations would prefer to fix their debts in order to reduce exposure to uncertainty (Hollander 2013a).

There was nonetheless a distributional implication of the deal due to their different exposures to the underlying interest rate, with Notting Hill benefitting more if rates remained low and Aster benefitting if rates were higher than the level to which they

were fixed. Furthermore, although derivatives were used in this case as insurance against risks, benchmarked against interest rates rather than the profitability of their housing assets, the opportunities provided for arbitrage can also lead to incentives for associations to increase their cash flows to further support such activities, providing opportunities for further financial innovation in the future. This suggests the potential for greater instability if derivatives are used as an opportunity for speculative investment in their own right, with the largest housing association in the Netherlands, Vestia, nearly undergoing bankruptcy as a result of its senior management attempting and failing to profit from wrongly anticipated interest rate rises (M. B. Aalbers, Loon, and Fernandez 2017). As such, financialisation can be seen to be at work, offering housing providers opportunities to seek out ways for disaggregating and commodifying their risk exposures into an object that can be profitably traded (Bryan and Rafferty 2014a).

7.4. Housing associations and institutional investment

This section now turns to analyse the extent to which the years since the crisis have seen the entry of institutional investment into the housing association sector, alongside the increase in bond lending. As pointed out by Massey and Catalano (1978) in their classic study *Land Ownership by Capital*, the relation between the financial sector and urban space is also one involving multiple strategies, rather than following a single institutional logic. Equity investment for example, such as ownership by a private equity company or a Real Estate Investment Trust (REIT), involves the creation of a property interest in which income streams relate directly to the performance of an underlying asset, such as a residential block of flats. Bank loans or bond lending by contrast offer either a fixed stream of payments or a variable rate attached to an underlying index but not the asset itself, with lower returns justified by the lower risk of

strategies. Institutional investment should therefore not be seen as a homogenous block, but rather as being comprised of a range of actors pursuing different strategies. These can include private equity companies that raise capital from institutional investors and then leverage it to exploit tight profit margins by borrowing heavily from banks, or REITs that take a longer-term outlook and enable pooled investment into housing, often incentivised by tax breaks (Rutland 2010; Beswick et al. 2016).

Strategies for financial accumulation within housing associations have not just been found within the bond markets, but are also reflected in the growing interest in institutional investment within the sector. As shown in Chapter 3 and Chapter 4 of this thesis, academic attention has increasingly been drawn toward the potential for housing to act as a major asset class for a “wall of money” seeking high quality returns, with housing often attractive to investors due to its ability to capture ground rents and provide standardised and easily accessible forms of collateral valuation (Fernandez and Aalbers 2016, 74). Direct institutional investment in residential rented housing in the UK has so far been limited however, with government-sponsored reviews such as the Montague Report (2012) concluding that significant barriers still remained for attracting equity into residential real estate. The report found for example that although investors were reassured by a stable regulatory framework with no rent controls, high land prices in areas such as central London meant that rental yields, the annual rental income as a percentage of a property’s capital value, were still relatively low. It nonetheless also found that an average 9.6% return on residential property over the past 10 years left room for growth (Ibid., 12), while warning policymakers that this potential could be limited by a lack of existing expertise in developing and managing large-scale private rented properties in the UK.

Reflecting this policy interest in attracting institutional investment, some researchers working within academia and the financial industry have turned attention to exploring the prospects for attracting institutional investment into social housing. Often undertaking comparative studies with other national contexts such as Australia or the Netherlands, where social housing landlords similar to associations have engaged with or are seeking to expand the use of finance (Blessing and Gilmour 2011; Milligan et al. 2015; Lawson 2013), this is often presented as a method for increasing housing supply at a time of declining government subsidy due to austerity (Oxley et al. 2015). In making their arguments, these reports frequently draw on a “housing crisis” policy and media narrative that has blamed growing housing need and stalling home ownership on restrictions to new housing supply, with the implication that policy solutions should aim at boosting construction through public or private supply increases (Morton 2010; Elphicke 2010; C. Walker 2014; Alakeson 2011; Jefferys et al. 2015). Although this reflects a long-standing policy concern in which “affordability” has been problematised in terms of first time buyers being locked out of the market by rising prices relative to wages (Cowan and McDermont 2006), the identification of the housing crisis in terms of a supply shortfall is likely to be over-simplistic in a market where the majority of sales come from trades in second-hand stock (Barker 2004). Institutional investment has nonetheless been proposed as a means of increasing housing association construction output, although prospects have been seen as limited outside certain specialist areas such as student or care accommodation with a predictable client base even at a time of austerity policies where subsidies are being undermined (Williams, Salisbury, and Caven 2011; Montague 2012).

At the time of fieldwork for this thesis in 2015 – 2016, institutional investment had yet to be deployed at scale for residential rented housing in the UK. Sustained high land

prices in prime areas of real estate such as London have so far been perceived as a barrier to the entry of institutional investment into residential rented housing (P. Williams, Salisbury, and Caven 2011). In comparison with the UK, other national contexts such as the US have far greater experience with investors in residential real estate through vehicles such as REITs, a legal vehicle operating like a mutual fund within which investors can pool resources and extract dividends (Ibid). As explained by one valuer working within the real estate industry, one major barrier was a lack of existing evidence of successful models within the UK that could provide evidence as to successful profitable strategies, a concern for investors due to the difficulty in extracting rental yield in a market characterised by high land values:

It's across the sector that you're not just creating assets here, you're creating an entire asset class, an entire base that includes advisors getting up to speed, that includes all of the design, that includes all the management platforms, all the funding models getting comfortable with something that doesn't exist in reality in the UK. It's an on-paper, it's an in-theory concept.

Valuer C, PhD fieldwork data, Spring, 2015.

That is, the development of a successful model for institutional investment in housing would not just require start-up capital but also management, operational strategies, access to land, and an awareness of where to geographically focus profitable strategies. In comparison to these risks in developing a successful equity finance model, a property market consultant interviewed as part of my fieldwork argued that bond purchases represented a simple and predictable way for pension funds and insurance companies to increase their exposure to real estate markets in the UK, for example through lending to a housing association:

It's just about tradable...it's got known characteristics, I don't need to know anything about Places for People, I just buy Places for People paper. And it's a tradable paper in the market. And it's quoted, we've got a history in it, and we know what its characteristics are. It's a bond. And we deal with bonds all the time. And it's got a nice long 25 years, and we might do 10 years of that and then we can sell it and move on.

Property market consultant, PhD fieldwork data, Spring 2015.

As already demonstrated in Chapter 6, an additional attractive feature for housing association bonds would be their stability and predictability of cash flows, providing a safe form of assets for the sector. In comparison to equity finance however, the lower risks of bond finance reflects lower rewards for investors, with returns pegged to a fixed rate or an underlying index rather than the performance of the underlying asset.

7.5. New investors, and new financial risks

While bond lending has so far been the dominant form of interaction between housing associations and institutional investors, there have nonetheless been explorations of the potential for direct equity investment within the sector, involving the direct transfer of a property interest to investors. Although this could theoretically expose institutions to higher risk than bond lending, in that they would have an ownership interest in social or affordable housing assets, this could also provide them with the opportunity to extract higher returns. As argued by one interview respondent working for a valuation firm, investors interested in affordable housing can therefore be classed into a least two types - those seeking safe investments, and those looking to extract a higher return in exchange for riskier financial deals:

I think we're seeing the evolution of two streams of thought. The annuity style funds that want very low rates of return but absolute assurance that those are the returns they're going to get, and those investors who are in the main, from a property perspective, are competing [sic] against the capital markets where it's probably the same business, just a different part of the business, with the bond market and property team

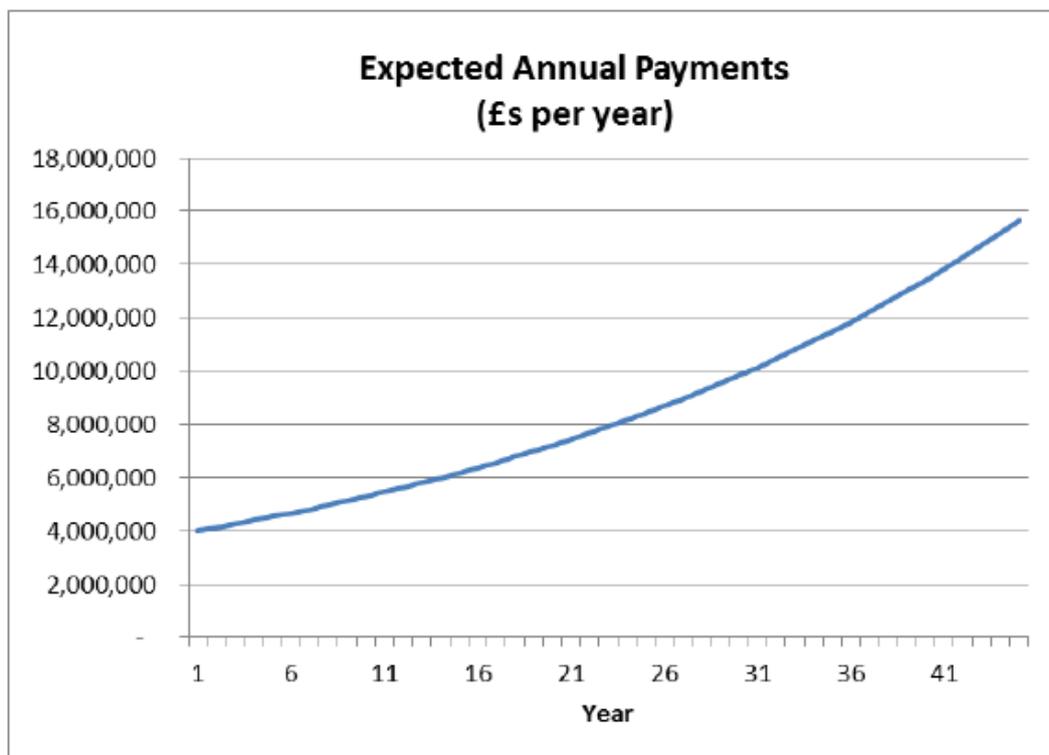
Valuer B, PhD fieldwork data, Spring 2015.

Interestingly, as shown in the above quote, these two different types of investor can often be found working for different branches of the same firm, for example if an investment fund wished to buy in to a broad range of asset classes in order to diversify its own risk exposures. The treatment of land as a financial asset should therefore not be seen as a process that follows a single logic, but rather one that operates through multiple strategies according to the particular desires of financial investors (Rutland 2010; Beswick et al. 2016).

While direct institutional investment into English housing associations is still relatively marginal, given the relatively affordable debt providers can already access (P. Williams, Salisbury, and Caven 2011), there has nonetheless been a growing interest in equity investment into the sector. One method in particular has been through sale and leaseback models, the experience of which as shown below have been controversial within the sector. Under a sale and leaseback arrangement, an association would transfer ownership of existing assets to an investor in exchange for a lump sum called a purchase price, freeing up finance which they could then use for other purposes such as a development. Models that have been used within the sector would then see the association lease back the assets for a specified time, typically for

35 to 45 years, with properties reverting back to the association at the end of the term for a specified sum. Lease payments, effectively a form of interest, would usually be index-based in that they would be linked to a measure such as inflation over the course of the term, for example the Consumer Price Index (CPI) + 0.5%, reducing exposure to fluctuations in inflation but potentially exposing the provider to rising long term costs. These can offer an alternate form of finance to bonds, though interest payments can be volatile if the inflation rate fluctuates, bringing additional risk exposures (TradeRisks 2014).

Figure 7.6. Model index-linked finance repayment structure, initial coupon of 4%, linked to Consumer Price Index +0.5% and assuming Retail Price Index increases of 3.55%



Source: reproduced from TradeRisks briefing note (2014, 1).

Experience with sale and leaseback has been controversial within the sector given higher potential risks however, with the HCA explicitly withholding consent for associations from using social housing stock as collateral in index-linked finance in 2013 due to concerns over hidden costs (Homes and Communities Agency 2013b). Analysis by the consultancy firm TradeRisks suggests that while initial payments can appear cheap, the total costs of finance can be as high as 6.1% over the course of a term, a very high rate of debt for a 35 to 45 year period given the cheap rates elsewhere at which associations can currently borrow (TradeRisks 2014, 2). These can rise cumulatively over the long term, as shown in the projection in Figure 7.6 of a model sale and leaseback deal reproduced here from the consultancy firm TradeRisks, assuming an initial coupon of 4%, linked to CPI+0.5 and assuming an Retail Price Index (RPI) increase of 3.55%, linked to an RPI-CPI “wedge” of 0.9% (Ibid., 1). Commenting on the dangers of long term price increases, the firm also warned that “many housing associations do not realise this feature as they cannot price inflation linked debt correctly” (Ibid., 4). Again, asymmetries of knowledge can be seen to be a barrier for associations being able to effectively navigate financial markets.

Despite this, one advantage of sale and leaseback is that these can require associations to provide lower rates of collateral to access finance, with some offers reported to be as low as 70% as the asset cover required for secured lending through bank loans or a bond issue (TradeRisks 2014, 3). As demonstrated in Chapter 6, valuation models for loan collateral for associations are necessarily conservative and lower than market value due to the security of tenure and regulated nature of social housing, meaning that providers who wish to develop can come under constraints in their ability to access finance. As explained by a policy officer working in relation to the

sector, this can therefore lead sale and leaseback models to become tempting for some providers who might otherwise struggle to attract additional finance:

Sale and leasebacks tend to be a bit more flexible, or they just have different ways of getting access or using your property as loan collateral. Some of them don't use the value of the property, or they don't use a unique property, they'll look at income stream generated and give you the loan based on the income stream. Sometimes that means you can use your property more efficiently for loan collateral purposes.

Policy officer, PhD fieldwork data, Spring 2015.

In addition, as also found by Wainwright and Manville (2017), housing associations can also find it more difficult to attract finance for more commercialised developments such as shared ownership products, with bond lenders often wary of the exposure to market risks that might otherwise undermine the perceived reliability of association as borrowers. This was also reflected in the course of my fieldwork, with one valuer explaining that difficulty in attracting finance for shared ownership could lead some providers to explore equity finance as an alternative source of capital lending, provided they could retain the "staircasing" proceeds earned from the sales of tranches of equity in a shared ownership property to its existing tenant:

More housing associations are alive to the fact that actually it's much more difficult to fund the shared ownership, and if they can find a solution where they're funding it at a relatively low rate of return, but they're not also giving away the staircasing which ultimately they really enjoy in terms of getting those capital receipts in, then they will do it.

Valuer B, PhD fieldwork data, Spring 2015.

As a result, the shift of housing associations toward the capital markets should not be seen as a static process in which they are passive recipients of bond finance. Rather, these findings suggest a process of institutional learning, in which some housing associations are growing both their commercial capacity and willingness to explore such deals. As argued by another respondent working for the same valuations company as the one quoted above, associations with large development programmes themselves at a senior level are building their skills capacity to engage in real estate markets, suggesting a possible change in the subjectivity of providers as they come to place a higher premium on earning a return:

I think increasingly they're informed by people outside, and increasingly they're aligned with the way in which the commercial sector would think and behave. Whereas if you go back 10 to 15 years, you'd find [registered providers] would be taking relatively naïve decisions or accepting much lower levels of return. Now they're much cuter about what financial stakeholders expect.

Valuer A, PhD fieldwork data, Spring 2015.

In doing so, this increased skills capacity could reduce the risk that providers would be stung by unfavourable deals, such as some forms of sale and leaseback that have previously been agreed to in the sector. To the extent that this would involve associations learning to treat their land and housing stock as financial assets whose value should be maximised, this could also be evidence of increased financialisation within the sector, an issue that will be explored in more depth in Chapter 8 of this thesis.

7.6. The uneven geography of institutional investment

While equity investment models are therefore still yet to be deployed at scale, recent years have seen a growing number of investors begin to directly enter the affordable housing sector, with the organisations and amount of planned investment summarised below in Figure 7.7. The methods adopted by these equity funds are still in development and are therefore difficult to comprehensively assess at the time of writing in summer 2017, but one primary strategy announced by Cheyne, the largest investor, takes the form of leaseback funding with housing associations and local authorities acting as housing providers. The types of properties announced at this early stage by Cheyne include general needs lets rented by Luton Council with nomination rights for homelessness rehousing, in addition to planned extra care and dementia housing (Cross 2015). An additional announced project has been in Sheffield with a locally-based housing association to deliver a £25m scheme from 2018 for 219 houses, with 65% at market rate and 35% at “sub market” rate, potentially classed as affordable rent (Cross 2016; Apps 2016). Under the scheme, Cheyne would finance the scheme, buy land and oversee development, while the association would be contracted to collect rents and provide management services, paying the fund an index-linked rent (Apps 2016). These models are nonetheless at a very early stage, with one fund, Octopus QSH, having already been disbanded at the time of writing (Johnstone 2017).

Figure 7.7. UK affordable housing equity investment funds

Organisation	Type of investor	Launch	Planned funding
Cheyne	Hedge fund	2014	£900m
Salamanca (FAH)	Merchant bank	2015	£500m
Civitas Social Housing	REIT	2016	£350m
Residential Secured Income	REIT	2017	£300m
Octopus QSH	Private equity	2015	Disbanded 2017

Source: Sheil (n.d.), Cross (2017a), Bury (2017), Williams (2017).

This is a new emerging model of affordable housing investment, limiting the definitive conclusions that can be drawn at this stage. Some surprising findings are nonetheless indicated at this stage, with many of the developments financed by the companies in Figure 7.7 taking place in regional towns and cities such as Sheffield or Luton, where both land values and market rent levels would be lower than areas of high market activity such as London or central Manchester. When conducting fieldwork, one fund

manager explained that despite the safe and long term nature of affordable housing, the limit on the rents that could be charged made it difficult to extract yield in comparison to the private rented sector¹⁹. As a result, the fund manager argued that one strategy that investors could pursue would be to hold down capital costs by targeting areas where land was cheaper and affordable housing rents were close to market levels. This combines some of the stability of affordable rents with a higher yield than could otherwise be achieved in an area where affordable rents were far below market rate:

Either you try and build less and build worse quality housing, buy the land for less and effectively bring the costs down, and keep the rents the same, or you can go into areas where affordable rents being 80% of market are actually quite decent and you get a good deal on the land, and the odd people are targeting that.

Fund manager, PhD fieldwork data, Spring 2016.

As the fund manager went on to explain however, lower land costs would only result in a higher *relative* return on investment. The low absolute level of market and affordable rents that can be extracted from de-industrialised areas, given low wages and insecure employment, meant yields would still fall short of the target yields which investors would wish to achieve:

There's a need for affordable housing, but affordable in [de-industrialised town X] is really, really, really low rents. And there is a cost, because [it] doesn't cost that much less to build...the building costs are what they are,

¹⁹ Interview with fund manager ,PhD fieldwork data, Spring 2016.

same...as it would be in the centre of Manchester. So the yields are really, really low.

Fund manager, PhD fieldwork data, Spring 2016.

One solution could be to target towns such as Luton where residents may commute to higher wage jobs in cities such as London, meaning that higher rent levels could be charged. As one housing finance consultant in my fieldwork also argued, another model which could see higher levels of profit could be more specialised areas such as care accommodation for vulnerable adults who would be exempt from wider welfare cuts, meaning that they would provide a more secure rental stream:

The deals that have been done as far as I can tell involve very niche types of property. So there are perhaps areas where you're providing special types of housing where you're not subject to the local housing allowance caps and therefore the rents are higher.

Housing finance consultant, PhD fieldwork data, Winter 2016.

As argued by the fund manager however, the low absolute returns would still mean that the ability to deploy at scale would be an important prerequisite for their own attempt to recover an adequate level of profit:

It's not going to make us much money or get us very interested if we're doing three or four ten million pound sites, we need to do £100m a year already, 1000 units a year at least, to build up scale.

Fund manager, PhD fieldwork data, Spring 2016.

This is relevant to recent analysis within the housing financialisation literature, which has argued that the affordable housing system could be one entry point for corporate

landlords, attracted by the prospect of acquiring areas such as inner London social housing estates where land is relatively cheaper, and therefore enables higher yields to be extracted (Beswick et al. 2016). In contrast to this, a key finding to emerge from this section is that one strategy pursued by equity investors seeking to gain a toehold in the affordable housing sector is to target opportunities in regional towns and cities, where land costs are lower but affordable rents are close to market rate, increasing the relative yield available. This means that a key area for future research into housing financialisation should therefore be the need to look beyond major cities such as London, exploring how the uneven development of the UK's economic geography can itself be exploited as a resource by investors.

To do so successfully however, equity investors as shown above are still confronted with the need to convert relative gains into absolute returns, meaning that scale is as important a factor as the ability to exploit the spatial differentials between the capital and deindustrialised regional areas. This is predicated on the need to extract a high rate of return, however. The next section now turns to analyse the potential costs of equity investment for affordable housing, before the chapter concludes.

7.7. Institutional investment and accumulation through dispossession

Although the models briefly summarised in the previous section do not necessarily reflect previous experience of equity investment in the sector such as sale and leaseback, the typical rate targeted by an institutional investor in property will often be as high as 8%, something difficult to achieve in affordable rented housing (Montague 2012). One interview respondent, a financial consultant, therefore expressed scepticism that such models could be deployed at scale without the use of index linked

financing that could involve large hidden costs in the long run, if housing providers do not effectively price in inflation:

They say that they're looking for returns between 7 and 8%. Well, affordable housing doesn't give those returns. The only way you can get that type of return is if you are offering some kind of index linked structure...On the face of it they appear very cheap. But they're very cheap because index deals are very low, but also because they're not certain, they're not fixed rate, there's inherently a risk they'll be a lot higher.

Financial consultant, PhD fieldwork data, Winter 2016.

In doing so, the extraction of such returns raises the potential of "accumulation through dispossession" (Harvey 2005), in which the provision of affordable housing and specialist temporary accommodation becomes dependent on the need to extract high rates of return. A significant area for future research uncovered by this chapter is that institutional investment should therefore not be considered a panacea for affordable housing, but rather one that may contain high long term costs whose impact should be closely scrutinised.

As already seen in this chapter, housing associations have been able to access relatively cheap debt since the financial crisis through the bond markets, reducing their need to rely on equity investment. This could change if borrowing costs rise, however. While interest rates since the financial crisis have been held down to ultra-low levels (Bowman et al. 2013), when rates eventually rise this could see higher lending costs for associations and more interest in equity investment. As shown by another fieldwork interview with a fund manager connected to the sector, rising rates could lead to new

opportunities for funds which are well placed to take advantage if they can find a model capable of producing a high enough return:

One of the real key challenges are returns, we're in a macro unusual place but it's a steady state unusual place in terms of low interest rates, low yield environment. Investors are getting very, very used to that now and it'll be a big shock when that changes.

Fund manager, PhD fieldwork data, Spring 2016.

As such, it should be stressed that the shift to the capital markets within housing association should not be seen as a one-time switch from bank lending to bond lending, but a dynamic and still-evolving process in which housing associations have been able to access cheap finance due in part to ultra-low interest rates in the aftermath of the financial crisis. If this situation changes, then associations could begin to be faced with deals that may be less favourable than those they have thus far experienced. Rather than a static state of affairs, financialisation should therefore be seen as a path dependent and temporally bounded process, with reliance on the capital markets giving rise to the entry of new actors who may further intervene to shape the sector in the future if associations begin to experience stormier economic conditions.

7.8 Conclusion

This chapter has analysed the shift to the bond markets within English housing association finance in the aftermath of the financial crisis. In doing so, the term 'post crisis' has been used here not to refer to a return to normality following the crash, but a new period of weak economic growth and financial volatility over much of the course of the last decade. The immediate impact of the credit crunch was to raise the cost of

bank finance, with banks responding by scaling back their lending to the sector. Associations were nonetheless able to maintain their access to credit by issuing bonds to institutional lenders such as pension funds and insurance companies, who were seeking access to long-term, reliable assets in order to offset their own liabilities. Although policy and academic attention in these years has explored the potential for equity investment in social and private rented housing as a means of boosting output, facilitated by a wider “housing crisis” discourse that has problematised the housing market in terms of suffering a supply shortfall, bonds have nonetheless been the predominant form of widespread capital market finance in this period. For financial institutions in the UK, a lack of data over successful residential models, sustained high land costs that pressure yields, and an unfamiliarity in categorising residential rented housing as an asset class has led to bonds being currently preferred as a widespread form of capital finance, due to their ability to provide a standardised and easily recognisable measure of value.

For housing associations, the bond markets have been favoured as a source of fixed rate, long term debt, with larger providers able to issue their own securities either publicly or through private placements, and smaller landlords able to club together through bond aggregators in order to maintain their access to finance. Recent research into the use of bond markets by associations has been somewhat mixed, with Tang et al (2017) arguing that this has provided a relatively unproblematic and flexible source of finance. In contrast, Wainwright and Manville (2017) found that the process of bond issuance has involved indirect governance by lenders, to the extent that associations would organise their activities prior to issues in accordance with what would achieve a good credit rating. The latter also found the rigid metrics used by

credit rating agencies to be a process that, perhaps ironically, mitigated against providers pursuing complex commercial strategies due to the higher perceived risk.

This led these authors to conclude that associations were “acceding to established practices of financialisation...as opposed to reshaping the established practices of private real-estate financialisation” (Wainwright and Manville 2017, 832). Although the data gathered in this thesis does not cover the process of bond issuance or credit rating agency practices directly, the interviews analysed here suggest that financialisation has been a more complex process. Whereas the rating of association debt can be negatively impacted by commercial development activity, an important change in how associations access debt has been a shift toward accessing a financial facility they can use across their whole operations rather than for specific development projects. In providing them an opportunity to renegotiate previously restrictive lending covenants with their existing bank debt, associations have therefore been able to access a more flexible long-term source of debt. While a trade-off may be the prospect of a possible credit rating downgrade, this has enabled some providers to engage in financial innovation themselves, including in at least one case derivatives trading on their own account, such as the case of Notting Hill housing association. This greater organisational capacity then suggests that a more thoroughgoing adoption of financial values, logics, and more entrepreneurial approaches to risk can be adopted with the shift to the bond markets if the greater risks can be offset elsewhere. Within the context of austerity cuts to government support, these can take the forms for example through more commercial practices of asset and tenant management that increase the cash flows able to support borrowing, further increasing the potential for associations to adopt a more directly commercial ethos and raising the potential for a full privatisation of large providers (Ginsburg 2005; Manzi and Morrison 2017).

As such, although financialisation may not necessarily involve bond lenders changing their practices to suit associations, it can still be viewed as a two-way and contradictory process in which providers gain the additional capacity for financialised activities that may have the potential for unintended consequences, for example if derivatives activity leads to greater levels of counterparty risk. Other evidence reviewed in this chapter indicates that there have nonetheless been systematic disadvantages for associations in navigating these risks, with providers operating in an unfamiliar financial context where bond arrangers such as banks may have conflicting interests and objectives. The need to examine how these risks are managed then becomes important, particularly in an austerity context where government support is being scaled back, with likely consequences for both providers and the security of their tenants.

In addition, this chapter has identified at least two types of institutional investor; annuity investors seeking a safe return, and those who are seeking higher returns through the property markets. The dynamics of financialisation can be seen in the relation of associations to these two classes of investors, particularly through explorations of forms of equity finance such as sale or leaseback. These can have high hidden costs and have therefore not yet been widely used by associations, who currently have been able to access cheaper debt through the bond markets. This should not be seen as a stable situation however, with two incentives for exploring equity finance by associations having been found in this chapter to be fewer collateral restrictions on the amounts associations can borrow, and difficulties in attracting finance for shared ownership developments given the higher commercial risk this presents to bond buyers. Conditions may change in the future if interest rates rise however, making debt harder to access and creating opportunities for investment funds.

This still-evolving nature of the relation of associations to the capital markets therefore suggests that financialisation should not be viewed as a linear shift, but a temporally bounded and dynamic process as associations become more oriented to and dependent on the market to survive (Montgomerie and Büdenbender 2015). In contrast to an emphasis on the stability of the current ability of associations to attract capital market finance (Tang, Oxley, and Mekic 2017), my analysis suggests that dynamics internal to financialisation such as the need to overcome secured lending constraints and attract finance for commercial development suggests the scope for greater exploration of equity models as a means of securing new debt. This is particularly the case given post-2010 austerity cuts to the sector, which have cut back significantly on subsidies to associations and led them to seek new sources of commercial income. The implications of this will now be analysed in Chapters 8 and 9, examining respectively the shift to commercialisation and financialisation in the sector, and the consequences of these agendas for growing levels of risk experienced by providers and their tenants.

Chapter eight – Ambitions to deliver? Housing associations and the treatment of land as a pure financial asset

8.0. Introduction

The aim of this chapter is to analyse the consequences for housing associations of the austerity policies from 2010 in the aftermath of the 2007 – 2009 financial crisis, for the sector's development activity. These years have seen significant reductions in the grant levels available for the construction of subsidised rental housing, weaker legal protections for security of tenure through the Localism Act 2011, and the introduction of new and more market-oriented tenures such as the "affordable rent" model capable of being let at up to 80% of market rent. As a result, I argue this has led to a growing exploration by housing associations of commercial income as a source of income, leading to higher numbers of associations diversifying into areas such as private sales of housing, and to a lesser extent the provision of market rent. Although these have become a growing proportion of new income for the sector, expansion of this activity at scale has nonetheless been geographically concentrated among a small number providers, most of which are based within London or its hinterlands in the South East of England. Austerity therefore has the potential to deepen the shift toward more commercialisation in the sector that has been underway since the late 1980s, further removing many associations from the provision of traditional social housing.

As shown in Chapter 5, a growing strand within housing studies has questioned the extent to which commercialisation is generating tensions between the "social" and

“market” logics of housing associations (Tang, Oxley, and Mekic 2017; Manzi and Morrison 2017). While austerity has the potential to drive commercialisation within the sector however, this also raises the question of the extent to which housing associations have also been incentivised to treat their land and housing as a pure financial asset whose value should be maximised. To the extent this is occurring, a key argument in this chapter is that these changes to housing associations should be analysed not just as commercialisation, but as part of a process of urban financialisation. As part of this process, I argue that the use of housing is being subordinated to the requirements of speculative capital accumulation. Recent deregulatory measures implemented through the Housing and Planning Act 2016 that remove regulatory powers in directly limiting how associations can use their stock have the potential to deepen this process, incentivising providers to engage in more commercial asset management. This could further intensify the ongoing dispossession of social housing and low income residents from central urban areas, raising the urgent need for academic research to specifically conceptualise the needs of spatial justice when examining the social goals of housing associations, such as where the provision of affordable housing is located.

In analysing these questions, I draw on my documentary analysis of regulatory and housing association sector documents, and fieldwork data in the form of qualitative interviews with national social housing stakeholders. In the seventh section, I also include original data from semi-structured interviews with a housing association chief executive and a governing chair, and housing practitioners working within the northern English city of Manchester, in order to explore the extent to which these processes are occurring outside of the capital. This examination of Manchester’s specific housing geography is an important contribution, both in nuancing a geographic understanding

of financialisation, and through generating initial empirical data as to how these processes operate outside the capital. In doing so, this shows how the geography of financialisation does not operate as a single top-down logic, but one that must account for local context and difference in how capital is enabled to flow smoothly through the urban landscape via the restructuring of housing associations.

While I find that commercialisation is evident within the sector, my data also shows complexities in how practitioners interpret financialisation in relation to their understanding of the social goals of housing associations, such as the provision of low-cost, subsidised rental housing, while the spread of financialisation has been highly uneven within the sector. I also find reasons to doubt that financialisation will attract sufficient income to replace lost social housing grant, with the costs and risks of commercial development reducing the levels of cross-subsidy housing associations are likely to spare for the development of new housing for low income tenants. As such, I conclude by arguing that future research should take a critical assessment of financialisation, which has the potential to contribute to wider processes of accumulation through dispossession as people are displaced from the ability to access secure social housing.

The remainder of this chapter is structured as follows. In the first section I examine the affordable rent model, arguing that it is likely to drive further processes of marketisation within the sector while being unlikely to provide a sustainable way of funding new subsidised rental housing. In the second section I examine data on commercial diversification within the sector in an attempt to compensate for lost grant levels, finding an expansion in building housing for direct sale and low cost home ownership, though this has been concentrated among a small number of providers, most based in London and the South East. In the third section I argue this should be considered

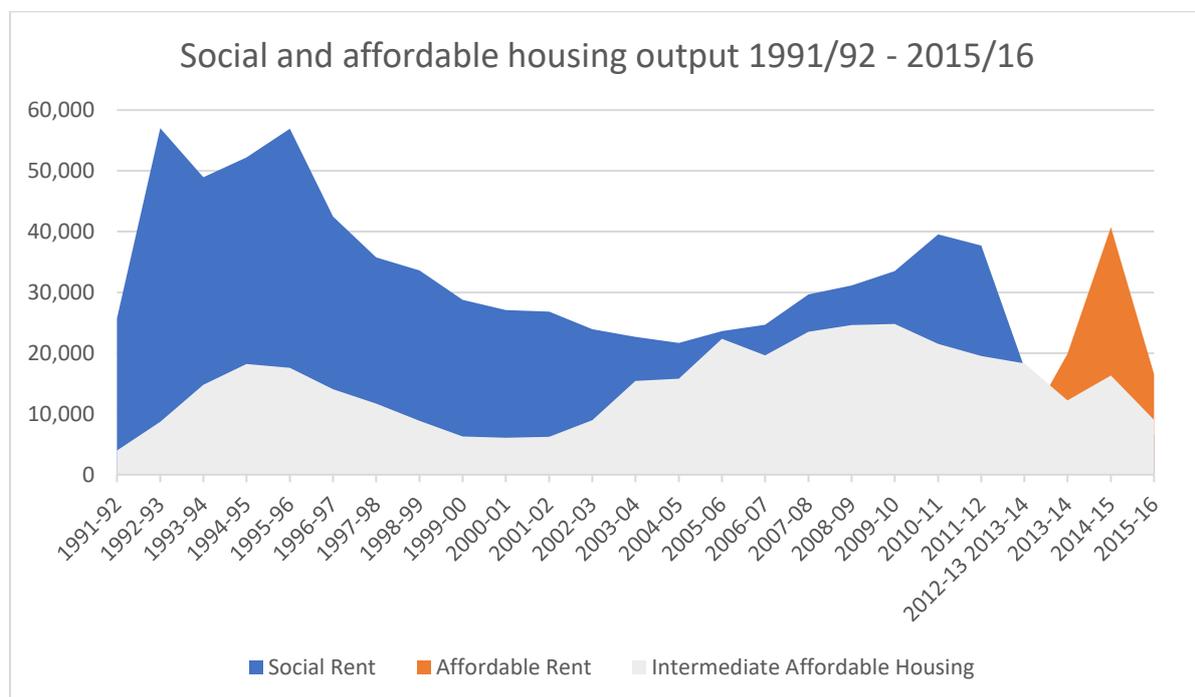
as a move toward financialisation within the sector, in the sense of associations being incentivised to extract value from their land and housing assets. In the fourth section I argue this is unlikely to lead to new affordable housing, with the risks of development leading some associations likely to reduce the share of traditional social housing in the future in order to protect their cash flows. In the fifth section I examine the scope this has for increasing dispossession through recent deregulatory measures in the Housing and Planning Act 2016, while in the sixth section I examine tensions within how associations and actors connected to the social housing sector have interpreted this. The seventh section then turns to an analysis of the regional nuances of financialisation through an examination of associations in the context of Manchester's specific housing geographies, while the final section concludes.

8.1. The affordable rent model

The use of private finance and more commercial products such as shared ownership by associations is not new, with chapters 5 and 6 demonstrating how this has been ongoing on a formalised, widespread basis in combination with public subsidy since the Housing Act 1988. While housing association grant subsidy declined from the early 1990s, the late New Labour government under Gordon Brown (2007 – 2010) saw additional investment in new housebuilding with the £8bn National Affordable Housing Programme 2008 – 2011 (Housing Corporation 2007a). The planning system also provided an additional and substantial source of new housing through s106 planning gain agreements in which developers would provide discounted housing to associations, with precise figures difficult to determine but accounting for up to half of additional social housing in the boom years of the 2000s, concentrated in areas of high market activity such as the South East (Brownill et al. 2015). As shown in Figure 8.1. below, social housing providers also expanded “intermediate” tenures such as shared

ownership or shared equity housing throughout this period. Output followed a counter-cyclical trend, rising as private housebuilders struggled in periods of housing market collapse such as the early 1990s and the aftermath of the financial crisis, although by the late 2000s the amount of intermediate housing produced had come to outnumber traditional social housing.

Figure 8.1. Social and affordable housing output 1991/92 – 2015/16



Source: ONS Live Table 1000.

While the above chart does not distinguish by the type of social housing provider, ongoing restrictions on local authority housebuilding means that the bulk of this output is highly likely to be accounted for by housing associations. As such, it shows that associations entered the crisis as a sector whose collective development activity had become oriented toward more commercial products, with new social housing construction falling to minimal levels in the highly financialised overall housing context of the 2000s. The National Affordable Housing Programme instituted by the Gordon

Brown government and running between 2008 – 2011 into the early years of the Coalition mitigated this only slightly, falling well short of the activity in the relatively higher grant regime of the early 1990s. The election of the Coalition was to radically change this existing system however, introducing the new Affordable Housing Programme 2011- 2015, cutting grants and containing several new and highly significant measures intended to increase the reliance of housing associations on the market as a source of their ongoing funding (Homes and Communities Agency 2011).

The most significant of these changes has been the end of grant funding for traditional social housing except in exceptional circumstances, basing the majority of ongoing rental housing subsidy on the new “Affordable Rent” tenure introduced by the Localism Act 2011. Deliberately intended to increase the reliance of associations on their rental streams rather than grant funding to support borrowing and development activity, affordable rents could be charged at up to 80% of the going market rate compared to the roughly 50% paid by social tenants, with providers also able to switch their existing social housing to affordable rented housing at the end of a tenancy agreement (Wilson and Bate 2015). The rents actually charged by associations have been subject to variation however. Existing rents diverge from market rents much more widely in expensive areas such as London and the South East in comparison to de-industrialised areas of the North and Midlands, leading to providers in the capital letting an average of 65% due to concerns over what their tenants could afford (National Audit Office 2012, 25). While affordable rented housing could have the same security of tenure in traditional social housing lets, the Localism Act 2011 also introduced a new “flexible tenancy” agreement with a minimal security of two years rather than the potential lifetime security of an Assured Tenancy, further enabling a more commercial relationship between tenant and landlord.

The ministerial forward to the Affordable Homes Programme set out the new tenure and its associated development grant policy in terms of freeing housing associations, characterising it as a “new localist approach...giving control to local people, local authorities, housing associations and developers” (Homes and Communities Agency 2011, 3). In light of my argument in Chapter 5 of this thesis, the structure of the policy shows how reliance on private money can be used as a tool of governance, attempting to shape association behaviour by forcing providers to rely on market structures in order to generate capital. In addition to the new tenure, the programme contained a number of other measures intended to reduce the use of grant funding by associations. Bids for grant were no longer to be evaluated on a scheme by scheme basis, with providers instead asked to set out a four-year programme covering their plans to use their existing assets and capacity, attempting to incentivise associations to view themselves on an organisational level as how to support the government’s agenda of increasing housing supply (Ibid., 11). Such additional capacity could come from existing assets including their surpluses, additional borrowing, and alternative subsidies such as public land granted by local authorities, with grant used only to make a scheme viable (Ibid., 8). In doing so, the centring of responsibility at the level of an individual provider through manipulation of subsidies can be seen to be a crucial element of financialisation in this case, attempting to shape the priorities of associations in order to foreground their role as market developers, oriented toward the goal of increasing supply while potentially downgrading other, more welfare-oriented functions.

While framed in terms of increasing supply in order to alleviate growing unaffordability, greater reliance on market mechanisms to achieve this was a core component of the programme. Although the headline grant figures for the programme were £4.5bn, a

breakdown of the programme's spending reveals that this includes £2.28bn from the previous National Affordable Housing Programme in addition to other commitments, leaving additional funding consisted of just £1.8bn (Ibid., 60). Grant per home was £20,000 for the new programme compared to £61,000 for Labour's previous scheme, supported by higher borrowing for each house built at £75,000 compared to £61,000, and "other funding" such as rents and surpluses of £46,000 compared to £34,000 (National Audit Office 2012, 34). Despite this higher cost the scheme was expected in official reviews to deliver 80,000 new properties (Ibid., 4). Critics however have questioned the extent to which consistently higher output is sustainable, with Smyth (2018) characterising the policy as a short-term fix reliant on higher debt levels and the one-off consumption of existing assets, predicated on the dispossession of tenants through higher rents and weaker security.

Figure 8.2. The end of a social housing policy: grant levels 2008 – 2017

Funding programme	Headline grant available	Grant p.a.	Target output
National Affordable Housing Programme 2008 - 2011	£8.0bn	£2.66bn	155,000
Affordable Homes Programme 2011 - 2015	£4.5bn	£1.13bn	80,000
Affordable Homes Programme 2015 – 2018	£2.9bn	£0.97bn	
Shared Ownership and Affordable Homes Programme 2016 - 2021	£4.7bn	£0.94bn	
	£6.1bn (+ £1.4bn Jan 2017)	£1.22bn	
	£8.1bn (+ £2.0bn Oct 2017)	£1.62bn	

Source: *Housing Corporation (2007a); Homes and Communities Agency (2011, 2015b, 2016b, 2016c), Booth (2017).*

As shown in Figure 8.2 above, the subsequent funding programme for 2015 – 2018 further reduced overall funding to £2.9bn, available for both affordable rent and shared ownership properties. Whereas the previous programmes has mandated design and quality standards as developed by the Housing Corporation and the HCA, analysis of prospectus documents reveals that these were absent from the 2015- 2018 onward, indicating a downgrading of housing regulations in favour of expanding out supply (Homes and Communities Agency 2015b, 21). Following the election, the

Conservative majority government removed subsidies for affordable rented housing altogether, with the majority of the available £4.7bn intended for shared ownership alongside a small amount of older people's and supported housing accommodation, and a new "rent to buy" product that tenants could purchase after a period of time. The resignation of David Cameron and his replacement by Theresa May has seen a slightly more conciliatory approach however, with an additional £1.4bn offered for affordable rented housing in January 2017.

The rising popularity of a Labour party with a left-wing leadership committed to increasing housing subsidy in the wake of the 2017 general election has seen yet further concessions from the Conservatives with an extra £2bn pledged in October 2017, although the available funds for subsidised rented housing remain well below that of the previous Labour government's housing programme. Although direct capital grants have declined, overall subsidies remain a crucial part of the housing market however, with the government spending £28bn on housing in 2016/16, £20.9bn of which was accounted for by housing benefit (National Audit Office 2017, 4). With around 60% of housing association rents paid for through housing benefit subsidy, the welfare system therefore still plays a crucial role in the development of the sector even as direct supply subsidies have been sharply reduced throughout the past 30 years (National Audit Office 2012, 14).

While grant funding has been cut, the government therefore still plays an active role in actively shaping the sector, with the subsidy for rents underpinned through housing benefit a crucial factor in ensuring the affordability of housing for the sector's tenant base. Although associations are operating within a more commercial context, this should therefore be seen not as a minimisation of the state's role, but one in which subsidy regimes are actively trying to shape providers as entrepreneurial

organisations, oriented toward development activity and unlocking market supply. The next section examines the consequences of this for the sector, and the implications for how we can conceptualise the role of financialisation in this process as housing associations have undergone rapid commercialisation.

8.2. Austerity as a driver for more commercial income

As the government has cut back on subsidies through austerity measures, commercialisation has become an increasingly significant source of income for the housing association sector as a whole. As shown in Chapter 6 of this thesis, commercial activity by social landlords is not itself new, with the shift to private borrowing and regulatory liberalisation since the late 1980s encouraging associations to view themselves in more competitive, entrepreneurial terms while enabling them the greater freedom to engage in marketized developments. Far from bringing this to an end, the years since the financial crisis have seen an expansion of commercial activity by housing associations, with providers establishing subsidiary companies in order to develop properties for market sale and rent, in addition to other products such as trading services with one another (Homes and Communities Agency 2016a). Ultra-low interest rates in the aftermath of the financial crisis and readily available credit in the form of the bond markets have also brought down the costs of servicing additional debt for providers, enabling a better shift toward commercial activity (Arasaratnam, Massimo, and Benisek 2013). Rather than ending neoliberalisation in housing associations, the post-crisis period has therefore seen an intensification of the sector's reliance on the market.

As a result, the sector has become increasingly oriented toward market activity that can provide it with new income opportunities, though this also raises the question of

the extent to which it is exposed to greater risk as public funding is scaled back. One interviewee in the course of my fieldwork who worked as a policy officer in a body linked to the sector, explained that a major driver of commercialisation for the housing association sector had been the need to find additional sources of income to offset the impacts of funding cuts under austerity:

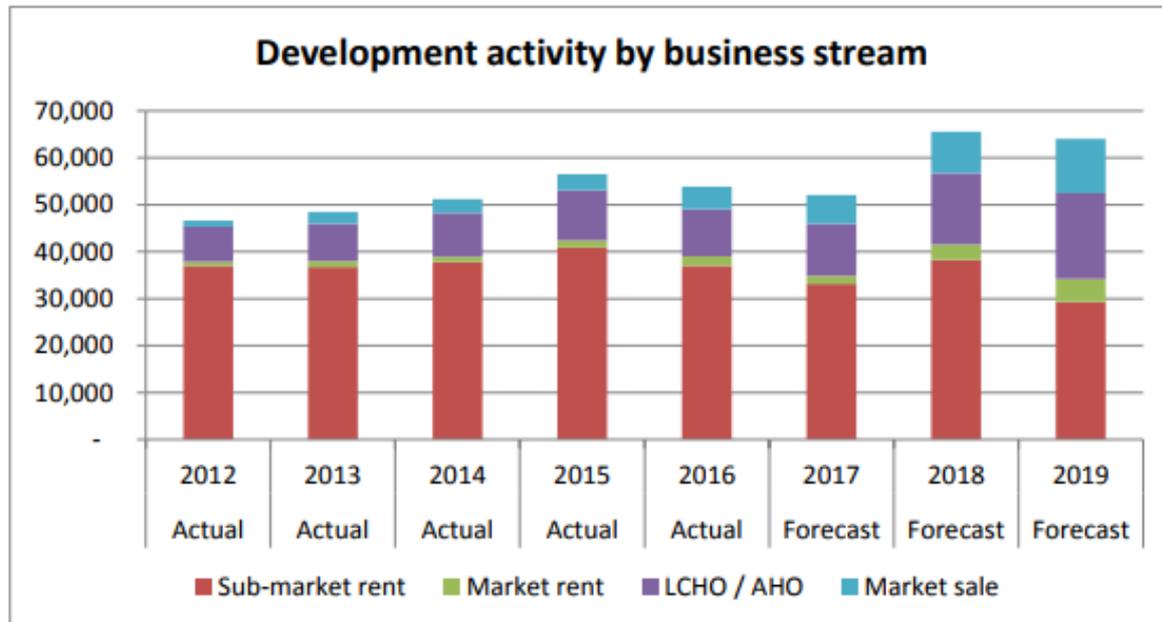
Housing associations were getting 40 - 50% grant for each development, that went down to less than 20%, 15 - 20%, and there was a gap that needed to be filled... So they started to do more commercial stuff, they started to a large extent building for sale, more shared ownership programmes, some have started to do private rented schemes, so although you're not getting a big hit from day one, the idea is that you're getting revenue surpluses which can be used to cross-subsidise.

Policy Officer A, PhD fieldwork data, Spring 2015.

Reflecting this pressure to generate additional income, revenues from commercial activities have become an increasingly significant source of income for the sector in recent years, even as grants have been reduced and providers have faced welfare cuts and other measures that may be expected to raise their levels of operating risk. Although figures from the regulator suggest 84% of the sector's turnover was still accounted for by "core" social housing rents in 2015 (Homes and Communities Agency 2016a, 3), more recent figures have now revealed this be as low as 74.9% (Homes and Communities Agency 2017b, 8), meaning that a quarter of income received by providers now comes from outside their traditional provision of subsidised rental housing. In contrast to the sector's pre-crisis activities, commercialisation therefore has the potential to become a major source of income for the sector, downgrading the

relative importance of its traditional provision of subsidised rental housing while increasing its exposure to property market risk.

Figure 8.3. Development activity by housing associations



Source: reproduced from HCA (2017b, 18).

The breakdown of development activity in Figure 8.3, reproduced here from regulatory documents, reveals the extent to which sales are coming to overtake subsidised rental housing as a share of development activity. While this has so far formed the majority of the sector's ongoing development programmes, this level is predicted to shrink toward the end of the decade, with the decline likely to be affected by the decrease in affordable housing grant. Low cost home ownership products such as shared ownership have formed the next most significant share of developments, reflecting the sector's longstanding experience in this area and the ongoing availability of subsidies, and is forecast to expand significantly over the next few years. Although expected to increase in absolute terms, private rented housing has been a marginal product

throughout this time period, with the majority of private activity occurring in sales. The construction of housing for market sale has been a small but growing share of the sector's income however, with completions expected to increase over the next two years to 2019. While relatively small in number, these have formed a disproportionate amount of the sector's income, accounting for 7.8% of its entire turnover in 2016, with first tranche sales of shared ownership housing close behind at 6% (Homes and Communities Agency 2017b, 8). This growing reliance on sales activity indicates the extent to which the sector has used the economic conditions of the post-crisis period to increase its exposure to the property market, aiming to increase its overall housing output even as grant levels have been cut back overall since 2010.

As shown by the data in Figure 8.3, the majority of outright private development activity has been accounted for by market sales, with associations building only a small number of properties for private rent. This is perhaps a surprising finding, given that housing associations are, after all, landlords experienced in providing homes for rent at a scale that is otherwise unknown in the UK, outside of a handful of large-scale private companies. As argued by one interviewee in my fieldwork however, associations interested in private rents would be providing for a different tenant base than their social housing tenants, requiring a different investment strategy:

The units you put in are going to need to be higher spec because it will be not housing the most vulnerable in society, it's going to perhaps be young professionals and they're going to want, if you're going to attract them you're competing against the Graingers and other providers who produce a bit more luxury. So you're going to have to do the same thing and all of that has an

impact on what you're going to get out the other end. Okay, you can charge more rent, but...

Policy officer A, PhD fieldwork data, Spring 2015.

Offering more "luxury" to attract young professionals who, unlike most people living in social housing, have the market power to go elsewhere, can be seen in this quote to require additional levels of ongoing investment to maintain standards. Although rents could rise in order to repay that cost, this increases the time with which providers would have to wait for a return on their investment, decreasing its attractiveness for the sector in comparisons to market sales activity, where houses can be built and sold on without tying capital up in land for long periods of time.

Rather than being spread evenly across the sector, the majority of this activity has so far been geographically concentrated among a small number of London and South East housing associations, with regulatory figures revealing that 75% of the surplus made from sales accounted for by just ten providers (Homes and Communities Agency 2017a, 14). This finding is unsurprising, with rising land values make it easier for strategically located associations to generate a return on sales, although exceptions to this exist such as the large provider Gentoo based in the North East of England (Homes and Communities Agency 2016a, 3; G. Whitfield 2017). Global sectoral accounts collated by the regulator reveal similar concentration among shared ownership sales, with 18 providers accounting for over half the sector's total generated turnover (Homes and Communities Agency 2016a, 2). There are also divisions generated internally by the sector's institutional development, with associations originating through Large Scale Voluntary Transfer (LSVT) policies seeing lower levels of development due to the high levels of debt they initially take on, although the

regulator expects rising activity as these are gradually paid down (Homes and Communities Agency 2017a). Commercialisation on a large scale has therefore been limited to a minority of providers, casting doubt on the ability of diversification into market-oriented products being able to compensate for lost public funding.

Exact figures on the profits made by associations through developing housing for market sale are difficult to calculate, with the global collective accounts for the sector compiled by the regulator excluding non-registered subsidiary companies, under which private development is likely to take place. An indication of the profits made through this activity can be used through monitoring the payment of “gift aid”, however, a clever form of income tax relief in which money can be transferred from profit-making subsidiaries to their group parents without jeopardising their charitable status, and the favourable tax treatment this brings. Gift aid payments in charity returns have been found by the regulator to be closely correlated with surpluses on profits in unregistered subsidiaries, returning £308m to the sector in 2016 and providing an interesting commentary on the extent to which ‘social’ values can be used to further commercial activity (Homes and Communities Agency 2017a, 15; Nicky Morrison 2016). Overall levels of money transferred this way remain relatively small compared to the sector’s total turnover of £20bn and 5.6% of the operating surplus of £5.5bn that year however (Homes and Communities Agency 2017a, 10), indicating the limited benefit most providers have so far received from cross-subsidy.

Revenues from development activity are predicted to form a significant proportion of funding for the sector’s development activity in future years. Recent assessments by the regulator predict that over half of funding for development activity over the next five years will be bankrolled by commercial activity, accounting for £31bn of the sector’s £55bn in planned development activity, with the remainder consisting of a

mixture of grant funding and debt (Homes and Communities Agency 2017b, 20). While this could be interpreted as associations becoming less dependent on grant in order to develop, the recycling of revenues back into development also suggests a growing structural reliance of associations on treating their land and housing stock as financial assets. This greater reliance on asset maximisation has given rise to concern over the extent to which housing associations are becoming financialised, a question the next section will now consider.

8.3. From commercialisation to financialisation

As the structural reliance of associations on commercial developments as a means of subsidy grows in response to austerity, this raises the question of the extent to which the funding of associations is becoming reliant on them treating their land and housing stock as financial assets whose value should be maximised for a return. In other words, in addition to commercialisation, providers within the sector may also be undergoing financialisation. While housing associations are still not-for-profit entities in that they do not distribute dividends to shareholders, and although the majority of their interactions with the capital markets have come through bond lending rather than equity investment, funding cuts have created incentives for social landlords to act as capitalist developers with the need to maximise their returns. Commercial activities have a long history in the sector, such as the example in Chapter 5 of the Guinness Trust in the 1950s arguing in court that investments in stocks and shares helped them to fulfil their charitable objectives. As argued in Part Two of this thesis however, the past 40 years of neoliberalisation have made urban development far more reliant on processes of urban speculation, with consequences for the sector. To the extent that housing associations become reliant on rising land values to survive, they risk gaining a structural dependence on speculative urban developments that themselves increase

unaffordability, while driving displacement and dispossession for tenants who are seeing their incomes and legal protections eroded under austerity.

In their depictions of the commercial activities of housing associations, official voices within the sector have continued to stress the not-for-profit, social enterprise nature of associations, working in partnership, though at a distance, from the government. The chief executive of the National Housing Federation (NHF), David Orr, characterising providers as distinct from but working closely with the government as “the most successful public-private partnership in the history of our economy” (Ebrahimi 2015). A prospectus by the National Housing Federation (NHF) entitled “Ambition to Deliver”, issued in 2013 with an updated edition in 2016, sets out this view. Rather than characterise providers as straightforwardly commercial entities, the pamphlet places repeated stress on the not-for-profit nature of the sector, presenting it as one capable of delivering “where the private sector won’t and the public sector can’t” (National Housing Federation 2016, 3). The pamphlet sets out the desire to build 120,000 houses per year, half for sale and half for rent, though two thirds of the total is intended for affordable sale and rent, and one third for commercial sale. In doing so, financialisation can therefore be seen to have so far built on rather than closed down the discursive balancing act previously identified by McDermont (2010) in which the sector stresses its independent from government, while also claiming this brings it the expertise necessary to fulfil policy goals, such as the development of new housing.

Others have adopted a far more ruthlessly commercial approach, however. Taking the logic of treating the housing and land of social landlords as a pure financial asset to its extreme, right wing think tanks close to the Conservative party such as Policy Exchange have used this to advocate a wholesale liberalisation of the housing association sector altogether, freeing up their ability to work their stock as fully

commercialisable assets. One recent paper by the think tank has argued in favour of removing the ability of local authorities to nominate homeless people to be rehoused within the sector to enable more profitable use of stock, claiming this would result in “sweeping away the old, inefficient, byzantine system that creates a gridlock in new affordable supply” (C. Walker 2014, 9). The sector’s official trade body has not fully embraced this rhetoric, emphasising the aim of helping both “homes and communities” (National Housing Federation 2016). The *Ambition to Deliver* prospectus nonetheless attempts a balancing act of pitching their need for partnerships with central and local government, especially in the need to gain access to land. Reflecting their desire to stress the entrepreneurialism of associations, it nonetheless also pleads the need for housing associations to have greater “business freedom” in using those assets in a commercial manner (Ibid., 18).

Recent research in housing studies has sounded the alarm over commercialisation displacing the sector’s “social values”, transforming the ethos of housing associations (Manzi and Morrison 2017). The extent to which associations may be being restructured in order to enable the circulation of capital suggests the need to go further in analysing the specific urban political economy of housing, and the social relations underpinning it, that is shaping the financialised context associations operate under. Thus, there is a need to explore not just how associations are becoming commercialised, but the extent to which this is occurring in a context in which the shaping of urban space is undergoing financialisation, subordinating the uses and provision of housing to the need to maximise financial yield. In doing so however, there are also strong reasons for doubting the new affordable housing that can be produced through commercialisation, the reasons for which will now be analysed.

8.4. Financialisation and the limits to cross-subsidy

Even where funds are available to conduct development on a wider scale, there remains the question as to whether it is legitimate to characterise financialisation as likely to provide cross-subsidy for new social housing. Although the majority of interview respondents presented commercialisation as a potential alternative to funding cuts, one financial consultant argued for the need to be sceptical that this would generate large amounts of revenue that could be used to subsidise affordable housing:

Market rent or build for sale, they're all pretty capital intensive. Build for sale, you can revolver²⁰ quite quickly but if things stop selling, they can have a really dramatic quick negative impact. Market rent, you have to be very patient to get a return. The yields are not exciting...So building and owning market rented property, it's not a great return. It's not going to subsidise an awful lot of social housing.

Financial consultant, PhD fieldwork data, Winter 2016.

In other words, revenues from commercial development should not be considered an unproblematic substitute for lost social or affordable housing grant. Whereas grant is virtually risk-free money, so long as providers stick to the funding and project criteria set for them by the government, commercial income is inherently connected to higher degrees of market risk. Commercial development typically carries with it high costs in terms of land assembly, labour and materials, particularly in areas such as London where values are high enough to permit an association to build at scale.

²⁰ A revolver credit facility is senior debt that companies can use to refinance their loans on an ongoing basis.

Moreover, both building for sale and for rent carry different risks, with the former exposing associations to the risks of a collapse in property values, while the latter ties up capital for long periods of time, decreasing the likelihood of strong returns that could fund large affordable housing developments. These differing strategies carry distinct risks, meaning that any withdrawal of funds to pay for additional social housing would be a deduction of revenues that could be used to ensure against risks and extra development costs, exposing a provider to potential losses. This is particularly the case when grant has been replaced by a greater reliance on private debt from lenders, who whether they come from the banks or the bond markets will need paying back, with dire consequences otherwise for housing association stock, as revealed in Chapter 6 and Chapter 7 of this thesis. As explained by the above financial consultant, the need to make a profit from development means that commercial income is unlikely to provide a high enough return to subsidise new social housing without government support:

Social housing needs subsidy. Subsidised housing needs subsidy. Somebody's got to subsidise it, and it's not going to be the private sector.

Financial consultant, PhD fieldwork data, Winter, 2016.

The ultimate reliance of new social housing on government grant was also confirmed by the chair of a London-based housing association engaged in development activity. In the interview, they explained that even though housing associations do not need to distribute profits to shareholders, the costs of development remain a severe constraint on the amount that can be used as cross-subsidy for standard, "general needs" social housing lets:

Somehow the numbers have got to add up, and they won't add up if, they won't be likely to add up if we were just doing general needs housing. Unless there was a big slug of social housing grant, and we know there isn't going to be a large slug. But also if we're substituting external finance for social housing grant we've still got to earn a return on that.

Housing association chair, PhD fieldwork data, Spring 2015.

If commercial activity requires continual reinvestment to cover risks and repay creditors, then this indicates that developer housing associations are gaining a structural dependency on treating their land and housing as a pure financial asset. The need to earn a return on their commercial investments can therefore be seen to be a powerful driver of financialisation, creating a structural dependency for associations on the ability to secure profits from wider speculative processes of urban accumulation.

In addition to building property for the private market, another key aspect of commercialisation cited by interviewees was management of existing social and affordable housing stock in a more commercial manner. As explained by one chief executive of a mid-sized housing association operating in the north of England, one way in which this could take place would be through associations selling housing for market value once tenancies expired, in order to put funds into development:

So what you're looking at when you're looking at a particular property, if it becomes vacant, somebody moves out, so you're then saying what is the best way for us to take that property forward? Should we sell it, realise the capital from it, pay down the grant – I mean probably the amount of money we'd get

for it now is quite a lot more than we originally paid for it in the first place, so extract the value out of it, and put that into new supply.

Housing association chief executive, PhD fieldwork data, Autumn 2015.

Despite the emphasis placed on commercialisation as a means of providing new housing, so far only a minority of associations have been able to set up large development arms, with providers in many regional areas outside of London lacking the rising land values that would enable them to develop new housing at scale. As this chief executive went on to explain, relatively low land values are a major barrier to the ability to develop a substantial development arm that can generate income:

It's much more difficult for us to do because the amount of money we get when we churn our assets is limited. I mean, we probably sell about 25 homes a year to do this with. If you're down in London and you sell 25 properties a year and their average value is half a million pounds each, you can do some serious development.

Housing association chief executive, PhD fieldwork data, Autumn 2015.

A key finding to stress from this quote is the importance of being able to scale up development. Although a London-based developer association may not have absolutely high levels of output, the land values these can attract offer a far easier way of scaling up development through the normal turnover of social housing stock, easing entry into a highly competitive real estate market.

On the other hand, the presence of high land values in areas such as London can also act as a barrier to commercialisation, meaning that successful development still requires forms of additional subsidy, such as the sale or donation of public land for

associations to build on. One chair of a London-based provider that engaged in development activity argued that these low-cost acquisitions from the public sector were a major factor in enabling them to develop housing on their own account, as opposed to being restricted to investment and refurbishment of existing stock and commercial sites:

I think quite a lot of our land comes to us from local authorities...if we were totally dependent on acquiring sites at market values we wouldn't be in the game, I'd suspect. What we'd be in the game of was focusing on our existing stock only and not developing, or maybe redeveloping some of our business sites.

Housing association chair. PhD fieldwork data, Spring 2015.

Except for a minority of cases of strategically-placed associations able to operate at scale, this suggests that financialisation is unlikely to directly result in the production of large amounts of affordable housing without support from either central or local government. As such, despite rhetoric stressing that commercial activity is a result of freeing the sector from state interference, subsidy and government support is still necessary for many associations to engage in development activity at scale, either in the form of grant or the release of land.

As revealed in the following quote from an auditor to the sector, for some providers with strategically located land banks, rising land values in the London market due to high demand from overseas investors and other buyers have enabled engagement in large-scale development programmes:

A lot of [housing associations] are quite big land bankers as well. They've got huge stretches of London which they've been sitting on for a while. They could basically put together a development programme, take it off to Malaysia, Hong

Kong or Singapore, and just tell them this is what we're going to build. 70% - in a weekend, 70% will be sold, straight off-plan. Nothing even built, just a site.

Auditor A, PhD fieldwork data, Spring, 2016.

Here, financialisation can be seen to be at work through shaping behaviours and creating new incentives for how social landlords view land and housing stock, with housing associations behaving as though their land is a financial asset whose value should be maximised according to the increase in future rents and sales revenues it could bring (Harvey 2007a). In doing so, the ability to build social housing that could enable people on low incomes to live somewhere that would be otherwise unaffordable is diminished, with the potential scope of uses of the land narrowing to what could be enabled by extracting the highest monetary value from it.

In selling land, or developing homes for market sale directly on it, the housing association sector argues that the revenues could be reinvested into new housing, either directly for commercial development, sub-market rent, or shared ownership. It should be stressed that although media and popular discourses often do not distinguish between social rent and affordable rent, as seen earlier in this chapter in Figure 8.1 it is the latter with its higher rents and often weaker security that has dominated recent new supply. As the auditor quoted above went on to explain, any additional new housing is also likely to be built in cheaper and more peripheral locations, in order to maximise the potential extraction of value:

The good thing is that [housing associations] were selling and making money.

Sadly...the housing they were building [that] was social was then outside of London. Because any site in London was worth so much that they were just – there was no point.

RG: No point?

Well, you could say there is a point, because otherwise you're ending up with these concentric circles of everyone just being pushed out, it's a little bit like Paris, people were saying – the donuts in Paris.

Auditor A, PhD fieldwork data, Spring 2016.

Even to the extent that financialisation does produce new affordable housing, this additional supply can be seen to rest on a process of rising land values that themselves displace affordable housing from central areas. This research has therefore revealed the troubling finding that austerity has created incentives for housing associations to become structurally more reliant on the financialisation of urban space in order to sustain themselves. To that extent, housing associations are being brought in to the circulation of capital through the urban landscape. This raises the troubling prospect that the social housing sector is becoming structurally integrated into broader processes of what was theorised in Chapter 4 as a process of accumulation through dispossession (Harvey 2007a). Further deregulatory powers over commercial asset management under the Housing and Planning Act 2016 may intensify this process, the implications of which will now be analysed in the following section.

8.5. Deregulation and the Housing and Planning Act 2016

Greater commercial freedom over the use of housing association assets is a live issue. In the aftermath of the 2015 general election the Office for National Statistics (ONS) officially reclassified housing associations as public sector bodies for accounting bodies, meaning that the sector's debt would formally be classed as public borrowing from that point onward and adding billions onto the government's books. This decision was based upon an analysis of regulatory powers over board membership and

borrowing powers contained within the Housing and Regeneration Act 2008 (Office for National Statistics 2015), although press speculation at the time linked this to the ongoing row between associations and the government over the proposed expansion of the right to buy to cover their stock (Wiles 2015). The decision itself is a public accounting change that has no power to either take associations into state ownership, or materially affect their charitable status or borrowing powers. It did however provide a government officially committed to bringing down the public deficit with the motivation to subsequently impose a wholesale liberalisation of the sector's ability to commercialise its stock through the Housing and Planning Act 2016, representing a major new step in the sector's financialisation.

A major piece of enabling legislation, the 2016 Act removed altogether the powers of the regulator to withhold consent for housing associations to sell their stock or use it as collateral for a loan, representing a major departure from the historical structure of the regulatory system in which registered providers become eligible for grant in exchange for surrendering power over their stock. Additional statutory protections under section 133 of the Housing Act 1988 in which former local authority stock would require ministerial approval before being sold on from the social housing sector were also removed. This frees up LSVT organisations to use their stock in a more commercial manner, bringing them into convergence with the traditional housing association sector (Trowers and Hamblins 2015).

Deregulation means that associations will face fewer restrictions in undertaking a more commercial approach to stock management. This was welcomed by the NHF, who argued this would "be positive for housing associations, putting boards back in control of decision-making" (National Housing Federation 2017). These are far-reaching changes however, with a housing association now technically having the ability to use

social housing stock as collateral for complex financial deals to fund private developments, or greater freedom to churn assets and sell of stock as they become vacant. Another consequence is that a housing association could even potentially sell the homes of housing association tenants out from the sector, a major threat to the security of the homes of tenants.

These measures came into force in April 2017, meaning that their full implications have not yet been tested at the time of writing. The ONS did however announce a reversal of the classification of housing associations as public bodies in early November 2017, meaning that their debt would be removed from the government's balance sheet once more (Pickard and Williams 2017). Although marking a significant departure from the previous system, the regulator still retains less direct levers of governance over the sector which it can use to shape the behaviour of housing associations, however. As argued in chapters 6 and 7, a major component of the attractiveness of associations for lenders is the regulated and state-backed nature of the sector. Housing associations are still subject to regular monitoring by the HCA, and are graded according to the extent to which they meet regulatory standards according to set criteria with titles such as Governance and Financial Viability or Tenant Involvement and Empowerment (Homes and Communities Agency 2017b). While standards referring to the direct welfare of tenants were watered down significantly in 2012, lenders and other stakeholders still monitor the gradings given by the Governance and Viability Standard when dealing with associations, meaning that regulation should not be viewed as a complete removal of power over the sector.

As explained in the following interview with a solicitor advising housing associations, failure to achieve the highest "G1" governance rating with the regulator can hurt the credit ratings of associations and make it much harder for them to conduct business:

G1 is really, really important to an organisation. You don't want to dip below a G1. The reason why you don't want to dip below a G1 is it then makes it more difficult to do business with your financial institutions, your local authorities. It all comes back to your reputational-type risk, which is so important.

Solicitor, PhD fieldwork data, Spring 2015.

In an example of how significant regulatory gradings can be in relation to lenders, the regulator was directly reprimanded by MPs on the Communities and Local Government Select Committee in 2013 when it was found to have been reluctant to downgrade financial viability ratings for associations, on the grounds that this could trigger loan reprices by lenders and threaten their financial stability (House of Commons 2013). When disposing of land, associations still have a duty to inform the regulator prior to sale, and must show that they have taken tenant interests into consideration, including a consultation where their homes may be sold, or risk a governance downgrade (Homes and Communities Agency 2017b, 36). A housing association that is a registered charity will also come under legal restrictions through the Charities Act 2011 in which it must show the Charity Commission that it satisfies its charitable objectives (Charity Commission 2012).

Deregulation also does not give housing associations the power to raise rents directly, with these being governed by the regulatory framework of registered providers and the relevant legislation (Homes and Communities Agency 2017b, 33). Yet although the regulator still holds indirect powers, it should nonetheless still be stressed that this represents a further erosion of its powers to take pro-active measures such as the direct prevention of the sale of social housing stock from the sector. The attempt to influence lender perspectives through a threatened downgrade are also an indication

of the extent to which financialisation is further displacing the regulator from the centre of the sector's governance, with creditors assuming increased power over the "regulatory space" (McDermont 2007), theorised in Chapter 5 of this thesis.

The erosion of regulatory powers also increases the likelihood that social housing stock could be more easily sold by associations to private sector entities, raising troubling implications for the extent to which tenants may be dispossessed from central urban areas. A similar scenario has in fact already taken place with the threatened sale of the New Era estate in 2014 in the London borough of Hackney to a private equity firm named Westbrook Partners and more than doubling rents, although the deal fell through after tenant protests and was ultimately bought by a charitable foundation (Beswick et al. 2016, 336). Given the strategically-located placement of many social housing estates in central urban areas undergoing gentrification-led restructuring (Watt 2009), the homes of tenants could become more vulnerable to speculative investors seeking cheap land from buying stock and hiking rents to market rent. To the extent that the sector is becoming reliant on treating its land and housing as financial assets whose value should be maximised, this raises troubling questions over the extent to which the ongoing financial viability of the sector is becoming reliant on speculative land markets and the erosion of tenant security.

As the next section reveals, exploring how housing associations themselves have navigated financialisation, this remains an uneven and variegated process, with different housing practitioners adopting different means of interpreting the tension between their commercial and social roles.

8.6 Urban financialisation and dispossession

For some associations, a commercial rationale is seen as enabling greater freedom for providers to meet social goals, including in areas such as London where rising property values can enable highly profitable development activity. One interviewee who chaired the board of a London-based association with an active development arm argued that the greater flexibility of associations in being able to offer tenants weaker security of tenure was a positive change, enabling the organisation to better refurbish or redevelop its existing assets:

Tenure models are really important, because it's one way of helping us to develop more by having mixed tenure developments which, if you want, reduce our dependence on housing benefit-based tenants to make the things more viable.

Housing association chair, PhD fieldwork data, Spring 2015.

For this association, the powers gained by associations to issued fixed term tenancies were an important part of enabling them to commercialise their stock, even if this meant weaker security of tenure for tenants:

I think the ability to have turnover in our tenants must be a good thing, because it frees up units for us to do things with them, like we just did a major refurbishment or whatever. And I think if the policy is designed towards breaking up ghettoisation of housing, it's my personal view, and it's my personal view very much, is that's the right thing to do. I don't think people enjoy feeling that they're, you know, the rich or the poor in a sense, you don't necessarily want to be in your own ghetto.

Housing association chair, PhD fieldwork data, Spring 2015.

Here, the value to the organisation of being able to better develop its real estate is presented as outweighing the value to the tenants of the security of their tenure. This is not presented in outright commercial terms, with the requirements of developing commercial housing justified in the creation of “mixed communities”, rather than holding estates purely consisting of social housing. The costs of this are revealed in terms of weaker security of tenure for tenants and a structural reduction of tenants on welfare support in particular, showing one form in which the financialisation of housing associations is contributing to accumulation through dispossession (Harvey 2007a) by the greater exclusion of people from secure housing. The alleged benefits of “mixed communities” have been criticised for lack of evidence within academia, however (Bridge, Butler, and Lees 2012), and the stigmatised depiction of working class areas as “ghettoisation” indicates the extent to which financialisation can contribute to ongoing processes of gentrification and class displacement.

A logic of class displacement was more directly expressed among some interviewees with links to property and real estate finance. One clear example of this is given in the following quote from a property market consultant who depicts social housing tenants in “expensive” areas as receiving an unfair subsidy that could otherwise be used to fund new affordable housing supply through the market:

They're sitting on huge assets which are only housing small numbers of people. In theory at least they can cash that in and replace five homes with 15 homes. They won't be in central areas, they will be further out, and of course that raises another hugely interesting question, completely unresolved by anybody, which is the morality or otherwise of retaining social housing stock in expensive areas for a few, or supplying more social housing stock in cheaper areas for many...I understand

entirely the arguments about gentrification and cleansing as it were, but on the other side is the question of how many more people could you home? Really tricky question.

Property market consultant, PhD fieldwork data, Spring 2015.

Here, the treatment of housing stock as a pure financial asset is depicted in moral terms as an ethical way to meet the needs of tenants, where the displacement of existing social housing residents is justified in terms of the number of extra housing units it could hypothetically provide. Here, housing need is expressed solely in terms of market affordability as defined through the economic rationality of supply and demand. Although the argument in favour of a more commercial approach to social housing assets in the above quote is rhetorically phrased in objective terms, it should be stressed that the quote above implies a specific normative view of housing. Instead of its use as a means to social reproduction that is collectively shaped by its inhabitants, for example through how people's experience of housing may relate to their neighbours or their city, the value of social housing here depends directly on its treatment as an individualised, private, and exchangeable commodity, erasing the harms caused by spatial displacement, gentrification and dispossession.

Much recent research has focused on the implications of these financialised processes for London, both in terms of the changing commercial and social goals of housing associations (Manzi and Morrison 2017), and accumulation through dispossession in the broader housing system (Edwards 2016; Elmer and Dening 2016; Beswick et al. 2016). Given the uneven development of social and affordable housing financialisation charted in Chapter 7 however, with corporate investors found to be targeting areas beyond London due to high land values making it difficult to earn sufficient yield, there remains a need to analyse how housing association financialisation operates outside

the capital. To bring regional divergencies in financialisation back into our understanding of these processes, the next section therefore turns to analyse data as to how these processes relate to housing associations in the regional city of Manchester. In doing so, I examine in particular the extent to which this emerging picture either shows a quantitative change, with Manchester replicating London's experience on a smaller scale, or whether financialisation's uneven development is bringing about qualitatively new features and characteristics between the two cities.

8.7. Housing association financialisation in Manchester

As argued in Part Two of this thesis, housing financialisation is a spatial and urban process (French, Leyshon, and Wainwright 2011), and so there is a need to analyse the extent to which financialisation shapes and is reshaped by the particular contexts through Manchester's particular urban context. As shown in Figure 8.4 below, Manchester City Council's district boundaries cut a lateral slice through the Greater Manchester conurbation, from Blackley in the north to the outlying low income suburb of Wythenshawe in the south, ensuring it accounts for much of the inner-urban area of the city-region, in addition to its central core and leafier suburbs in the south of the city near the major universities. This creates a complex housing landscape, marked by the contrast between an ongoing speculative city centre apartment boom over the past two decades, and large social housing estates as a consequence of extensive slum clearance programmes in the post-war decades, though these have undergone residualisation and privatisation since the Thatcher era (Peck and Ward 2010). Areas fringing the centre such as Ancoats, Hulme, or West Gorton, or the neighbouring city of Salford, have also seen significant demolitions and the unlocking of land to new private developments as part of successive urban regeneration programmes since the 1990s, including textbook neoliberal urban policies such as Housing Market Renewal

and other state-led gentrification policies (Brenner and Theodore 2002; Hatherley 2011; Minton 2012).

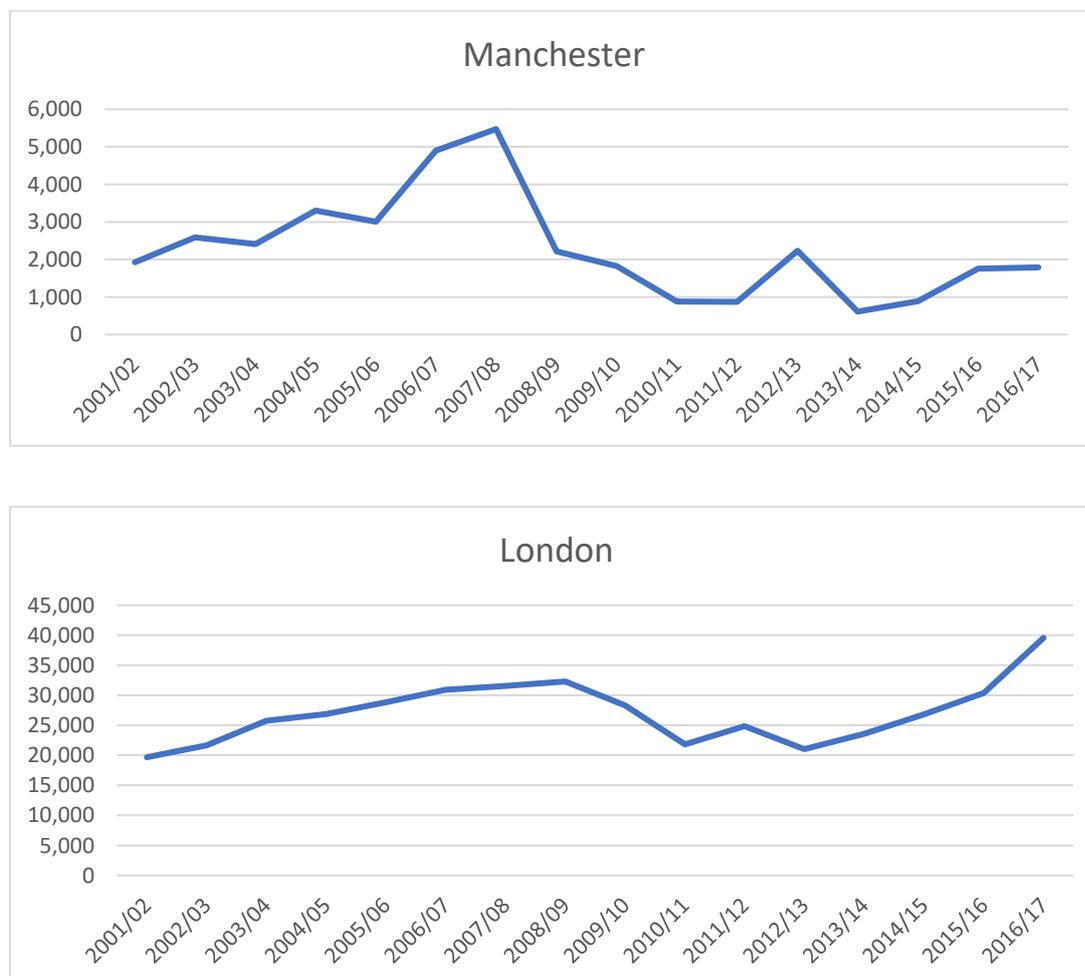
Figure 8.4. Manchester City Council's district boundaries within Greater Manchester

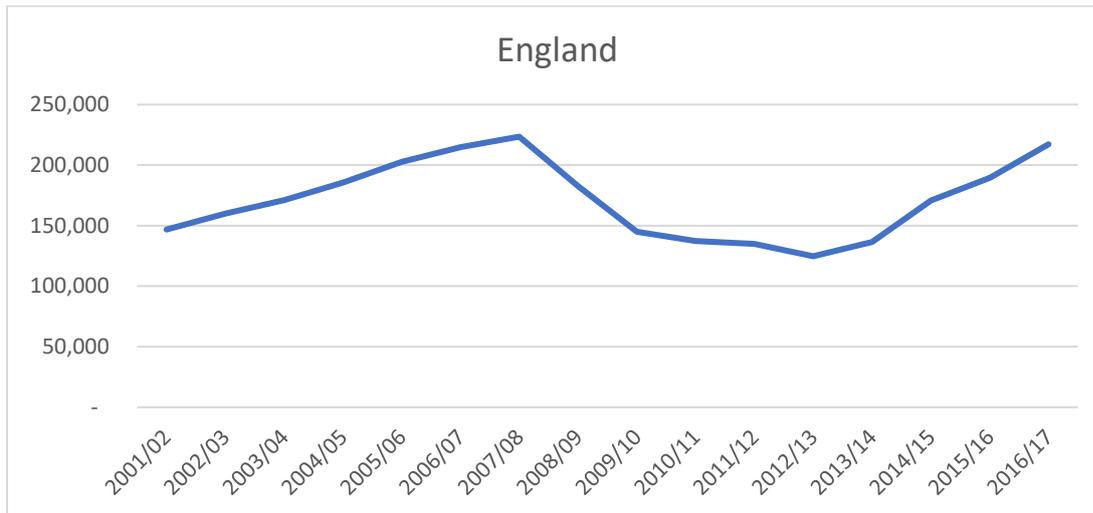


In common with other large UK cities, Manchester's city centre population grew significantly in the 2000s, adding 20,000 residents at a growth rate of 83% as the city underwent a major apartment boom (Swinney 2016). Figure 8.5 below shows the overall pattern of housing supply within the city, contrasted with the capital city of London and the national average for England. Within Manchester, in common with the national picture, the 2007 – 2009 financial crisis and its co-constituted property market crash led to a collapse in the number of net additional dwellings. The collapse in Manchester went far further than either London or England however, falling back to an extremely low base of activity, and with a weaker recovery with the exception of a doubling of activity in 2012/13. This weak and volatile supply response may reflect the

spatial polarisation of the Manchester housing market within the Greater Manchester conurbation, with development concentrated into either a speculative boom in the city centre, or outlying housing developments around the M60 orbital motorway with good car transport access (Folkman et al. 2017). Of the total housing completions in Manchester from 2007 -2010, 94.4% were private and 74.2% were accounted for by apartments, demonstrating the importance of speculative flat construction at the peak of the housing bubble (Arc4 2010, 38). Net increases in housing have begun to recover since 2013/14, a shift that has begun to attract in institutional investors seeking opportunities in the private rental market (Silver 2018), though levels still remain well below the peak of the pre-crisis boom.

Figure 8.5. Net additions to dwelling stock, 2001/02 – 2016/17



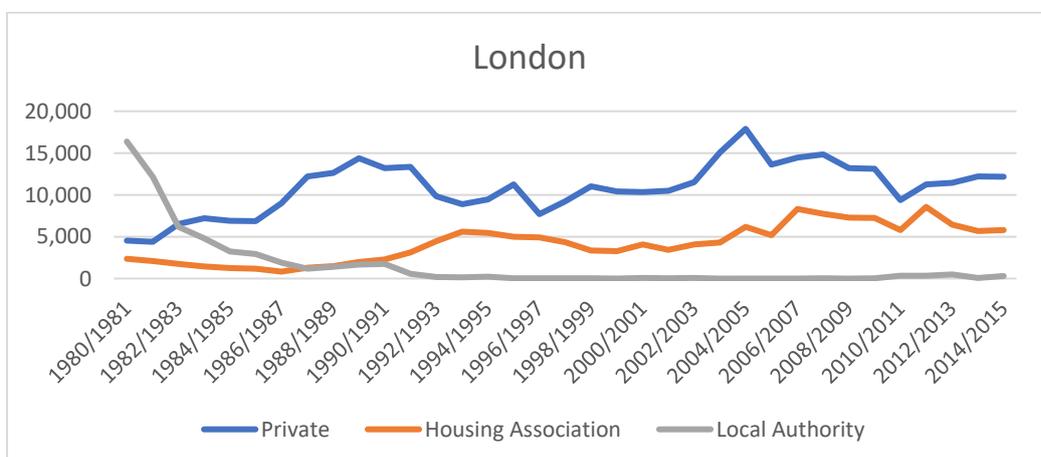
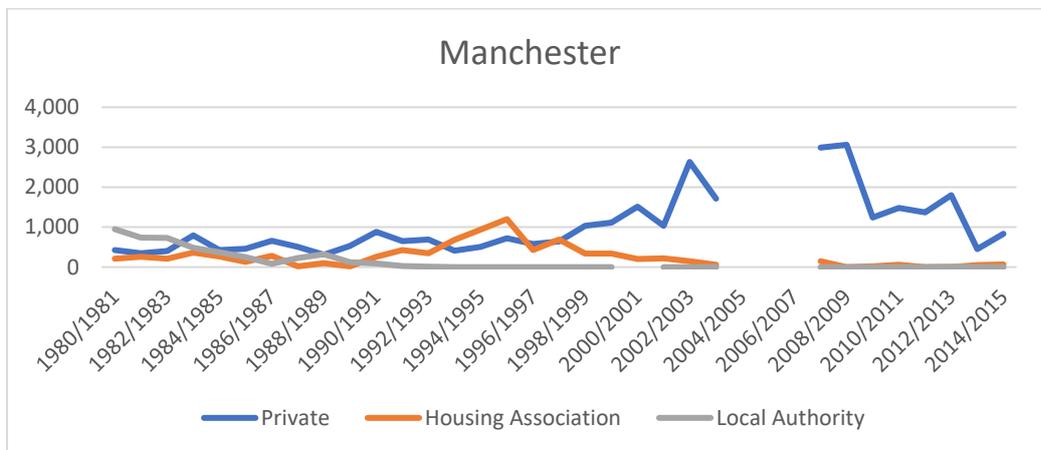


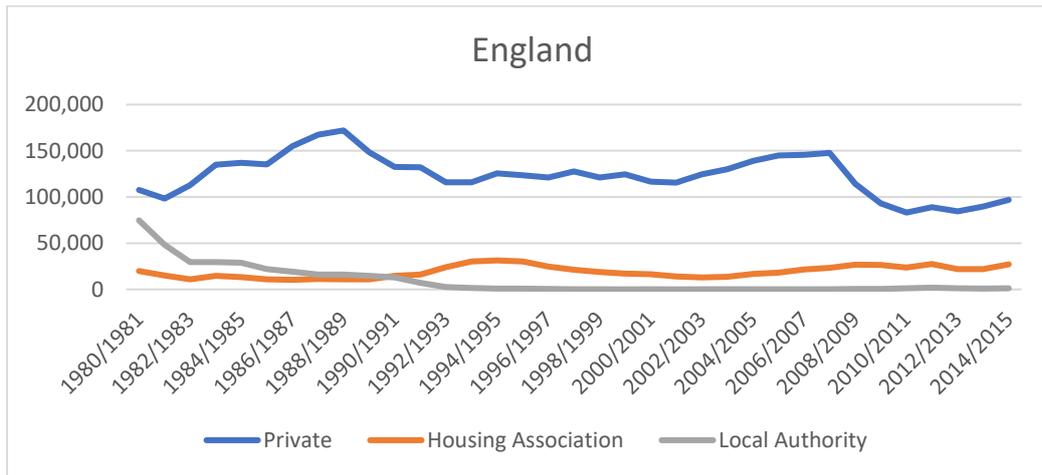
Source: Office for National Statistics Live Table 122: Net additional dwellings by local authority district, England.

A breakdown of the gross dwelling completions of housing in Manchester gives a more detailed analysis of the contribution of each tenure to the net additions analysed above, including how Manchester compares to both London and the national average for England. As shown below in the breakdown of gross dwelling completions by tenure between 1980/81 and 2014/15 in Figure 8.6, Manchester has distinct characteristics, highlighting the importance of an analysis of the specific urban conditions through which housing association financialisation is co-constituted. Here, the very high number of housing association completions in London relative to the private market is clearly demonstrated. Providers in London develop in a counter-cyclical fashion relative to the market, increasing provision during the two property market crashes of the early 1990s and the late 2000s and benefitting from government grant programmes. The share of association provision in the capital is much higher compared to either England or Manchester, with association development also reaching private sector levels in 2010/11 and 2011/12, although this is due to private sector collapse as much as increased activity by associations. Housing association

development is far weaker in Manchester, showing little sign of additional housing output in the years following the crash of the late 2000s, though previously briefly overtaking the private sector from a very low base level of activity in the relatively higher grant environment of the mid-1990s. While publicly available data for Manchester between 2004/05 and 2006/07 in the government live tables used to reproduce these graphs is unfortunately missing, the predominance of private sector flat construction in dwelling completions for Manchester at the height of the bubble gives reasonable grounds to assume that the absent data does not contradict this overall pattern. Housing association development activity in Manchester is therefore operating from a very low base, playing a much smaller role in comparison to London.

Figure 8.6. Dwelling completions by tenure 1980/81 – 2014/14





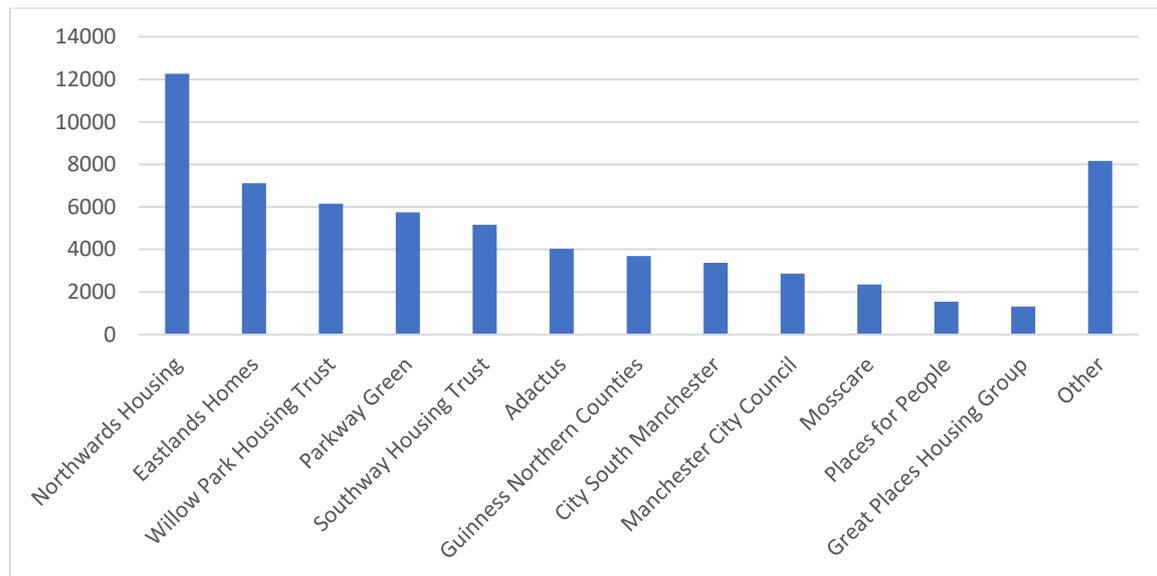
Source: DCLG live table 253, permanent dwellings started and completed, by tenure and district.

Although net additional supply by housing associations in Manchester is low, social housing still makes up a significant proportion of total housing in the city. Currently, social housing stands at 30% of the city's total stock levels, the majority provided by housing associations and much of it concentrated in the north and east of the city or the area immediately south of the city centre, alongside Wythenshawe's outlying suburbs to the south (Manchester City Council 2016a, 6). Private renting has made a major comeback, also standing at 30% of the city's housing stock, with the remainder accounted for by home ownership (Ibid.).

In order to analyse housing association financialisation in Manchester, it is necessary to examine the ownership structure of the city's housing landscape, given the legacy stock transfer has left on Manchester's social landlords, and the consequences this has for the developments they can undertake. Figure 8.7 below provides a breakdown of the ownership of social housing stock in Manchester, drawing on data collated from the city council's publicly accessible rehousing website, Manchester Move, and accessed in January 2015, While the majority of social housing stock originally came

under the local authority, this has since undergone successive stock transfer programmes that have produced a fragmented system dominated by a number of housing associations, the majority of which hold between 4,000 – 6,000 units.

Figure 8.7. Housing association stock ownership in Manchester by provider



Source: Manchester Move rehousing website (data accessed January 2015).

As shown above, the largest single provider is Northwards, an ALMO established and still owned by Manchester City Council, operating in the north of the city. Manchester City Council also directly owns a small amount of remnant stock. Of the stock held by housing associations, the majority of providers holding over 1,000 stock units in the city are organisations deriving from the transfer of former council stock, with the exception of Guinness Northern Counties, Places for People, Great Places Housing Group, and Adactus. An additional traditional housing association is MossCare, founded 50 years ago and undergoing a merger in 2017 with St Vincent's, although these operate on a smaller scale at 6,000 homes around the North West (MossCare St Vincent's 2017). There are also a large number of diverse associations, co-operatives and other organisations in operation. As these individually hold small

numbers of stock within Manchester, with each holding less than 1,000 units in the city, they have been coded as 'other' in the above graph. While Manchester's social housing geography has undergone significant fragmentation as a product of stock transfer, there have also been more recent trends toward re-consolidation, with Eastlands Homes and City South Manchester undergoing a merger in 2015 as One Manchester, a new landlord accounting for 12,000 houses. Since April 2013, ParkWay Green and Willow Park Housing Trust have operated as Wythenshawe Community Housing Group, collectively owning 12,000 properties. Manchester's social housing has therefore seen a striking change through stock transfer since the 1980s, moving from the dominance of municipal ownership to a fragmented pattern of smaller landlords, some of which are now undergoing re-consolidation.

Larger, more commercial associations operating in Manchester include the national-scale Places for People, Guinness, and Adactus, with the latter forming part of the Jigsaw Housing Group with 33,000 properties in the North West and the Midlands. One significant housing association with local origins and developer ambitions is Great Places, a developer association with over 15,000 properties, in addition to 3,200 shared ownership and leasehold houses held under its commercial subsidiary Plumlife (Great Places Housing Group 2017). In 2017, Plumlife sold 193 shared ownership properties, generating £13.1m, alongside 32 houses for outright market sale, for a nearly £1m surplus. Credit rated by Fitch and Moody's, Great Places issued a £200m bond in 2012 and a subsequent £145m bond in March 2018, used largely to fund new development (Hollander 2018). The association also contracted with Manchester City Council to manage commercial housing sales through its Matrix Homes joint venture with the Greater Manchester Pension Fund, an example of how speculative local government-led development can intersect with the institutional development of

financialisation in housing associations (Manchester City Council 2016b). Financialisation in the sense of greater reliance of associations on capital markets and speculative development therefore does occur in some associations in Manchester along a similar model to that of London, showing that this is not a phenomenon confined to the capital.

This model is less the case for the majority of significant associations holding more than 1,000 properties within Manchester, however, the majority of which have origins in LSVT stock transfer programmes. As shown by the following quote from a regeneration official, in part this is due to the financial profile of the typical stock transfer process, in which associations take on large initial quantities of debt in order to finance repairs and renovate council stock that had undergone decades of under-investment, limiting their borrowing capacity and their ability to develop:

The other issue for them in developing market PRS or developing market sale is that only some of them can do that. Because those that did an LSVT got a really good long term facility with the bank at a really good, basis points really at quite a low level. And if they start borrowing other money it either breaches the covenants or the banks will do a backput reprice on their funding...It was so low cost when they got it, they're really scared of doing anything in case it messes that up and the whole book gets repriced.

Senior Greater Manchester regeneration official, PhD fieldwork data, Spring 2015.

This also demonstrates the temporal contingences of financialisation (Montgomerie and Büdenbender 2015), in that banks which were willing to lend on favourable terms

prior to the financial crisis are currently seeking opportunities to reprice their lending in a post-crisis context where the banks' own funding costs have increased.

Despite this financial context, providers including LSVT associations are undertaking market development programmes in Manchester. One Manchester for example has a development programme of 172 market rent homes in the area of Hulme south of Manchester's city centre, alongside 10 shared ownership homes, a further 24 of market rent completed in August 2017, and the acquisition of a further 8 market rent apartments, in addition to a further 765 planned units across a range of tenures (One Manchester 2017, 14). Wythenshawe Community Housing Group has also developed 451 units for affordable rent, 54 for outright sale, 244 for shared ownership, 48 for market rent and 39 for rent to buy (Wythenshawe Community Housing Group 2017, 4). These examples should not be taken as exhaustive of association development activity in Manchester by all providers, but as an indication of the tenure mix that associations are targeting in their development plans, including for market sale and rent, showing the potential for the different profiles of LSVT and traditional associations to take on a common trajectory over time.

Although associations are engaging in development once more, the following quote from a regeneration official nonetheless shows that the land market is likely to create barriers for associations in Manchester in their future programmes:

We do have a number of great RSLs across the city and across GM who actually can buy land anywhere and develop but they are competing with the commercial sector. The market's on the increase, maybe they should have bought when the market was flat, but now the market's getting better developers are trying to get in there as well.

Senior Greater Manchester regeneration official, PhD fieldwork data, Spring 2015.

That is, a recovery in market activity can still create barriers for associations in that they will face competition with commercial developers for access to land. Without the rising land values such as that can be found in London to finance development, speculative development at scale is unlikely to occur to the same extent.

While housing associations in Manchester therefore do face pressures to financialise, though lacking the same capacity to do so, there is also the issue as to how housing practitioners on the ground interpret these changes. For example, greater commercial pressures could lead practitioners to see themselves as working for effectively private businesses, a normative change from the welfare role that associations have traditionally undertaken. Interview data with housing practitioners in south Manchester indicate a more nuanced state of affairs however, with housing and neighbourhood managers attempting to balance between their welfare functions in an environment where they face greater commercial imperatives. During the course of my fieldwork, both senior executives and national policy shapers repeatedly argued that commercialisation was necessary in order to compensate for lost government development grant funding. This was clearly stated at a practitioner level by one interviewee working as a neighbourhood manager within South Manchester, who argued that this had led to a cultural shift within the sector toward a more commercial mindset:

We housing associations have to get clever now. If you look at our mission, we're a commercial organisation now. And that's only come in the last couple

of years. We're a housing association but before anything, we're a commercial company.

RG: Would you say that's a recent shift?

Oh yeah, yeah. Last two or three years, that's right across the board. Because of all the cutbacks, we can't - it's very hard to get any subsidy off the government to build any new homes. You've got to look at other ways now.

Manchester-based housing association neighbourhood manager C, PhD fieldwork data, Winter 2016.

In their interviews with housing association chief executives operating within London, Manzi and Morrison (2017) argued that commercial logics were coming to displace social values within the sector. The interview quoted above offers some additional supporting evidence, finding that an identification of housing associations as businesses first and foremost can also be found at a housing management level, within a city such as Manchester that has seen much lower development activity by associations. To the extent that the aims of providing housing for need become subsumed by the commercial goal of maximising revenue, this also implies a greater degree of financialisation through associations.

Other interview data in my research suggests a more complex relation between social and market logics, however. When explaining why their housing association had diversified into providing homes for private rent, one neighbourhood manager working for a stock transfer association in Manchester argued that this was a necessary evil in order to better deliver services for existing social housing tenants:

I wouldn't say it was to subsidise. It's just to bring in a different arm to the organisation and a different funding stream...I think, as a provider, that if we have to do that by having market rent so that the people who are working that can afford a slightly higher rent can afford to pay that, and that gives some income to people in the generic social housing that can't, for them to have the services that we provide, then I'm fine with that. The ends justify the means.

Manchester-based housing association neighbourhood manager A, PhD fieldwork data, Autumn 2015.

While defending this diversification, providing homes for private rent is presented here in terms of what will best meet the needs of existing tenants. Although recognising that this means charging private renters more for housing, this is defended by an implicit appeal to the needs of people in social housing, arguing that better-off private tenants are able to support people who would otherwise be vulnerable. Rather than being justified purely in terms of treating their stock as a pure financial asset in order to increase housing supply, for this respondent the provision of a welfare service was still a core part of the identity of the association. This is perhaps unsurprising however, given the limited capacity of the association to engage in commercial development due to its location in Manchester and its financial profile as an entity with origins in stock transfer. Financialisation therefore does not entail a singular top-down logic, but one that must be materialised through practitioners who express diversity as to the extent to which they have internalised these processes as shaping the ultimate aims of their housing practice. While the data is indicative at this stage, this implies the potential for contestation over the normative aspects of financialisation through practitioners within associations, and potentially opening up avenues for the

contestation and challenge of these imperatives, an important area for future research for how financialisation is materialised as an urban process.

8.8. Conclusion

Austerity policies in the years since the 2007 – 2009 financial crisis have seen an intensification of commercial development by housing associations. These represent a new phase in the re-commodification of social housing that has been underway throughout the neoliberal period since the early 1980s (Harloe and Lebas 1981), with housing associations incentivised to directly act as commercial businesses and potentially fulfilling the prediction made by Ginsburg (2005) of a full privatisation of the larger housing associations within the sector. Moreover, the evidence gathered here suggests this is becoming a financialised process, in which ability of social housing tenants to access secure housing is becoming dependent on the structural requirement of treating land as a pure financial asset. As argued in Chapter 3 of this thesis, financialisation can therefore be found to be further spreading financial logics and calculus into the social reproduction of low income urban inhabitants through subordinating the provision of their housing to the needs of the accumulation of capital in land.

My findings also complicate the understanding of financialisation offered by Bryan and Rafferty (2014b) as a transformation of social reproduction through financial logics and calculus. This has been found to operate not just at the level of home ownership through processes such as mortgage equity withdrawal, but through the homes of tenants being potentially treated as such through the financialisation of their social landlords. As such, this suggests that future research should go beyond the interviews with housing practitioners, stakeholders and policy shapers analysed in this study to

explore how tenants themselves reflect on or are affected by these processes, and the extent to which this is reshaping their housing experiences and circumstances.

The claim analysed in this chapter that financialisation can be an effective means of providing new social and affordable housing through housing associations treating their land as pure financial assets to be maximised can also be seen to advance the theorisation by Cowan and McDermont (2008) of the productive “obscurity” of need as a legitimating concept in social housing provision. Think tanks, consultants and others circling the sector have explicitly argued in favour of commercial asset management and spatial displacement in the aftermath of the crisis, indicating that austerity has intensified the neoliberal weaponisation of ‘need’ through discursively subordinating it to the economic rationality of market supply. This has been found to rest on a normative view of housing as an individualised and private commodity. This image rests on the production of an objectified, “abstract” space of commodity circulation (Lefebvre 1991), materially dominating the relational meanings, narratives and values that people may or may not ascribe to the spaces of their home and neighbourhood. The potential harms caused by displacement and gentrification-led dispossession are erased under this treatment of space, disrupting the ability of tenants to define and meet their own needs through the use of their housing as a means of social reproduction as it is transformed into a means for the accumulation of capital.

The analysis of these processes in the context of Manchester in the seventh section of this chapter have shown the potential for a more nuanced urban geography of financialisation, however. Financialisation in Manchester has been found to have qualitative differences to that in the capital, with associations facing similar commercial pressures, but with a much weaker capacity to churn their assets due to lower land values, the institutional and financial legacy of stock transfer, and restricted access to

land relative to their existing resources. While providers in London are likely to face similar competition with developers for land, their pre-existing land assets given the rising values in the capital enable development to occur at a greater scale, a quantitative difference to Manchester, but one that makes it qualitatively easier to restructure themselves as market actors.

While the ethos of associations in Manchester is undergoing a realignment under financialisation, with much greater commercial pressures, there is still divergence among practitioners as to the extent to which some now see themselves as working for predominantly commercial entities, or as welfare providers having to adopt new practices in order to meet their social aims. Though this finding is indicative and should be subject to future research, the nuances of local policymaking and institutional culture within the association sector may have implications for the extent to which associations come to prioritise commercial development in the future. This is particularly important given the geography of association financialisation, with Manchester found to have similar pressures to London but a much weaker opportunity structure for providers to engage in private development. Such nuances are also likely to be vital in a devolution context where, although powers are currently limited and current policy priorities have yet to undergo significant change (Folkman et al. 2017), there may be greater future scope for local government to explore alternative city-regional agendas that aim toward a more progressive housing settlement.

The theorisation of financialisation as an urban process, drawing associations deeper into processes of gentrification-led transformation and displacement within cities, also has implications for how tensions between the 'social' and 'commercial' aims have been explored in the wider housing studies literature. To date, an analysis of the financialisation of housing associations as inherently involving a transformation of

class relations and spatial dispossession through the re-commodification of the urban landscape has been relatively under-explored in the published literature specifically examining the contemporary restructuring of housing associations (Tang, Oxley, and Mekic 2017; Manzi and Morrison 2017). Although Wainwright and Manville (2017) have explicitly considered space, this has been conceptualised in terms of the subordination of 'local' real estate markets to 'global' capital markets, rather than viewing the class relations transformed by financialisation as capable of having their own, active dynamic. While my research too has not covered the experience of financialisation by tenants, the spatial implications strongly suggest that future research in the financialisation of housing associations should directly incorporate a theorisation of spatial justice (Soja 2009) when analysing the 'social' goals of these changing providers. In doing so, this will aid research into the production of new housing geographies through the financialisation of social housing, and the development of a better academic response to these ongoing processes of accumulation through dispossession.

Chapter nine – Creating better capitalists: housing associations and the governance of risk

9.0. Introduction

As shown in chapters 7 and 8, the years following the financial crisis have enabled a qualitative shift in the sector from commercialisation to financialisation, with many housing associations increasingly coming to treat their land and housing as pure financial assets. Austerity, rather than the bond markets, has been the driver of this process, with associations attempting to plug funding gaps through seeking additional funding through either shared ownership products or building houses for market sale. While commercial income now forms almost a quarter of the sector's entire turnover, this has been a highly uneven process, with only a minority of larger and predominantly London-based organisations able to take sufficient advantage of rising land values to carry out development on a large scale. This has also been found to be unlikely to provide funds that can be used to cross-subsidise the construction of large amounts of new social housing, with the level of profits that can be made from this process undercut by the needs to cover both the costs and the risks of commercial development. In what follows I now extend this analysis, arguing that the financialisation of housing associations is generating new risks at a time where the HCA has fewer regulatory resources available in order to maintain the stability of the sector.

A key argument in this chapter is that housing associations have benefitted since the crisis from a relatively favourable conjuncture (Engelen et al. 2010) of low interest rates, low inflation, and stable rental streams, even with welfare cuts that have placed

growing pressure on tenants. While the years since the latest crisis have seen a “regressive recovery” predicted on weak growth and rising inequality (Green and Lavery 2015), the sector as a whole has nonetheless enjoyed rising surpluses that have enabled a growing number of providers to engage in commercial development (Homes and Communities Agency 2017b). The next decade is likely to see a far less favourable environment for providers however, with ongoing economic uncertainty including the impending British exit from the EU, and the planned implementation of universal credit measures that will see housing benefit paid directly to tenants rather than landlords, significantly increasing the chance of widespread rent arrears. Conservative divisions over Europe and the loss of Prime Minister Theresa May’s governing Parliamentary majority following a snap general election in 2017 have raised the serious prospect of the return to power of a Labour party led by left-winger Jeremy Corbyn, potentially leading to a reversal of at least some austerity measures and a return of grant funding for social housing. Long term economic dangers still exist however, with the prospect of a rise in interest rates and ongoing underlying vulnerabilities in financial and property markets.

In particular, building on the discussion of risk in Chapter 5 of this thesis (Froud 2003), I argue that these dangers for housing associations are taking on greater significance in a post-crisis context characterised not just by heightened risks, but by growing uncertainty. Prior to the financial crisis for example, financialisation was often discursively legitimised on the grounds that it enabled the accurate pricing and trading of exposures to risk for market participants (Shiller 2004), an assumption undermined by the credit crunch and the failure to account for systemic risk (Martin, Rafferty, and Bryan 2008). The failure of dominant economic models to predict the systemic risks that led to future conditions being seemingly much less amenable to prediction,

leading to regulators increasing their emphasis on concepts such as ‘resilience’ and preparedness for the next crisis among the regulated (Langley 2013). In this chapter I argue this process can also be seen within the regulation of housing associations, with the regulator attempting to compensate for higher risks in a time of diminished resources by emphasising the need for providers to increase their competence as business organisations, instituting new requirements such as stress tests and new commercial skills requirements on boards. These place much greater emphasis on the ability of associations to rely on their own resources for financial survival, further rescaling responsibility for managing risk onto the scale of the individual provider, training them to become more adept in managing their debts and investments.

In doing so, this raises the question of the extent to which these reforms are deepening a process of “organised irresponsibility” (Veitch 2007), in which the costs of bearing the systemic risks generated by speculative real estate processes are being reterritorialised onto housing associations. As tenant protections are weakened and associations are encouraged to behave as good capitalists capable of efficiently managing their bottom lines, this also raises the prospects that risks are passed down onto tenants, forcing them to act as “shock absorbers” (Bryan and Rafferty 2014b) in incorporating them into the circulation of capital through the urban landscape. To explore these issues, in this chapter I draw on analysis of regulatory documents and interviews from fieldwork participants, drawing in particular on a senior housing policymaker, a solicitor, auditors,, regeneration officers, and a financial consultant. Extending the analysis of the geography of housing association financialisation in Manchester in section 7 of Chapter 8, I also explore the extent to which these processes are being materialised on the ground by neighbourhood managers as housing practitioners, identifying emerging trends in the extent to which the

governance of the risks of financialisation are enacted through the dispossession of tenants.

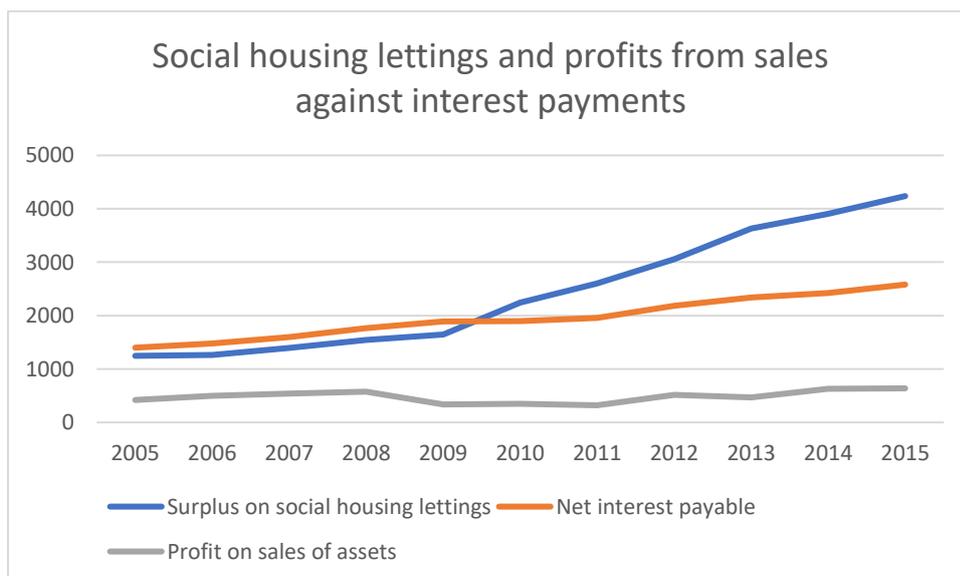
In answering these questions, the remainder of this chapter is structured as follows. In the first section I examine the risks that have been built up by the financialisation agenda, where despite rising surpluses due to low interest rates there have been indications that some associations have struggled to adequately manage the risks of commercial development. In the second section I examine the case of the failure of Cosmopolitan Housing Group following over-ambitious commercial expansion specifically, a near-insolvency that crystallised the concerns of lenders and regulators, and led to new rounds of regulatory reform within the sector. In the third section I analyse the attempts by the regulator to manage these risks, while the fourth explicitly focuses on the implications of the shift in insolvency mechanisms to a court-appointed administrator for the sector's regulatory governance. In the fifth section I analyse how creditors have been explicitly protected through this regime, while in the sixth section I explore the likely consequences for tenants of these risks at a national level, with the seventh section analysing how this is enacted through Manchester's urban context. The final section concludes.

9.1. Financialisation and risk in a post-crisis context

The financialisation of housing associations analysed in Chapter 8 has occurred under a relatively favourable economic context for associations. As shown in Figure 9.1 below, the sector as a whole has seen a striking rise in the level of surpluses made by housing associations since 2009 according to the financial accounts collected by the regulators of housing associations. Effectively representing the sector's profits, these have not been due to commercial activity by providers that is captured within the group

accounts of providers, although it should be noted that global accounts compiled by the regulator do not account for many commercial subsidiaries and therefore do not account for profits that have not been repatriated to the parent companies within the group structure of housing associations. Although such commercial profits may rise in the future, the slight dip of profits from asset sales shown below in the period between 2008 and 2014 is not unexpected, given the weakness of the property market for much of that time. Instead, a major factor in the rise of the sector's surpluses has been the presence of ultra-low interest rates imposed by central banks as an emergency response to the crisis, cheapening the relative cost of borrowing at a time when the rents of social housing tenants were indexed above inflation by the rent convergence policy operated by the regulator. As seen in Chapter 8, larger associations have been able to use this period to opportunistically financialise, setting up active commercial development arms.

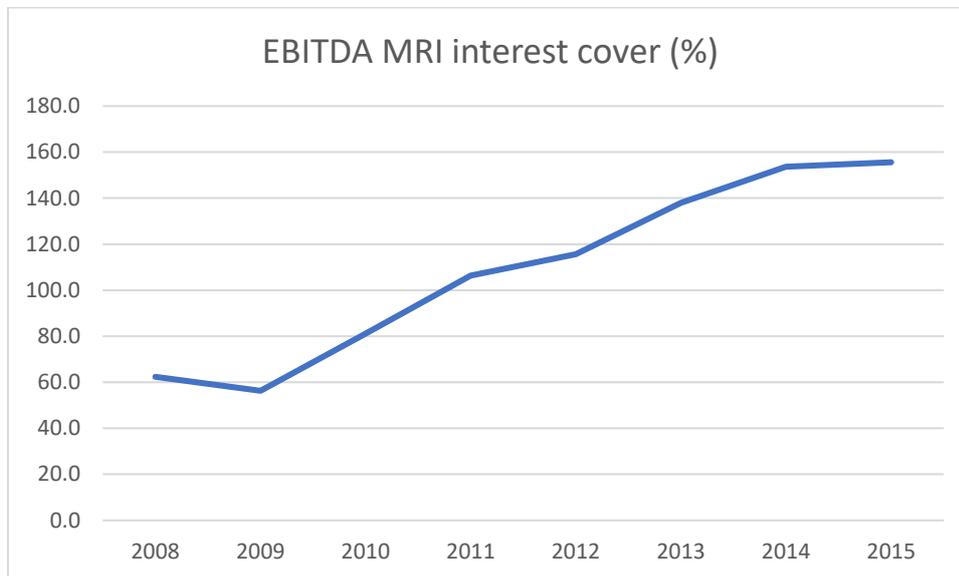
Figure 9.1. Social housing lettings and profits from sales against interest payments for the housing association sector (£m)



Source: Regulatory global accounts of housing providers (Homes and Communities Agency 2017a, 2016a, 2015a, 2014a, 2013a; Tenant Services Authority 2009a, 2011).

To the extent that financialisation has occurred within housing associations however, it should be viewed as both a spatially and temporally bounded process, geographically concentrated among providers operating in central urban areas such as inner London and occurring in a temporary conjuncture (Engelen et al. 2010) of low interest rates, low inflation, and speculative demand that has pushed up land prices. As shown in Chapter 7, housing associations have been able to borrow at relatively affordable long-term rates throughout this period, with bond buyers considering housing association debt to be safe, long-run asset due to the stability and regulated characteristics of the sector. Associations have also made use of derivatives to swap their interest payments from variable rate to fixed rate, with 70% of the sector's debt paid on a fixed-rate basis, helping them build certainty into their business plans (Homes and Communities Agency 2017a). With interest rates currently kept at near-zero levels by central banks as part of their attempt to ameliorate a dearth in global growth opportunities (Bowman et al. 2013), the cost of future borrowing is nonetheless expected to rise, cutting into the high surpluses currently made by providers.

Figure 9.2. Earnings Before Interest, Tax and Amortisation, Major Repairs Included (EBITDA MRI) interest cover



Source: Regulatory global accounts of housing providers (Homes and Communities Agency 2017a, 2016a, 2015a, 2014a, 2013a; Tenant Services Authority 2009a, 2011).

It could be argued that this relatively benign environment has helped associations build the capacity to develop, gaining experience and helping them become more resilient if they face tougher times ahead in the property market. Figure 9.2 above shows the change in the Earnings Before Interest, Tax and Amortisation, Major Repairs Included (EBITDA MRI) interest cover ratio for housing associations. A figure collected by the regulator, this is used as a rough indicator of the operational cash flows generated by the sector that could be used to cover debt and other payments where default might threaten the solvency of a social housing provider. As revealed here, the overall measure rose sharply from 60% in 2009 to 160% in 2015, seemingly indicating good financial health.

Several interviewees in the course of my fieldwork expressed concerns over the ability of the housing association sector to collectively manage its commercial risks, however.

Since the financial crisis at least one association has neared bankruptcy, with Cosmopolitan Housing Group in 2013 becoming virtually insolvent and requiring a rescue merger with another, larger association overseen by the HCA. While the implications that the collapse of Cosmopolitan raised for the sector's regulation will be analysed below in further detail, the regulator has expressed concern about the cash flows of other associations. While the interest cover held by associations has risen since 2009, in January 2016 the HCA warned that 20% of providers had an EBITDA MRI cover ratio of less than 100%, an indication of possible financial weaknesses. Although this could be partly accounted for by stock transfer companies carrying out major repairs as part of the transfer process, some associations were suspected by the HCA to be selling assets in order to meet their operational cash flows (Stothart 2016b). This concern that a minority of providers were selling assets to meet their cash flow needs was echoed by one of my interviewees, a consultant advising the financial and treasury management activities of associations:

There are some that need to sell properties to cover their interest cost. It's not a comfortable place to be in.

Financial consultant, PhD fieldwork data, Winter 2016.

Reliance on sales rather than rent to cover interest costs is a potentially dangerous situation for a housing association, because it means its ability to cover debts and avoid a default and threatened insolvency is dependent on being able to make a profit in the property market. This can be seen as another indicator of financialisation, with some providers forced to maximise the value of their housing and land as a pure financial asset, but there is no guarantee that success at this process is sustainable for some or even most social landlords.

One policymaker in the course of my fieldwork also suggested that rather than being an isolated case, a recurrent pattern identified by a policymaker with in-depth knowledge of the regulation of the sector has been for associations to underestimate the level of risk that providers may be taking on by engaging in commercialised development:

A lot of that is to do with people looking at the kind of margins that they see in private sector developments and just kind of assuming well, that's money for old rope. But actually a lot of those high margins are pricing risk...if you operate in an area where the normal profit margin is 20% and you think well, we can do this on a 10% margin, and it then turns out that 10% covers the risk element and only the next 10 is the profit, if the risk crystallises you end up making no money at all. And that's been the kind of pattern that we've seen quite a number of times.

Senior housing policymaker, PhD fieldwork data, Summer 2015.

As indicated here, although high profit margins can be common for individual developments, these correlate to high rates of risk, with the illiquidity of real estate leaving it vulnerable to devaluation and crisis, with the need to mitigate these crises partly explaining the institutional complexity of favourable tax treatment, planning regimes and other legal frameworks that often surround the industry (Gotham 2009). Since the financial crisis at least one housing association, Cosmopolitan Housing Group, whose case will be discussed in further detail later in this chapter, has neared bankruptcy, while the policymaker quoted above revealed that the regulator is concerned that these issues underlying these problems are by no means an isolated incident.

An additional cause for concern can be found for the incomes of housing associations outside the capital if they are forced to rely on becoming financialised to survive. As found in the last chapter, success at financialisation is also often predicated on being able to develop at scale, with London-based associations in areas of high values able to churn stock in order to release funds for development. Interviewees outside of the capital were more sceptical of the extent to which this could be achieved among the sector in general, with one regeneration official working in Manchester explaining that many registered providers (RPs) had high overheads relative to commercial developers:

I think they could be more efficient to be honest. I think what happens is Taylor Wimpey and volume housebuilders buy bricks at volume. Each of the RPs tends to work on their own, so it's like you going to B&Q rather than going to Travis Perkins²¹ or something. They might only be building maybe 100 units a year, whereas housebuilders work in blocks of 500...The RPs go, "ah, but they don't build the quality we build." Fair do's, that's space standards, but you still only need the same amount of operatives to do that.

Senior Greater Manchester regeneration official, PhD fieldwork data, Spring 2015.

The restricted scale at which housing associations are capable of developing at has therefore been a constraint on the sector's profitability, particularly outside London. This quote also indicates that providers could increase their margins by reducing quality in areas such as space standards, suggesting that financial pressures would

²¹ Travis Perkins is a builders' supplier, whereas B&Q is a well-known retailer in the UK and Ireland that sells home improvement and DIY equipment.

see further downgrades for tenants. Financialisation therefore should not be seen as bringing in an easy return, but as a capital-intensive and risky process, providing restricted scope for stable income generation outside of a limited number of providers able to exploit strategically located land assets.

In addition to these geographic limits, there is evidence to suggest that financialisation among housing associations is also a temporally bounded process. Although the period since the financial crisis as shown in the previous chapter has been one of rising surpluses and commercial expansion for associations, the following quote from a senior housing policymaker nonetheless reveals that the financial difficulties encountered by many associations in this process have been a matter of serious concern for the regulator:

What is worrying is that even in this relatively benign period where welfare reform has rolled out slowly, the housing market has been pretty buoyant, and interest rates have been at all-time lows **[RG: Has that led to higher surpluses?]**, which has led to the higher surpluses, but even in that very benign period we've had quite a number of associations getting into trouble.

Senior housing policymaker, PhD fieldwork data, summer 2015.

That is, the economic conditions for commercialisation by housing associations have been favourable even at a time of austerity, with low interest rates, above inflation rent increases, and rising land values. Although welfare cuts have put pressure on the income of tenants, the impact on the rental streams of providers have so far been limited. These conditions are unlikely to be sustainable however, with ultra-low interest rates having nowhere to go but up, and the roll-out of universal credit holding the potential for increased arrears risk due to delays in processing and payments being

made directly to tenants rather than landlords. This raises the question of how the sector's financialisation may develop under future, far less favourable standards.

In comparison to the time of the financial crisis, as shown in chapters 7 and 8 of this thesis the association sector now has greater exposure to property market risk and a more complex financial relations with creditors, while deregulatory measures in the Housing and Planning Act 2016 enable social housing stock to be sold with greater ease from the registered sector. This raises the question of whether the financialisation of the sector experienced since 2009 is sustainable, or whether a more uncertain operating environment may lead to potential dangers and sources of crisis in the sector at a time when social housing estates in central urban areas such as inner London are becoming an object of potential interest by speculative investors (Beswick et al. 2016). Recent years have also seen major incidents within the sector, most notably the near-insolvency of Cosmopolitan Housing Group in 2013 following over-ambitious expansion of speculative student housing developments (Underwood, Kane, and Appleby 2014). The case of Cosmopolitan raises numerous implications for the use of finance and commercial development in the sector, and will now be analysed in more detail in the following section.

9.2. Managing failure: the case of Cosmopolitan Housing Group

The period since the beginning of the financial crisis has seen two incidents where a housing association has neared collapse; the London-based Ujima housing association just prior to the credit crunch in 2007, which became insolvent after too-rapid expansion left it unable to repay its debts out of rental income (Hetherington 2008), and the Merseyside-based Cosmopolitan Housing Group in 2013. The near-bankruptcy of the latter has been a major issue for the regulator, with a comprehensive

independent review for the government by the consultancy firm Altair finding the 56,000-property landlord nearly collapsed after over-ambitious developments in its 5,000-bed student housing arm through a subsidiary led to cash shortages (Underwood, Kane, and Appleby 2014). In both cases the regulator resolved the situation by arranging a merger with other, larger associations; London and Quadrant in the case of Ujima, and Sanctuary Group for Cosmopolitan. For Cosmopolitan this resolution did not occur up until the brink of insolvency however, after a previous planned merger with the North West-based housing association Riverside fell through at a late date due to the latter's concerns over the scale of the losses in the group's student housing (Hollander 2013b). If it had collapsed then this would have been the first bankruptcy to occur following the financial crisis, testing the regulator's ability to satisfy creditors while protecting student housing.

The use of housing association stock as collateral, as shown in Chapter 6 of this thesis, means that this could have had dire consequences for tenants. Although Cosmopolitan's student housing developments were carried out in a separate subsidiary, 12 out of 16 leases were found to have parent company guarantees against the housing association arm of its wider group structure, placing social housing stock at risk of repossession (Underwood, Kane, and Appleby 2014, 19). Cosmopolitan was also found to have been using index-linked finance in its borrowing, where repayments are connected to an underlying index such as inflation that as shown in Chapter 7 can have cheap upfront costs, but long-term hidden liabilities. This was further exacerbated by improper accounting treatment that registered these as operating rather than financial leases, with the correct treatment leading to a breach of bank covenants, further wrecking the finances of the group (Ibid., 3). Routine financial monitoring by the regulator had failed to detect warning signs, and despite

suspicions that it was not being given proper information by the association the HCA was found by Altair to have “little it could do about this except issue strongly worded communications” (Ibid., 23). The debacle laid bare several problems facing the regulator: inadequate monitoring, over-ambitious developments, financial instruments whose risks were not appreciated or properly disclosed, and a dependency on the willingness of other associations to resolve problems through merger in order to avoid bankruptcy.

In assessing the causes of the near-disaster, the government-sponsored review by Altair avoided consideration of the extent to which Cosmopolitan’s problems had systemic roots, arguing instead that poor governance and inability to properly manage development programmes lay at the heart of the problem. This view has been echoed by many stakeholders within the sector. The following quotes from two auditors working with the social housing sector provide a clear example of responsibility being located at the level of the individual provider, with both interviewees explaining their view of the best way to manage the risks of an incident such as Cosmopolitan:

Auditor B: It probably wouldn’t hurt if they’d [done] bad business decisions if they went into some sort of managed insolvency and somebody else comes – it’s a bit like the NHS, you can’t kick people out of houses or a hospital bed clearly but you need to work through some sort of turnaround process.

Auditor A: The business that Cosmopolitan had was broken. Sanctuary got it in a bargain and has turned it round and is making money hand over fist. But because of the numpty-ish decisions of that group of managers and directors and non-execs maybe, they would have ruined that whole business and could have seen 20,000 people literally homeless.

Auditors A and B, PhD fieldwork data, Winter 2016.

At least two core elements of the individualisation of risk (Veitch 2007) as discussed in Chapter 5 can be seen here. The first is the centring of responsibility for the problem at the level of the individual provider, with Cosmopolitan's irresponsible and incompetent management identified as the primary cause of the failure. The second is the underlying reliance on market mechanisms to resolve problems within the sector, though in a process "managed" by the regulator, with a competitor that was better able to manage its assets and liabilities effectively in making a profit able to come in and turn around its fortunes. Systemic risks that might be generated by associations engaging in speculative urban property development (Gotham 2009) are displaced in this focus on to the individual provider, and its ability to properly ensure the continued circulation of capital through the built environment.

In the emphasis on merger as a crisis-resolution tool, a major concern is the reliance this places on there being other associations willing and able to take on the liabilities of weaker providers, as opposed to a bankrupt social landlord risking having stock repossessed by lenders. As shown in this second quote from the auditor above, there are suspicions within the sector that a number of providers are financially vulnerable, and the regulator has been approaching associations to see who would be prepared to act as a potential rescuer:

The HCA will always step in and there's loads of people out there that they've already tapped up and said, would you be the one – and even some of the smaller 12,000, 15,000 type housing associations I know have been asked, would you be a rescuer? And they've all said yes...A lot of people know who the crazy horse ones are as well. So people are just waiting, to a certain extent,

a bit vulture-like. Because they will fail, but they will be taken over. They won't go back into the private sector. It will be taken over by housing associations.

Auditor A, PhD fieldwork data, Winter 2016.

The relatively small size of the providers referred to here is a potential indicator of the extent to which the regulator is concerned over potential weaknesses in the sector. While this is a speculative point, this could also reflect a wariness by the regulator of over-reliance on large providers to resolve failures, with the risk that underlying weaknesses would be concentrated into a smaller number of too-big-to-fail organisations, whose problems could be unresolvable by merger alone and require a government bailout to avoid repossession. An example of a similar case of financial instability, though occurring in a different national context and for different immediate reasons, can be seen in the near-insolvency of the largest Dutch housing association, Vestia, after failed speculative trades in derivatives required a €1.9bn government rescue package (Aalbers, Loon, and Fernandez 2017). In the event of an analogous scenario for an association undergoing default due to failures in a commercial subsidiary, one compromise solution suggested by a valuer in my fieldwork was that commercial assets would likely be sold, while the regulator intervened to protect social housing stock:

Where commercial pressures come to the fore and perhaps risks crystallise, it would be the commercial bits that are dealt with financially to leave the core business intact...if you're going to have to deal with financial failure, it's going to be the commercial bits that get chopped, leaving the core business to get picked up by somebody else.

Real estate valuer A, PhD fieldwork data, Spring 2015.

Although these quotes make a rhetorical appeal to the market's ability to resolve failed business models and achieve socially optimal outcomes through competition, the consequences of the failure of a housing association make it unlikely that the government would be willing to simply allow a social landlord to collapse without intervention. As shown in the next section this has been a major regulatory concern, both in order to prevent the consequences for tenants, and the danger an unmanaged insolvency would have for the credibility of the financial model used by associations.

9.3. Governing risks and uncertainty through the regulatory system

Ensuring that either another Cosmopolitan does not happen, or that it could be managed effectively if it did occur, has been a major priority for the regulator. As shown in Chapter 6 of this thesis, a major factor in shaping the borrowing of the sector has been the perception by lenders that the government would be willing to intervene to prevent the failure of a housing association. As the following quote from a solicitor shows, an insolvency in one association would likely have repercussions for the housing association sector as a whole, damaging the credibility of providers in the eyes of lenders. This is especially salient in the post-crisis context of housing association finance, where a new group of creditors in the form of bond lenders have recently entered the market at scale:

Cosmopolitan slightly shocked the world, and I think in a way that's why the HCA post-Cosmopolitan have been very, very, very, very, very keen to make all their registered providers understand that this was a really serious, a really serious thing. And I think almost, because it happened at a time when the private investors, the institutional investors were just beginning to go into the market, and all of a sudden all the things they feared most were happening.

Solicitor, PhD fieldwork data, summer 2015.

Here, the need to satisfy the interests of lenders in order to maintain access to the money available to develop can still be seen to be a major regulatory priority (McDermont 2007). It should be stressed that this is now occurring within a very different context to the pre-financial crisis period, with the Altair report identifying a key concern of the regulator as being that it lacked the strong working relationship with a new and more diverse set of bond lenders than it had with the high street banks who had formerly dominated lending to the sector (Underwood, Kane, and Appleby 2014, 21). Knowledge of how to navigate and act in relation to these more complex financial processes has therefore been a pressing concern for both associations and the regulator.

In addition, the regulator has had to manage this process under austerity conditions that have seen its own resources shrink. As explained by a senior housing policymaker in the following quote, cuts to grant levels have significantly restricted the ability of the HCA to directly support the development activity of associations in the event of a property market crash, further increasing the sector's exposure to risk:

In each of the last two property downturns, the HCA in the last one and the Housing Corporation in the one before, was able to mitigate some of the worst impacts on housing associations by converting sales schemes to rent schemes. And it had the grant in its pipeline to be able to do that. The HCA going forward is not likely to have nearly as much grant at its disposal for that kind of thing.

Senior housing policymaker, PhD fieldwork data, summer 2015.

In particular, it should be stressed here that the limitations of the regulator's funding capacity has implications for the regulator's ability to engage in crisis management, as

it loses the power to directly shield providers from risk. In the wake of *Cosmopolitan*, the HCA consulted on a new regulatory framework, arguing that growing problems included a need to tackle “poor governance”, financial complexity, and a poor understanding by providers of their assets and liabilities (Homes and Communities Agency 2014b). Its eventual response included the imposition of stress-testing requirements to check for vulnerabilities, and the creation of a duty for associations to hold registers of their assets and liabilities. In addition, the HCA attempted to compensate for its limited resources through introducing an “in depth assessment” process, occurring on average of once every three or four years for providers with stock of over 1,000 and probing for sources of risk (Homes and Communities Agency 2015c). The regulator withdrew attempts to impose more direct control over the use of stock following lobbying by providers and lenders, however, leading it to back down from proposals to introduce a mandatory asset ring fence that would have prevented associations from using their social housing as collateral for commercial developments altogether (Ibid.). An additional measure aiming to directly limit the exposure of social housing stock to risk through a withdrawal of ‘consent’ powers in 2014 for providers to use their stock as collateral in index-linked finance deals was also frustrated by deregulation measures in the Housing and Planning Act 2016, discussed previously in Chapter 8. The new framework therefore relies heavily on the ability of providers to demonstrate their knowledge of and ability to calculate risk, even as the regulator is stripped of direct control over the use of stock by associations.

The regulator also introduced a new governance requirement, where board members were expected to have levels of expertise appropriate to the association, for example commercial skills for a developer association (Homes and Communities Agency 2015c). Although seemingly uncontroversial, this could reduce the ability of tenants to

act as board members, reducing levels of organisational accountability. As explained by the policymaker with knowledge of the regulatory system, the intention is to build the capacity of providers to be aware of potential sources of financial danger:

Basically what we're saying to associations is you have to model, you have to stress your business plan to find out how you can cope with things that can go seriously wrong for you. Which could either be a range of different welfare reform scenarios, or it could be a range of economic circumstances, but we are expecting people to know what it is that breaks their business.

Senior housing policymaker, PhD fieldwork data, summer 2015.

In doing so however, it should be stressed that through measures such as stress testing and commercial skill requirements for board members, the strategy of the regulator is not one of minimising the risks faced by associations. As emphasised throughout this thesis, the use of private finance and participation in commercial real estate markets inherently requires an assumption of risk that has defined the post-Housing Act 1988 housing association sector. Rather, this should be seen as the regulator attempting to discipline associations into acting as well-behaved capitalists, improving their competence in recognising and rationally calculating the risks they bear in the course of financialisation and commercial development (Martin 2002). As demonstrated by the regulatory measures implemented by the HCA in the aftermath of Cosmopolitan, rather than financialisation occurring as an automatic process of marketisation through the minimisation of the state, this has been achieved through an ongoing and unfinished process of neoliberal reform aimed at cultivating practices and attitudes in the sector. As such, rather than deregulation, these measures can be better characterised as a form of “regulated deregulation” in which the contours of the

re-commodification and financialisation of social housing have been actively set and reshaped by the state and the regulator.

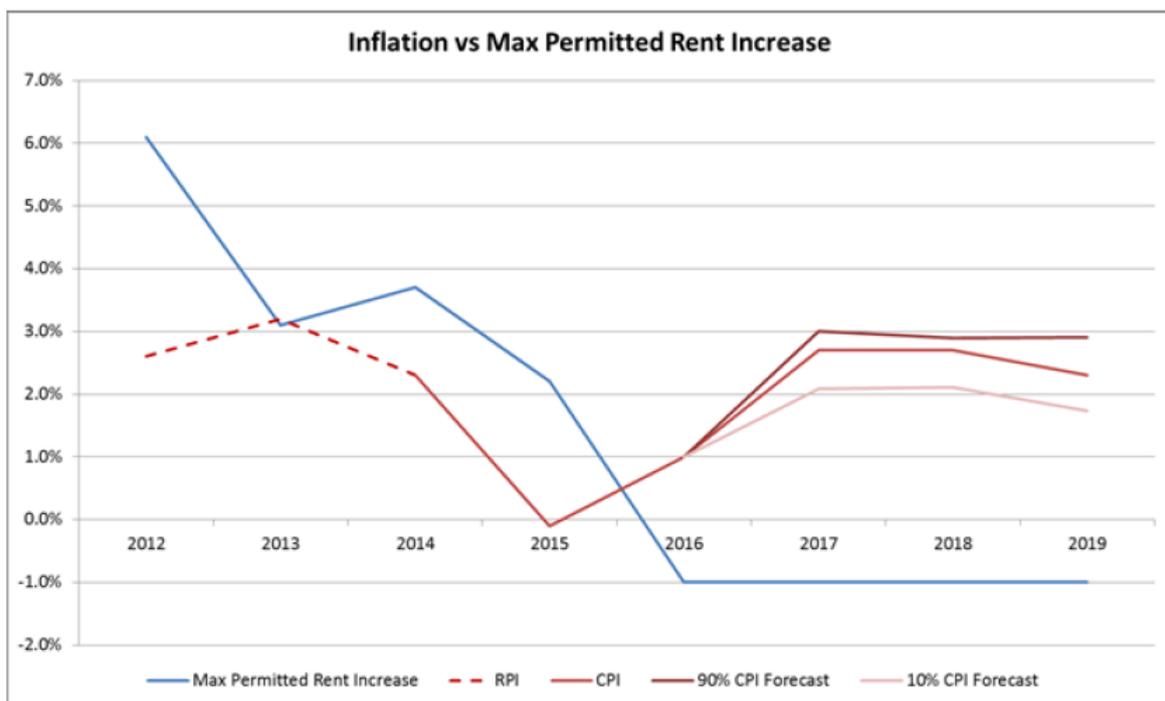
The nuance of these measures is particularly important in the case of social landlords such as housing associations, whose characteristics as borrowers as shown in Chapter 6 have historically been shaped by the perception by lenders of their strong relationship with the government. Recent legal and policy changes have the potential to unsettle that relationship in the context of the rapid changes undergone since the 2015 general election in the UK, with a number of hostile policy measures imposed on the sector whose impact is as yet still uncertain. The next section therefore briefly reviews these events, before the remainder of the chapter analyses how risks and uncertainties arising from these are reshaping both housing associations and their relation with lenders.

9.4. The erosion of the regulator in crisis management: the role of the court-appointed insolvency administrator

Key events since the 2015 general election such as the threatened expansion of Right to Buy to housing associations and a 1% mandatory rent cut between 2016 – 2020 have heightened the sector's risk, while also introducing new sources of uncertainty. Recalling the distinction drawn upon by Froud (2003) in her analysis of PFI, risk can be defined as an in-principle knowable and calculable quantity, whereas uncertainty reflects the unknowability of the future. As argued in Chapter 6, the lending regime that has developed in housing associations since the Housing Act 1988 has been one based on the minimisation of risk to lenders and their insulation from uncertainty, with providers backed by subsidy and regulatory regimes structuring them as safe and reliable borrowers. Crucially, housing associations as borrowers have also benefitted

from an implicit perception by lenders that the government would stage an intervention in order to prevent a social landlord from going bankrupt due to the political and financial costs, while the legal right of lenders to enforce their collateral rights and take possession from stock have protected them from uncertainty if all else fails. This need to satisfy the interests of lenders has become an imperative for the regulatory framework since the late 1980s, though recent events have the potential to threaten this existing model, reflected in changes to the legal mechanisms for managing the insolvency of a social housing provider.

Figure 9.3. Impact of the 1% rent cut from 2016 - 2020



Source: reproduced from HCA (2017b, 11).

As shown in Figure 9.3 above, reproduced from a HCA regulatory analysis of risk in the sector (Homes and Communities Agency 2017b), the 1% annual rent cut is forecast to have a huge cumulative impact on the sector's finances, holding down the rents of providers at the same time that inflation is expected to rise in upcoming years.

This should be seen as undercutting one basis of the high surpluses previously experienced by the sector since the 2007 – 2009 financial crisis, where rent convergence policies ensured guaranteed above-inflation rent rises for associations. When interviewed in the months following the 2015 election, one consultant who advises housing associations on their financial treasury policies argued that the rent cut alongside other measures such as the right to buy expansion had severely undermined the trust by lenders in the social housing sector's stability:

There's been a very beneficial willing suspension of disbelief on the part of investors, the HCA and the government. There is no guarantee but let's pretend there is, sort of thing, and very right. It's £60bn of private finance on very good terms that's been arranged on that, and government action has at a stroke more or less destroyed that.

Financial consultant, PhD fieldwork data, Winter 2016.

Housing associations have still been able to borrow since the election, with *Social Housing Magazine* reporting an increase in lending through bonds and institutional lenders (though excluding bank loans and bonds secured through an aggregator) from £1.7bn in 2015/16, to £3.16bn in 2016/17 (Stothart 2017). The government's announcement of a new settlement enabling associations to hike rents by CPI + 1% from 2020 (Apps 2017) is likely to reassure lenders, though increases in rent may add to the pressures faced by tenants, particularly those living in areas where social rents are well below the market rate. The case of Cosmopolitan and the sector's underlying fragilities have nonetheless raised the issue of what may happen in the event of an insolvency, particularly if the regulator was unable to arrange a rescue by another provider in time.

Addressing this, the Housing and Planning Act 2016 introduced a new insolvency regime, following recommendations from the Altair report as to the needs for a process that could function given the growing complexity of the sector's creditors (Underwood, Kane, and Appleby 2014). Under the previous insolvency regime governed by the Housing and Regeneration Act 2008, the regulator would have to secure the agreement of all creditors for a moratorium period of 28 days, with its most likely course of action in this time to be to attempt a rescue of social housing stock through a merger with another housing association (Trowers and Hamblins 2016; O'Grady and Isaacs n.d.). The need to gain rolling approval to extend this period meant that this was a process highly dependent on the regulator being able to secure the good will of creditors, a scenario more likely when negotiating with a small number of high street banks and building societies than the far wider range of lenders active in the bond markets. Rectifying this, the 2016 Act set out a new and more robust administration process, though closer examination reveals shifting power relations at work between lenders and the regulator as part of the new regime.

Reflecting the growing importance of commercial diversification and the risks this could pose if it creates liabilities against social housing stock, the new administration regime extended its scope to all assets that might be owned by a housing association. A crucial innovation has been provisions enabling the regulator to make an application for a court appointed administrator to oversee the process of managing the affairs of an insolvent provider (Trowers and Hamblins 2016). This adjudicator would have a 12-month period to oversee proposals for attempting to rescue the provider as a going concern, or else dispose of its assets in an orderly fashion, a far more realistic time period with which to work with and providing the process with greater legal clout against lenders.

The involvement of the courts provoked lobbying by lenders in the process of drafting the Bill however, with their ire provoked in particular by the power of the administrator to withhold interest rate payments during the moratorium. In order to appease this objection, the eventual legislation was explicitly worded so as to explicitly prioritise the best interests of creditors over the goal of ensuring that social housing stock remained within the sector (O'Grady and Isaacs n.d.). Although the administrator would also have the goal of protecting tenants in preventing having their homes from being repossessed from underneath them, creditor interests were still explicitly prioritised in statute above them. As a financial consultant to the sector explained in the following quote, this led lenders to acquiesce to the changes, though the potential power of a court-appointed administrator still left some feeling less certain over their ability to protect their interests:

I think the HCA has managed to satisfy most lenders with the wording around the primary function of administration would be to protect first charge lenders and housing tenants, and that's given comfort to most lenders, but I think there's still a few that are very concerned about that change and the uncertainty that adds to in terms of existing and new lending.

Financial consultant, PhD fieldwork data, spring 2016.

By establishing a new formalised resolution process on a more feasible timescale, the court-appointed administrator regime may be thought to limit the power of creditors, enabling the authorities breathing room to arrange a rescue of social housing stock even given the more complex lending environment characterised by an array of bond lenders rather than a small group of high street banks. The shift in power from the regulator to the courts may reflect the rise of a more adversarial process however, in

which creditors are more assertive in staking claim to their rights over distressed assets in the event of provider failure.

9.5. Privileging creditors through the insolvency regime

As argued in chapters 4 and 5, the insights of critical socio-legal studies into the creation of private property relations provide a useful framework for analysing the progressive re-commodification of social housing that has been fundamentally underpinned by the shift to private finance since the Housing Act 1988. The growing role in the courts for settling disputes over collateral may indicate a turning point in the claims of lenders on housing association stock that, as seen in Chapter 6, has characterised the development of social housing regulation throughout the neoliberal period. In acting as a means of conflict resolution, modern legal frameworks act as a “justiciable” discourse, translating differing political and social interests into disputes “over competing rights claims that can be adjudicated by the courts” (Veitch 2007, 83). Here for example, the shift to a court appointed administrator process may be a reflection of a declining authority of the regulator to reconcile the interests of creditors, particularly given the increased range and complexity of the range of lenders given the recent turn to bond markets.

Reliance on a formalised, court-adjudicated process rather than the previous moratorium system based on ongoing informal negotiation between creditors and the regulator is therefore likely to reflect the waning influence of the latter against the power of lenders when it comes to resolving crises in the sector. The statutory duty of the administrator to place the interests of lenders above that of tenants also indicates one way in which law is used to protect the rights of lenders over collateral,

underpinning the basis of the lending regime upon which the provision of social housing now depends.

A key finding of this research that augments the existing literature is that law therefore plays a critical role in embedding financialisation through the creation of property claims, not only through the direct creation of ownership rights (Knuth and Potts 2016; Kay 2016), but also through the process of defending claims on the equity of collateral in social housing. While other studies have examined collateral in the context of eminent domain in US foreclosure law (Christophers and Niedt 2016), this finding shows that how this operates through the transformation of regulatory frameworks also matters for an analysis of financialisation, mediating power struggles between the two and enabling the establishment of a more adversarial, claims-based process. These have played a crucial role in satisfying lenders that they would be able to recover their assets, even at a time when austerity has made them less certain over the perception that the government would stand behind the sector in the event of an insolvency.

The administration regime's statutory privileging of the 'rights claims' of lenders over keeping stock within the social housing sector also has consequences for how the harms caused by urban financialisation are made accountable through law. As argued in chapter 5, the use of law to assign liabilities and attribute responsibilities for harms can itself operate as a form of "organised irresponsibility" (Veitch 2007; Curran 2015), acting to immunise collective responsibility for social harms. Here, the continuing circulation of capital through the built environment is enabled while the responsibility for failing to perform as profitable capital is assigned to the associations. There is also a class relation at work throughout this however, in which the ultimate costs are borne by tenants, who may lose their home, and the staff of a provider who may lose their jobs without sharing responsibility in the failings of management.

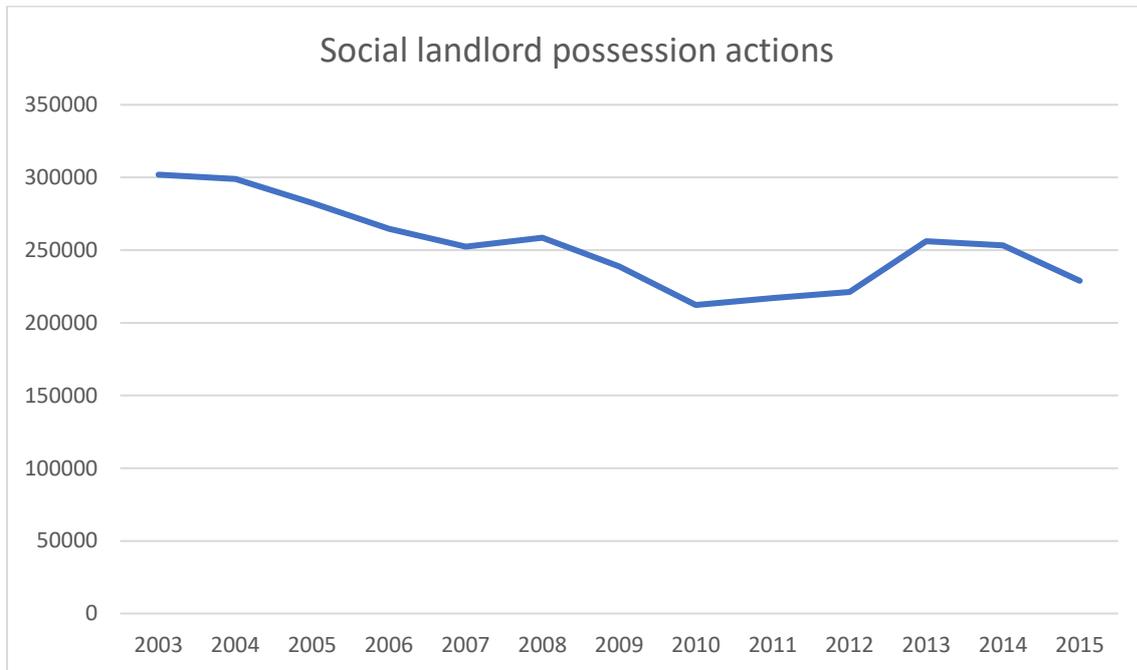
The minimisation of uncertainty for lenders therefore emerges again as a major component of how social housing financialisation has been able to perpetuate itself in the aftermath of the financial crisis, with the courts and formal statutory system playing an enhanced role in ensuring the costs of the process are passed down from lenders, to providers, to tenants. The next section now turns to analyse how tenants may bear the costs of this process in the future. I argue that although the sector has still remained largely stable over the past eight years, the potential for an increased crystallisation of risk is likely to see a long-term transformation in the demographics of tenants, as housing associations are forced to protect their ever-more precarious incomes.

9.6. The erosion of tenant protections

A potentially lethal combination of welfare cuts, eroded tenant protections and weakened security of tenure have the potential to transform the relations between landlords and tenants in future years. As shown in Figure 9.4 below, possession actions by social landlords including both housing associations and local authorities declined from 2003 to 2010, though with a rise in 2008 during the recession of the financial crisis. Numbers rise steeply in 2013, with one probable cause likely to be the initial impact of welfare reform as measures such as the bedroom tax and disability benefit cuts forced a number of tenants into arrears, though this declined again in 2015. This could indicate the exit of a first wave of households vulnerable to losing their homes, with one quantitative analysis of benefit claimants in Leeds affected by housing benefit cuts finding a clear trend for a minority of households to move from social housing to the more insecure private rented sector (Hodkinson, Turner, and Essen 2016). Overall however, it is striking how possession actions so far have been

generally lower than the pre-crisis years prior to 2008 within this series, even in spite of the correlating evidence for the immediate impact of benefit cuts.

Figure 9.4. Social landlord possession actions, 2003 - 2013



Source: Mortgage and Landlord Possession Statistics, ONS, 2016.

One possible explanation for this could be that prior to housing benefit cuts from 2012, associations would have been able to replace evicted tenants with people guaranteed to be on housing benefit. With the onset of benefit cuts this dynamic could change however, with replacement tenants potentially also unable to reliably pay their rent, particularly if subject to delays through Universal Credit. A new flagship welfare benefit reform that combines six existing in-work and out-of work benefits, including housing benefit for most applications, universal credit is considered to present a significant arrears risk. This is due to factors including payments being made in arrears of up to five weeks, though this can be partially mitigated by 'loans' paid out of future benefits,

and payments being made directly to the tenant rather than landlord, significantly increasing arrears risk (Kennedy, Keen, and Wilson 2017).

Interestingly, austerity and financialisation may then create an incentive for associations to devote more resources toward their existing tenant base in order to better prevent arrears before they arrive²². Such an argument would also confirm findings by Tang et al (2017) as to an intensification of providers' attempts to develop a knowledge base of their tenants in order to stave off arrears. This hypothesis was reflected among participants in my interview data, with one policy officer arguing that welfare cuts had led associations to increase their knowledge of their tenants, in order to better prevent arrears before they arose:

Some of the welfare reform stuff and universal credit has actually had a perversely good impact on landlord-tenant relationships, because they've had to get to know their tenants. Landlords have put huge amounts of effort into preparing, finding out which tenants are going to be impacted by the benefit cap, finding out who is going to be impacted by the bedroom tax, door-knocking, talking to people, and they've got a huge amount of data and relationship building.

Policy officer B, PhD fieldwork data, Spring 2015.

These mitigating features may mask future trends toward a less secure social housing system, however. The recovery from the financial crisis has been precarious for many on low incomes, and although mass unemployment seen in previous recessions has not occurred real wage growth in the UK has been poor and its labour market is

²² I am grateful to Stuart Hodkinson for this insight.

increasingly characterised by 'flexible', precarious and temporary work (Green and Lavery 2015). As a result, welfare reform has the potential to impact a broad range of tenants who move in and out of employment, resulting in the potential for more associations to explicitly include affordability criteria when deciding who to house, as indicated by the quote below from a housing association executive in a non-Manchester northern city:

The thing is most of the people we rehouse are on zero hours contracts or part-time employment, fairly insecure employment, so even when you house people and they are in employment, chances are a few months later they're not going to be. So will we therefore start to vet our tenants based on incomes and ability to pay, whereas in the past it's been, our lettings policies have been based on need pretty much. It's a big change.

Housing association chief executive, PhD fieldwork data, autumn 2015.

As implied in this quote the extent to which associations adopt affordability criteria remains the matter of debate within the housing association sector itself, given the significance of moving from a needs-based lettings system to one where ability to pay takes a greater role. This indicates attitudinal and cultural shifts play a role in the extent to which associations adopt commercial values and metrics, indicating that financialisation is not a mechanical process but one that has to be actively negotiated and internalised through the organisational identity of associations (cf Manzi and Morrison 2017).

In managing the risks of financialisation, the regulator's role has been crucial in enabling associations to adopt a more exclusionary approach to lettings than in the

past. As revealed by the following quote from a solicitor, regulatory changes mean that associations are now more likely to be able to undertake evictions for rent arrears:

Until relatively recently the HCA's policy was that they shouldn't evict people just on the basis of rent arrears. There normally had to be some other compelling reason why. But I think now housing associations are saying they have committed to a business plan, we cannot - I mean, don't get me wrong, they will do all they possibly can to help somebody, but at the end of the day they cannot risk too great arrears.

Solicitor, PhD fieldwork data, summer 2015.

In addition to a greater chance of evictions there is also the possibility of a changing tenant profile, as social housing becomes more exclusionary for people impacted by welfare reform. Cuts to housing benefit and other support, alongside the planned move toward universal credit paid directly to the tenant rather than the social landlord, are likely to make rental streams less secure. This has led to the regulatory management of these risks through a greater permissiveness of the regulator toward evictions and the exclusion of a greater number of prospective tenants, as indicated by the highlighted portion of this quote from a senior housing policymaker in regards to greater commercial pressures driving associations in an “upmarket” direction:

There will be I guess some pressures that could be construed as driving housing associations upmarket. But equally they're very alive to that risk and they have to, **that's one for them to balance rather than for us to balance.** We don't tell associations what business model they ought to have, but we are conscious that they would be faced with those kinds of dilemma. And it's their job to work out how they best their usually charitable objectives.

Senior housing policymaker, PhD fieldwork data, summer 2015.

Here can be seen how the enactment of financialisation has resulted in a transference of risk onto tenants as mediated by the regulatory framework, with a greater permissiveness toward commercialisation as a means of negotiating a more precarious housing context. Although the regulator may not directly prescribe these measures, it nonetheless can enable these attitudinal reforms within the sector through taking a less proscriptive stance toward evictions for arrears. The cost of this is likely to be greater precarity for people unable to access social housing, as more find themselves excluded from lettings in the future as associations are pressured in a more commercial direction.

Recalling the distinction by Froud (2003) between risk and uncertainty however, the contingencies and uncertainties of future events means that the state still bears some of the risks of this transition. A genuine unmanaged insolvency and the collapse of a provider with its stock repossessed by lenders would likely be politically disastrous to a government that still requires housing associations in order to meet housing policy criteria. Pushing associations too far in a commercial direction if they are perceived as unready to meet these risks may result in lenders ultimately withdrawing from the sector, leaving the government with the possibility of having to take responsibility for both the sector's £60bn debts and the £40bn in public grant the government has historically invested. The ambiguities of this are indicated in the following quote from an auditor in reference to the contestation between lenders and the Conservative finance minister of the time, George Osborne:

The funders are saying that if you push too far we'll see it as more risky, and then the government's got to think about where that funding will come from.

The worst thing they want is that funding comes back onto them, into public, and [unclear] they'll ease off them. He does not want all that debt, does he, George Osborne, does he? Coming back onto public books.

Auditor A, PhD fieldwork data spring 2016.

The continuation of financialisation in the more uncertain context since the financial crisis therefore indicates the continued need state intervention and support if the welfare state is to continue to be a source of profitable accumulation for financial actors. Financialisation can therefore be seen here to not be a matter of deregulation or the retreat of the state provision in favour of the market (Aalbers 2017), but a process that requires the ongoing mediation of legal and regulatory frameworks to manage risks and uncertainties within a more precarious housing context.

There remains the question however of how the nuances of this process are being materialised on the ground however, as risk is managed and mediated by housing practitioners in their relation with tenants. The importance of the nuances of this process is particularly the case for associations outside of London such as Manchester, where, as found in Chapter 8, associations are facing pressures to financialise while having less access to the asset wealth necessary for being able to commercially develop at scale. The next and final substantive section of this data chapter therefore turns to analyse the initial tendencies of this process within Manchester's geographic context, drawing on data gathered at the time these trends were emerging in 2015 and early 2016.

9.7. Governing the risks of financialisation in Manchester

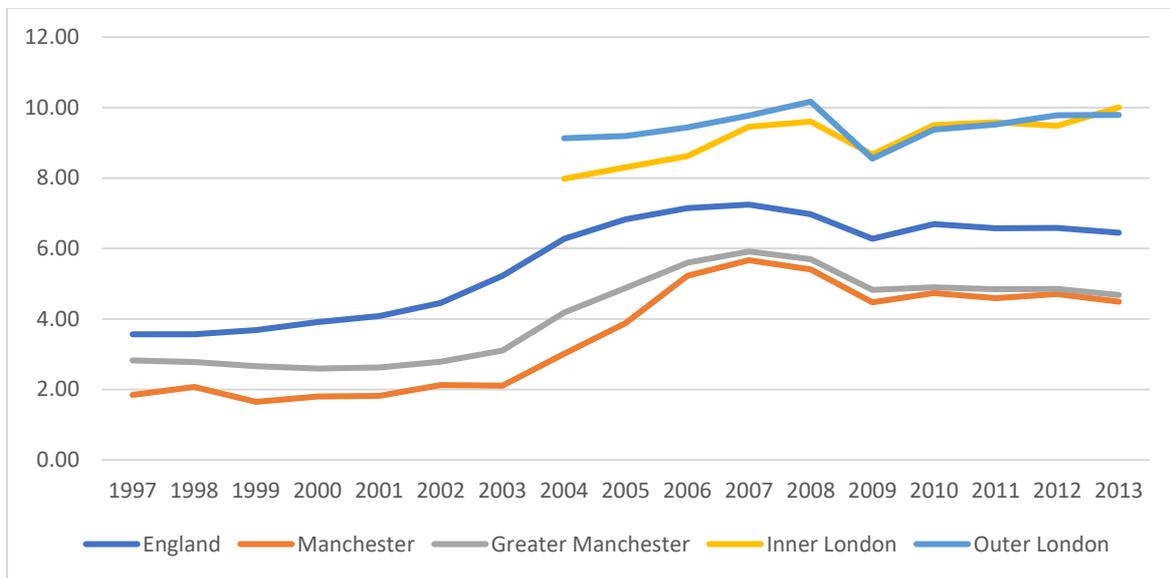
This section concludes the analysis of the governance of financialisation in this chapter by analysing initial emerging trends as to how housing association practitioners are

mediating the risks it generates with respect to the urban context of Manchester. In keeping with the theorisation of housing financialisation as an urban process, this section draws on qualitative data from housing practitioners in Manchester, alongside publicly available quantitative data that provides a contextual indication of housing pressures within the city. In doing so, it builds on the analysis of the drivers of Manchester's housing association financialisation in the seventh section of Chapter 8 of this thesis, generating initial data as to how these are materialised on the ground by practitioners. The conclusions drawn through this section are necessarily tentative, given that fieldwork was undertaken at a time when housing associations were still reviewing policies and strategies for reacting to policies such as welfare cuts or the 2016 – 2020 annual 1% rent cut. This nonetheless still provides a valuable insight into the initial reactions of housing practitioners to these processes, with the capacity to inform future research into how these trends develop in the longer term.

How tenants are exposed to risk in the governance of housing association financialisation is likely to depend on the specific nature of housing needs in their area, for example in terms of housing availability or the impact of welfare reforms. This section therefore begins with an analysis of housing need with respect to social housing in Manchester. As shown in Figure 9.5 below, as measured by the ratio of lower quartile house prices to lower quartile earnings, prices in Manchester have risen over time. Unaffordability become greater over the course of the boom years immediately preceding the financial crisis, then stagnating at a level above the pre-crisis norm in the post-crisis period up toward 2013, in accordance with the national seizing up of the housing market as people ceased buying and selling properties after the crash (Hay 2011). Though this is likely to have increased housing pressure, the graph below also shows distinct features to Manchester's housing geography in

comparison to both the capital city of London and the England national average, with the northern city having far cheaper properties at the lower quartile end of the market. This is also true even in comparison to Greater Manchester, with Manchester's housing being less unaffordable than the mean for the wider city region, although this gap has become much narrower since the onset of the financial crisis.

Figure 9.5. Ratio of lower quartile house price to lower quartile earnings, 1997 – 2013²³



Source: DCLG Live Table 57, Ratio of lower quartile house price to lower quartile earnings by district.

Recalling the analysis of Manchester's housing geography in Chapter 8, one explanation for this could be that Manchester's housing market has grown since the 1990s from a very low post-industrial base in an urban context where growth has been concentrated to a large extent within the city centre, reflecting the city's spatial polarisation (Folkman et al. 2017; cf Allen 2007). Nonetheless, given the relative

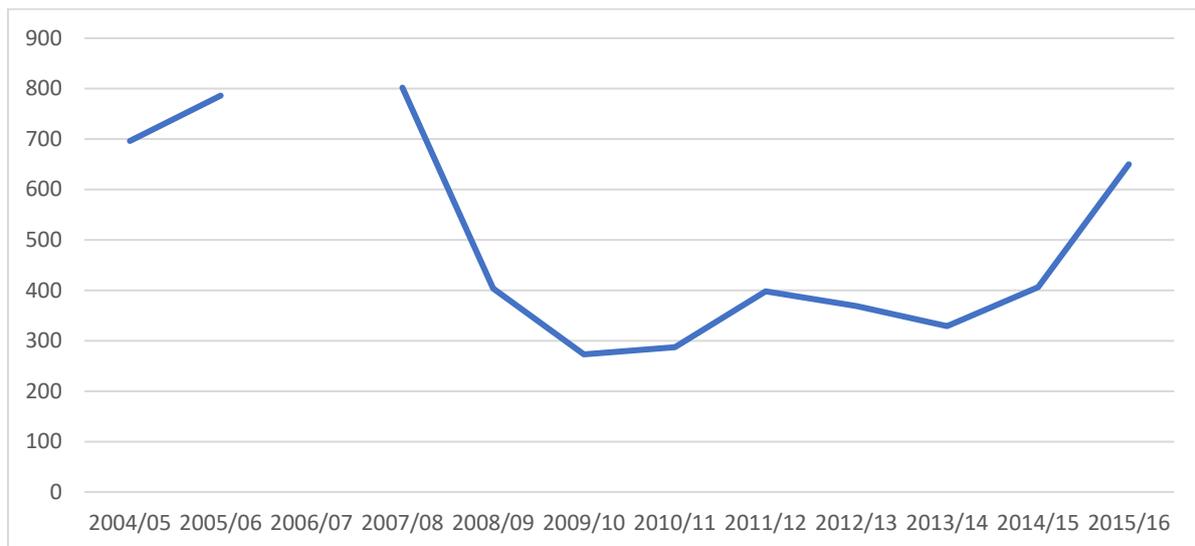
²³ Figures not available for inner and outer London prior to 2004.

weakness of the overall housing market, local policymakers have been sceptical of substantial increases in social rented stock. The council has recently implemented an affordable housing programme that aims to maintain existing stock levels through replacing homes lost to demolition or the right to buy, though replacements are a combination of affordable rent and low cost home ownership rather than traditional social housing for general needs lets (Manchester City Council 2018a). This policy stance is reflected in council reports on housing affordability, which in 2016 highlighted the presence of over 11,700 live applicants on the city's housing register, 4,700 of whom had a legal claim to "reasonable preference" in being rehoused by the council. As the turnover rates of Manchester's social rented stock are roughly 4,000 per year, the report asserts that "this could be interpreted as virtually all of [sic] applicants with a need to move are being met through the number of lets per year" (Manchester City Council 2016a, 11). While conceding that in reality not all available lets will match the property type and location needed by applicants, the implication is that the level of available social housing stock is near sufficient to requirements.

Even with the caveat as to the need to match stock with specific needs, this is a dubious inference to draw. Reasonable preference is a term used, since 1924, by the government to set rehousing priorities for certain groups of people, currently statutorily defined in the Housing Act 1996 (Cowan and Marsh 2005). It is not an objective measure of housing need, forming part of a hierarchy of allocations in rationing social housing stock that is inevitably normative and subject to administrative and policy imperatives, even if circumscribed by law (Cowan and Marsh 2005; Cowan, Halliday, and Hunter 2006). An alternative interpretation could be that the local authority is unable to rehouse into secure, social rented accommodation even the people it has a statutory obligation to prioritise. Furthermore, as shown by the rising figures for

households in temporary accommodation in Figure 9.6 below, the weakness of Manchester's housing market may "conceal" hidden indicators of housing crisis (Hodkinson, Beswick, and Goulding 2015) within the city,

Figure 9.6. Total number of households in temporary accommodation 2004/05 – 2015/16, Manchester



Source: DCLG Live Table 784: Local Authorities' action under the homelessness provisions of the Housing Acts

This rise in households in temporary accommodation suggests rising pressure within Manchester's available social and affordable housing stock, including high levels of 'hidden' homelessness. As shown above, this figure has begun to increase once more from 2009/10 after a falling from a high level in the 2000s, in common with national trends (Fitzpatrick et al. 2017). Although dropping between 2011/12 and 2013/14, the number has since undergone a sharp rise, potentially due to the impact of welfare cuts implemented via the Welfare Reform Act 2012, with the "bedroom tax" found to be associated with rising insecurity in other cities such as Leeds (Hodkinson, Turner, and

Essen 2016). This rise clearly indicates a growing number of people in Manchester who are unable to be securely housed.

This precariousness is further reflected in the analysis of local government policy researchers working for the Greater Manchester Combined Authority, who have identified in the city region over 16,000 “concealed” households unable to move out from their existing accommodation with friends or relatives at the time of the last census in 2011 (GMCA Research and Strategy Team 2017, 31). In addition, the following quote from a senior policymaker in Manchester City Council revealed that turnover within social housing lets is falling to low levels in Manchester, in common with a declining vacancy rate for all tenures in the city as a whole. This indicates significant pent up demand for social housing, as overcrowding increases and people are unable to secure properties of their own:

Densities are going up in the existing population. Our vacancy rate, for the whole of the city of Manchester, is now 2.2%. Which is a dysfunctional housing market, almost. I think the rule of thumb is around about 4%, is a functioning housing market. 2.2%.

RG: Because there's pressure?

People are not moving. Yeah, Someone was saying yesterday, [a registered provider] said they've seen their turnover drop 20% on the year before. So people are not moving, people are filling up rooms.

Manchester City Council senior official. PhD fieldwork data, Spring 2016.

The issue of high rehousing demand in Manchester was also raised by housing association practitioners in the course of my fieldwork, who perceived this as a

significant change from earlier stages of their careers in the 1990s. As shown by the following quote from a neighbourhood manager operating in the city, this has led to a drying up of available properties, including “hard to let” properties that would have previously stood empty due to a lack of demand:

The demand for re-housing is so high. Years ago, 20 years ago, when I started in housing we used to have what we called hard to let schemes, you didn't have to go off the rehousing queue, if you knew someone on the estate...we don't need to do that now, because the demand is so high. Maybe once in a blue moon we might have one property where maybe there's been some anti-social behaviour, it's not decorated very - or it's a bit dated, that people will be like, “Oh I don't really want to go there”. But it's very, very rare.

Manchester-based housing association neighbourhood manager A, PhD fieldwork data, Autumn 2015.

In addition to turnover grinding to a halt, practitioners within associations spoken to in Manchester were also dealing with organisational responses to the impacts of welfare reform analysed in the previous section of this chapter. In addition to offers of support to tenants in areas such as mediation or budget managing, practitioners in the course of my fieldwork in Manchester emphasised that they had undertaken a significant amount of work in attempting to mitigate the impact of previous rounds of welfare cuts in particular the bedroom tax introduced in 2013 under the Welfare Reform Act 2012. The following quote from a housing manager in a neighbouring area of Manchester to that of the officer above demonstrates attempts to avoid the eviction of tenants through means such as downsizing and homes exchanges, while avoiding evictions as a result of the bedroom tax even in the event of arrears. As also shown in the below quote

however, this pattern is likely to change given the severity of future impending welfare cuts, in particular universal credit:

We've done it, an exchange scheme, home swap, people have voluntarily downsized. We've not had any evictions though, we've not evicted people because they owe money because of the spare bedroom subsidy... Universal credit, we've only had a couple of cases, but we expect that somewhere in the region of 60% of our occupants will come under universal credit. And just with the evidence that we've got from the wider group, from [housing association group], 50% of those people won't pay their rent.

Manchester-based housing association neighbourhood manager C, PhD fieldwork data, Winter 2016.

Universal credit first began to be rolled out in Manchester in 2014, initially for single people and couples, and then followed by families, with most eligible applications limited at first to those who are newly unemployed, and therefore most likely to re-enter the labour market. While this applied at first to a limited number of people, between October 2017 and November 2018 the full service was to be phased in across the majority of Manchester for fresh claimants, with the majority of existing claimants to be moved over at a later date (Manchester City Council 2018). As shown in the above quote, this has the potential for a major future change in relation between social landlords and their tenants due to the increased risk of future arrears.

In addition, strategies such as downsizing can have consequences for the displacement of both prospective tenants who may be excluded, and current tenants who cannot afford their rent. As demonstrated in the following quote from a housing officer colleague of Neighbourhood Manager A, the impact of the bedroom tax in

forcing people to downsize has already had an impact in that some tenants have had to move area, displacing them from their existing support networks:

It has changed people's lives in that they've moved area as well. I've known lots of people who've lived in an area all their lives, kind-of middle aged, 50, and they've had to, not had to but felt they had to because of their own circumstances, take the first available smaller property which might not be us, it could be with another housing association...so they've moved from a geographical area where they know everybody, they've lived there all their lives, and they'll move across the city because that's their one bedroom and it's saving them fifteen, twenty pound a week.

Manchester-based housing association neighbourhood manager B, PhD fieldwork data, Autumn 2015.

Practitioners spoken to within Manchester revealed that a range of different strategies were being used to account for welfare cuts. One neighbourhood manager emphasised that their association increasing its support team for tenants, while also offering to sell their support services to other associations. Interestingly, this also indicates how the trade of support capacity could also be a source of commercialisation in the sector, as associations seek to earn income through traded services:

Now we've got one support officer for [over 10,000] properties, we're going to have four. We're going to look at growing that team, getting additional funding, and also providing services to other providers that maybe they're so small, or they haven't got the money to do that etc, and selling the services.

You can have, like, we buy in mediation, we pay so much and we have ten cases we can send a year. A similar thing to that.

Manchester-based housing association neighbourhood manager A, PhD fieldwork data, Autumn 2015.

While the above practitioner said they would provide tenants with increased support, as the following quote shows, this was combined with the implementation of affordability criteria for new tenants who are offered rehousing within their properties. Done with the intention of managing arrears risk, this assesses the income of prospective tenants in order to calculate whether or not they would be capable of paying their rent:

We do affordability tests now, so everybody that's offered a property gets sent an affordability assessment sheet, and then they have to fill it in and bring it back and then we go through it and everything. And I've had to say to people that I'm going to withdraw offers because you can't afford to make those payments and it's just setting you up to fail. If it's five or ten pounds and it's something you've got arrears on that's going to be cleared in twelve months then that's different, but we've had people coming in who're sort of, like, a hundred pounds a month short of what they need.

Manchester-based housing association neighbourhood manager A, PhD fieldwork data, Autumn 2015.

In addition to a greater chance of evictions, there is therefore also the possibility of a changing tenant profile, as social housing becomes more exclusionary for people impacted by welfare reform, likely affecting people who are substantially reliant on

work-replacing benefits for all or part of their income. As well as universal credit, a further driver of this process is likely to be an expected rent rise from 2020, as providers seek to recoup the losses from the Osborne-imposed 2016–2020 1% rental cut:

Housing associations, there's no question about it. They're going to jack the rents up after 4 or 5 years to recoup the money aren't they, unless the government brings something else in. I think it'll just be the survival of the fittest in those four or five years.

Manchester-based housing association neighbourhood manager C, PhD
fieldwork data, Winter 2016.

Finally, the identified need for housing associations to recoup money through their rental streams points to the intersection of the austerity and financialisation agendas. Although the immediate driver of the changed relation between landlords and tenants explored in this section have been austerity cuts driven by welfare reform, as shown throughout chapters 6, 7, and 8, this is occurring in a wider context in which housing associations are being driven to financialise in order to survive. As such, welfare cuts and regulatory liberalisation play a key role in restructuring the financialisation of housing associations, at once undermining the secure income streams that constructed them as safe assets, while giving housing associations powers to counter the risks of this process by redefining who can and cannot access their stock. In Manchester this then risks displacement pressures as fewer people are able to remain within the areas they choose to live, such as those with available support networks, even in a housing market where land values are far lower than that of the capital city of London. This chapter has shown that while this is a nuanced process, with

associations offering support to tenants as well as a more commercial attitude to arrears, the structural context associations operate within means that the need to meet financial bottom lines in rent collection are still taking on a driving role in their goals and aims. Financialisation is therefore a process mediated through the transfer of risk from providers to tenants, with the consequence of the greater dispossession of new groups of people from the security of social housing.

9.8. Conclusion

This chapter has analysed the consequences of the financialisation agenda in social housing for English housing associations, identifying key risks that have emerged, and how the regulatory governance of the sector has been reshaped in an attempt to manage these risks. A key finding is that the post-crisis context of low inflation, low interest rates that cheapen the cost of borrowing and gradually extended welfare reforms have been, unexpectedly, a benign period for housing associations engaged in development programmes, even as tenants have come under greater pressure. It should be stressed that these favourable conditions are likely to be fleeting however, while underlying risks are building up within the housing association sector as they become more exposed to commercial development risk. While the level of surpluses made by associations are currently high, this is due in large part to a combination of low interest rates and rent rises that until 2016 were indexed to rise above inflation. As found in Chapter 7, if and when interest rates do rise, many associations are likely to face tighter cash flows. The growing exposure of associations in correctly judging development risk, with a minority likely relying on asset sales to cover their operational costs, suggests that a market downturn would see probable changes to the current direction of the sector's development model as some providers began to find it harder to sustain cash flows, coming into greater risk of insolvency. If these risks were to

crystallise, development would be unlikely to be sustainable, with one possible consequence being a Dutch “Vestia” scenario of botched financialisation and emergency state bailouts (Nieboer and Gruis 2014; Aalbers, Loon, and Fernandez 2017).

As a result, the insight of Montgomerie and Büdenbender (2015) that financialisation is a temporally and spatially bounded process should be extended from the private housing market to social housing. As with chapters 7 and 8 of this thesis, financialisation has been found to be spatially bounded in that it is concentrated among a minority of predominantly London-based providers, and temporally bounded reliant on a highly favourable economic conjuncture whose sustainability should not be assumed. An outright collapse would be a worst case scenario, with the Cosmopolitan incident of 2013 encapsulating many of the most fatal elements of housing association financialisation: index-linked financial deals with hidden liabilities against social housing stock, and over-ambitious developments incompetently overseen by a board whose flaws were not picked up by the regulator until too late. While some interview respondents have portrayed this in terms of individual board incompetence, data analysed in this chapter has suggested that there are also structural problems of providers being unable to match the efficiencies of the commercial sector, in part because of their limited scale, leaving them vulnerable in the event of a structural market downturn. Although not all providers would be affected, and as seen in Chapter 6, the political cost of a provider default would still likely see government intervention to prevent social housing being lost to the sector, one outcome of default could potentially be a fire sale of commercial subsidiaries held by associations if risks crystallise. The likely poor consequences for the credit ratings of the sector as a whole due to lost confidence in their no-default record may then lead to a fresh “conjuncture”

(Engelen et al. 2010) of social housing finance, dominated by highly commercialised large landlords and opening fresh opportunities for the new breed of equity investors analysed in Chapter 7.

While new regulatory requirements such as stress testing have been introduced in an attempt to quip associations to manage these risks, this chapter has argued these can equally be viewed as a further individualisation of responsibility onto providers, diverting policy focus away from countering the “organised irresponsibility” (Veitch 2007) of the systemic risk generated by financialised urban property markets. As such, the governance of housing associations as an asset class can be deepened via efforts to resubjectivise providers as efficient, competent capitalists, actively shaping their daily operations so as to enable the smooth circulation of capital through the built environment. While Manzi and Morrison (2017) have drawn attention to these risks, this chapter contributes to the literature by demonstrating the value of a socio-legal perspective through the analysis of the new insolvency regime instituted for the sector. While the appointment of a court-appointed administrator may help resolve the “obscurity” highlighted in Chapter 6 of this thesis as to the respective formal roles of creditors in the lending system, I have argued that the shift in power to the courts also reflects a weakening in the regulator’s influence. As disputes are formally passed over to the courts to be regulated through competing rights claims in the legal system, under which the claims of creditors are statutorily privileged over tenants, the regulator’s soft influence with lenders may be further diminished, extending the reach of the “financial terrain” analysed in Chapter 6.

Finally, echoing the analysis of Bryan and Rafferty (2014b) of households as “risk absorbers” for financialisation, the costs of this process are likely to be passed downward onto tenants through the potential for more exclusionary allocations policies

that would do more to exclude tenants at risk of lost income due to welfare reform. As shown by the analysis of the Manchester data, this is likely to have a wider impact than cuts that have been made so far, with many social housing tenants in precarious work that may see them cycle in and out of employment, widening the number of people who may be caught by these changes. There are also nuances within this process however, with the uncertainty of housing benefit cuts also leading providers to put resources into gaining better knowledge of their tenants in order to better anticipate and counter the impact of benefit cuts. Nonetheless, even in cases such as Manchester where there are limited opportunities for associations to monetise their assets, this is subordinated to the need to make people pay their rent in the context of deep welfare reforms that threaten provider rental streams. As also shown by the Manchester data, this has the potential to exclude new groups of people from control over living within certain areas, dispossessing more tenants from place-based support networks. The contradictions of how the processes work through the daily lives of tenants and their relationships with landlords should therefore be an urgent research agenda in the financialisation of social housing.

Part Four

Conclusion

Chapter 10 – conclusion: the “organised irresponsibility” of housing association financialisation

10.0. Introduction

In conducting this research, my primary focus has been to make the financialisation of English housing associations a ‘knowable’ entity, connecting the abstract processes of social housing finance with the concrete practices through which this is embedded within the urban landscape (D. Fields 2015). A major specific objective has been to trace how financialisation has not been an automatic process, but one that has required an active and ongoing attempt to govern associations as an asset class, shaping them into more competitive, risk-taking enterprises capable of judging commercial opportunities in the built environment. Though an in-depth analysis of the narratives and practices used by associations and stakeholders in shaping financialisation, I have attempted to answer calls in the literature to analyse financialisation as process whose existence requires explanation, while retaining an analysis of how this coheres into wider patterns of accumulation through dispossession. My aim in doing so is to contribute to wider knowledge of financialisation not as a rigid, top-down logic, but as a precarious and high-risk strategy, in order to assist explorations of interrupting and contesting the ongoing neoliberalisation of urban space and dispossession of social housing tenants (Hodkinson 2011a).

In this concluding chapter, I pull together my findings and the threads of my argument to demonstrate how my thesis has contributed as a piece of knowledge production to these ends. To briefly summarise my key findings, the spread of financial logics within

housing associations has been a long-term historical process, with the neoliberalisation and de-municipalisation of social housing since the 1980s leading to a bank-led model of mixed public and private finance. Though banks scaled back their long-term lending following the 2007 – 2009 financial crisis, associations were able to maintain access to credit through the bond markets, with pension funds and insurance companies attracted by the prospects of reliable, long-dated assets with which they could offset their liabilities. With the onset of post-2010 austerity policies, funding cuts led associations to diversify into more commercialised activity, building homes for market sale and shared ownership in order to find new sources of revenue for cross subsidy through which they could compensate for lost government grant. Though new in its scale and complexity of finance, this construction of housing associations as a profitable asset class was a path-dependent of regulatory liberalisation and commercialisation that had been underway throughout the years of neoliberal ascendancy.

It should nonetheless be stressed that my findings strongly indicate that this is not a sustainable model for the English housing association sector. In accessing debt, associations have been able to benefit from a favourable post-crisis conjuncture of ultra-low interest rates, rising land values, and a slow roll-out of welfare reform that has piled pressure on tenants but not yet eaten into rental streams. Although austerity has driven associations more toward treating their land and housing as pure financial assets, the sector remains diverse and the bulk of commercial development activity has remained concentrated among a smaller number of large, predominantly London-based providers who are able to generate the revenues to develop at scale. These spatial limits to financialisation are intertwined with temporal limits, in that these hitherto favourable economic conditions are unlikely to persist if and when interest

rates rise and universal credit removes the guaranteed rental payments of housing benefit, which as demonstrated in Chapter 9 leads to the enhanced likelihood of a crystallisation of risk for a minority of providers. If this were to occur, one possible outcome could be a new round of mergers overseen by the regulator in order to ensure that no social housing stock was lost from the sector, intensifying consolidation within the sector.

As shown in Chapter 7 however, the post-crisis period has also been one where institutional investors have expressed greater interest in the affordable housing sector, searching for higher yields than the low-risk, low-return assets sought for in the social housing bond markets. While inherently offering a lower yield, the relative stability of affordable housing rents coupled with cheaper land costs has attracted investors into the sector. While Beswick et al (2016) have flagged up the potential for would-be corporate landlords to buy their way in to former social housing estates in London, this research suggests that regional towns and cities where lower land costs have the potential to offer a higher relative yield has also been a strategic focus for equity investors. Low absolute returns offered by the low rents in such areas have meant that such investors would have to deploy at scale in order to earn a substantial return, however. The prospect of regional housing associations struggling to access credit or support development programmes in a less favourable conjuncture could then create new opportunities for institutional investors to enter the sector. As such, financialisation could mean that the privatisation of social housing could occur not just through larger associations becoming fully commercial entities (Ginsburg 2005; Manzi and Morrison 2017), but from corporate investors taking advantage of distressed markets to move in on affordable housing provision.

The remainder of this chapter is structured as follows. In the first section I reflect on my research questions and methodology, examining how my research design has helped me fulfil the aims of this thesis. In the second section I consider how my findings have helped me answer my first research question as to the extent financialisation has entailed a new form of governance, theorising this as a process of “organised irresponsibility” (Veitch 2007) in which responsibility for managing the systemic risks of urban financialisation are displaced onto providers and, ultimately, tenants. In the third section I take the second question as to the limits of housing association financialisation, arguing this to be a spatially and temporally bounded process, with commercialisation at scale limited to a relatively small number of providers, largely though not exclusively geographically concentrated in London and the South East, and able to exploit a relatively favourable economic conjuncture of low interest rates. As such, financialisation should not be considered a sustainable solution for the sector. In the fourth section I consider my third research question, analysing the risks built up by the financialisation agenda and how the regulatory framework is managing these risks, while the fifth section concludes with brief reflections on what these trends entail for urban housing inequalities.

10.1. Reflections on research questions and methodology

This thesis has been a process of knowledge production with the goal of overcoming the “distancing” (Clapp 2014) of abstract financial systems from the urban relations and practices within which they are inherently embedded. In doing so, this thesis is presented as an engaged, political inquiry, with my goal being to explore the financialisation of English housing associations not as an iron, mechanical logic, but as a precarious and risky accomplishment (Hodkinson 2011a) that has required an active and ongoing process of governance by lenders, associations, the regulator,

professional business service providers and other stakeholders. I have shown this to be the case throughout my thesis, conducting an in-depth analysis of the changing regulatory and policy environment under austerity and neoliberalisation, drawing on interviews with social housing sector stakeholders and practitioners and an extensive documentary analysis of government, housing, and financial industry reports. In Part Two of this research in particular I focused on how financialisation has rested on the governance of associations as entrepreneurial, risk-taking enterprises through the regulatory framework, advancing the insights of Cowan and McDermont (2008) by analysing this process within a 'post crisis' context of heightened economic uncertainty.

In formulating my research design and strategy, I have been informed throughout this thesis by an epistemological framework grounded in the critical social sciences that views knowledge production as an inherently situated, political and practical activity (Harding 1987; Haraway 1988). As a researcher, my contributions have not been made from a neutral or disembodied standpoint, but as part of a wider historical power relations in which housing associations are increasingly coming to be depicted in elite and social housing sector discourses as entrepreneurial social enterprises and a potential asset class for financial investors. This research has therefore been intended as a critical assessment of the financialisation of housing associations, analysing how the risks generated by the process have been distributed and shared across lenders, providers, tenants and the public sector. In analysing this, I have stressed throughout that financialisation should not be seen as a neutral or technical process of helping providers to increase housing supply, or as the result of the retreat of the state in favour of the expansion of an anonymous market 'logic'. Instead, financialisation has been shown to require an active and ongoing process of governance by state and

private actors that has seen the risks of the process systematically displaced through legal and regulatory frameworks onto providers, the public sector, and ultimately tenants. Financialisation is therefore a deeply social and political process, implicated in broader tendencies of accumulation through dispossession as social housing assets are reshaped to enable the circulation of capital through the built environment.

As my research has focused on the social underpinnings of financialisation, throughout the thesis I have therefore adopted a primarily qualitative methodology in my research design, though also featuring the use of charts and graphs in order to provide a quantitative context for my analysis. In order to make visible the connections between social housing and finance, I have drawn on empirical fieldwork data gathered through semi-structured interviews with social housing stakeholders, including members of the private and public sectors, and senior officials within housing associations, in order to analyse and uncover data about the practices and narratives by which associations have been constructed as an asset class. This data has been complemented with a smaller sample of interviews drawing on housing and regeneration practitioners within the northern English city of Manchester in order to enable an initial exploration of how financialisation is materialised on the ground. Though findings arising from this are indicative, they have nonetheless shown important nuances, such as a desire by associations to increase awareness of their tenant base as they become subject to the greater threat of future rent arrears under reforms such as universal credit. The subject of how financialisation is experienced, in particular through the practices of tenants and low income urban inhabitants, remains a subject in need of urgent further study.

In analysing the risks generated by financialisation, and how these are materialised in the changing relations between lenders, providers, the regulator and tenants, I have been guided by the following questions:

1. To what extent does financialisation entail a new form of governance in housing associations? What are the features of this governance?
2. To what extent have housing associations adopted financialisation? Are there any bounds or limits on this process?
3. What are the likely risks this process generates, and how are housing associations and the regulatory framework adapting to these risks?

In answering these, throughout the thesis I have combined original interview data with an extensive documentary analysis of social housing sector and financial industry reports, regulatory documents, legal briefings, media reports, policy and think tank papers and financial data gathered from the collated accounts of housing associations. This has strengthened the robustness of my findings, enabling me to corroborate the inherently partial and selective nature of the accounts given to me by interview respondents, while uncovering trends that point toward the growing risks of financialisation of providers. The interview data has also given me an invaluable account of how senior social housing representatives, investors, policy-shapers, providers of professional business services and practitioners narrate and represent financialisation, for example the extent to which respondents represent it as furthering the social goals of associations through providing cross subsidy for the provision of new housing. As such, a key contribution of this research has been through the insights a critical analysis of this in-depth data has given to the strategies pursued by actors within this process, aiding attempts to theorise financialisation and housing neoliberalisation as not just a structural process, but one that has to be made by participants, and hence may be vulnerable to being disrupted or contested

(Hodkinson, Watt, and Mooney 2013). This chapter now turns to a summary of the findings of this thesis in answering each of these questions in turn.

10.2. The “organised irresponsibility” of housing association governance under financialisation

In this section I focus primarily on my first research question. In exploring the governance of associations, I have situated my analysis of housing association financialisation within a theoretical framework grounded in historical materialism, through one that views capital as a social relation rather than a mechanical structure. I defined financialisation at first approximation as the extensive and intensive accumulation of interest-bearing capital (Fine 2013). Furthermore, the analysis by Harvey (2007a) of the tendency of land to be treated as a pure financial asset suggests that the ownership of land by capital can then come to play the same functional role as the accumulation of interest bearing capital, due to its functional equivalence to a financial security. This implies that an analysis of financialisation should be extended to incorporate its urban aspects (French, Leyshon, and Wainwright 2011).

My theoretical framework developed through Part Two of this thesis has also emphasised the need to analyse financialisation as a process whose existence has to be explained. In doing so, I have attempted to heed warnings by key voices within the literature that too unreflective a use of financialisation reifies the social and economic processes the concept attempts to describe, with finance depicted as a determining force that acts on society, rather than itself being a socially constructed phenomenon (Christophers 2015; Ouma 2016). Instead, I have argued for the usefulness of analysing financialisation as operating through the spread of a risk calculus through society in which class relations and social production are becoming subsumed under

the need to provide a competitive return for capital (Martin, Rafferty, and Bryan 2008; Bryan and Rafferty 2014b). Given housing's dual role as a means of social reproduction and a potentially lucrative asset class, my conceptualisation of financialisation as a form of governance has enabled me to contribute to the literature by analysing associations as active participants in financialisation, without losing sight of how this relates to wider transformations in urban political economy.

In particular, I have argued that the need to cultivate subjectivities and organisational rationalities capable of calculating exposure to the risks and reward of investment has been a key enabler of financialisation (Martin 2002). Chapter 4 built on this analysis by showing how capital becomes spatialised in the built environment, drawing on the analysis by Harvey (2007a) of the tendency for land to become treated as a pure financial asset, a theoretical analysis that has taken empirical form under neoliberalism as urban space has undergone an extensive re-commodification. This has been an inherently political process, necessitating the state-imposed rolling out (Brenner and Theodore 2002; Peck and Tickell 2002) of market relations and the transformation of urban land into an object of profitable accumulation. In turn, this has also been argued to generate crisis dynamics that require mediation through ongoing institutional reinvention in order for liquidity to be reliably extracted from the fixity of real estate assets (Gotham 2009). A fundamental component of this has been the enforcement of property relations through urban space, including the expulsion or dispossession of those who might disturb or interrupt the ability to extract value from housing and the built environment, a process well-charted in the literature analysing gentrification (Slater 2006; Lees 2010; Watt 2013). As a modality through which the production of urban space is subject to the needs to extract value, I have argued that housing financialisation should be viewed as an inherently urban set of practices. In particular,

it should be stressed that the dispossession of others who may threaten accumulation is at the core of financial governance, for example through housing associations controlling risks through excluding prospective tenants from their social housing who may be likely to fall into arrears.

My thesis has contributed to these debates by drawing on the literature within critical socio-legal studies, in particular that of the territorialisation of property rights (Blomley 2003a, 2011) and their regulatory governance (Cowan and McDermont 2006, 2008), in order to conduct an in-depth analysis of how housing association financialisation is mediated through legal and regulatory frameworks. This was achieved in Chapter 5 through my theorisation of the need to govern risk as a fundamental attribute of housing association regulation in the context of urban neoliberalisation and financialisation. In particular, my argument stressed that the regulatory governance of housing associations by bodies such as the Housing Corporation, the TSA, and the HCA has not only been a matter of preventing risk. Rather, through a historical analysis of the formalisation of borrowing by associations under the Housing Act 1988, I argued that the shift to the use of private finance by associations has systematically relied on the transfer of the risks of development to providers and tenants as a means of installing market discipline. With the ability to produce new social housing dependent on the need to satisfy lenders, this has been shown to introduce a commercial logic into the fundamental operations of social housing, with the result that the financialisation of housing associations should not be seen as a wholly new phenomenon, but as a historical process that has been long in the making.

Rather than law and regulation being conceived of as a set of rules in a book that are then applied to society, I have applied the insights of critical socio-legal analysis of law and regulation as a discourse to the enactment of private property rights in the social

housing stock of associations (Blandy and Sibley 2010; Blomley 2011). In particular, I have applied these analyses to the regulation of housing associations in the post-1980s era of private finance. Drawing on Cowan and McDermont (2006), I argued that the defining features of this regulatory governance has been a shift to de-centred governance at-a-distance and self-regulation (Black 2001) that embedded commercial and competitive logics in the sector, within a wider framework of “new public management” techniques that prioritise audit, monitoring and performance targets (Hoggett 1996; Walker 2001; McKee 2009). Although formal performance indicators for “consumer” tenant standards were scrapped with the abolition of the TSA in 2012, economic monitoring and audit has continued to be essential for the HCA’s regulation of the sector (Homes and Communities Agency 2012). A key contribution of my thesis has been to develop these insights by applying them to the analysis of financialisation within a post-crisis context of greater uncertainty and volatility, shaping new relations between lenders, providers, tenants and the regulator.

Specifically, in theorising the regulatory governance of housing associations under financialisation, I drew in Chapter 5 on the analysis by Veitch (2007) of the role law can play in the construction of a system of “organised irresponsibility”. That is, by assigning liabilities and responsibilities to individualised actors, the collective responsibility for social harms can be obscured, such as the inequalities and dispossession generated in the urban landscape through speculative real estate development (Curran 2013, 2015). I then applied this analysis in Chapter 6, showing how legal and regulatory frameworks in the development of a bank-led financial model following the Housing Act 1988 up to the financial crisis worked to shield lenders while passing risks onto providers and tenants. In conducting this analysis, I drew on the exploration by Froud (2003) of the distinction between risk and uncertainty in the

context of welfare state outsourcing, with risk being a calculable and probabilistic entity, while uncertainty refers to the radical unknowability of the future. In the development of the post-1988 public-private finance model, my analysis demonstrated how the use of social housing stock as collateral has been essential for associations being permitted to borrow from private markets, acting to insulate lenders from the uncertainty of being able to recover their losses if a provider defaults. While this power has not yet been activated, my analysis has shown it to be a fundamental component underpinning the sector's development model, with lenders taking active steps through the history of their relation to the sector to protect this right, including the threat of capital strike that would deprive associations of any future access to credit.

As demonstrated in Chapter 6, relations between associations and the financial sector in the pre-crisis era were mediated through relatively traditional bank lending, though this was also a period where regulatory liberalisation enabled the sale of over the counter derivatives to associations, primarily in the form of interest rate swaps in order to pay fixed rates on their long-term loans. I have nonetheless argued that the use of housing association stock as collateral nonetheless enabled the construction of a "financial terrain" (D. Fields 2015), providing creditors with latent claims to assets that have limited the policy space of the government and the regulator in governing housing associations. Although the necessity of private money for social housing development has been previously explored (Cowan and McDermont 2006; McDermont 2007), my research advances this literature by analysing the direct role the use of housing association stock as collateral has played by territorialising financial interests within the social housing sector. A key finding of this chapter is that the governance of stock acts as a key point of intersection between this financial terrain and the sector's "regulatory space" (McDermont 2007), with banks in addition to the regulator also

emerging as key actors who shape the behaviour of associations, for example through restricting their ability to borrow via loan covenants and conservative valuation techniques. These directly shape the organisational strategy of providers, for example through restrictive covenants creating pressures toward mergers to free up borrowing capacity, with my research demonstrating the importance of regulatory governance by private actors such as lenders and valuers to the financialisation of social housing (Scott 2002; Black 2001).

Faced with the dilemma of wishing to safeguard social housing stock while also overseeing a development model fundamentally based on the assumption of a level of risk by providers, the regulator has therefore attempted to introduce monitoring and audit procedures in an attempt to self-responsibilise associations as efficient developers. A crucial additional power has been found to be the operation of the consents regime by which the regulator could minimise the ability to use stock as collateral for commercial developments, although regulatory proposals to introduce an absolute ringfence were dropped in the face of lobbying by providers and lenders (Homes and Communities Agency 2014b). In chapters 8 and 9 I analysed the contradictions of this process in a post-crisis context through the deregulatory measures introduced to reverse a classification of housing association debt as belonging to the public sector, the ramifications of which will be discussed further later in this chapter. As opposed to being the result of the erosion of the state, I have therefore argued that financialisation in housing associations has been the product of “regulated deregulation” (Aalbers 2017), in which the government via legal frameworks and the regulator has actively set the contours of market activity, demonstrating the importance of the state to the commodification of social housing.

My focus on the use of housing association assets as collateral in Chapter 6 has also enabled me to advance the theorisation of a constitutive “obscurity” as a core component of social housing governance, previously developed by Cowan and McDermont (Cowan and McDermont 2008) with respect to the shifting normative definitions of social ‘need’ as a legitimating ideal for the aims and goals of the sector. A key finding in my chapter was that a major element enabling associations to borrow long term at relatively affordable rates has been the sector’s regulated and subsidised nature, enabling associations to borrow long term at cheaper rates than they would otherwise be able to because lenders have considered them safe and reliable borrowers. The threat to tenants in terms of losing their rent protections, though not their tenancies, and to the government in losing the public investment safeguarded in social housing stock, has been sufficient to create the implicit expectation among lenders that the government would ultimately stand behind the sector to prevent repossession. As I have argued, this can never be an explicit feature of the sector’s regulation under the current private finance model however, as an outright backing of the sector by the government would then likely see the £60bn debts of the sector permanently classified onto the government’s own balance sheet. The respective power relations between lenders and the government in an insolvency situation have therefore been obscured, with the government unable to make this power explicit and thus subject to formal accountability. Obscurity, then, has been found in my analysis to also be a key feature of how housing association financialisation has operated as a mode of governance.

As a result of this obscurity, I have argued that financialisation has operated as a form of governance that has rescaled reasonability for risk management on to the scale of the individual provider through measures such as the use of housing stock as

collateral. This has been crucial in ensuring associations perform their role in the circulation of capital through the build environment that underpins housing financialisation. To this extent, I therefore argue that the governance of housing associations under financialisation can be categorised as a form of “organised irresponsibility” (Veitch 2007; Beck 1992), adding to the observation by Curran (2015) that the *collective* risks of speculative urban development are being systematically transferred down from lenders, to providers, and ultimately tenants who bear the brunt of housing insecurity.

Additionally, I have argued that this form of governance possesses *new* features in the post-crisis period of heightened uncertainty and weak economic growth. Prior to the crash, the question of default was less immediately salient due to the apparent health of the financial sector and steady, guaranteed subsidies from the government. The sector therefore operated in the “shadow of the law” (Rose and Valverde 1998), with the right to invoke repossession operating as an untested, latent power. The financial crisis has raised the serious question of what would happen in the event of creditors repossessing stock, with a key finding of Chapter 6 being that even though this course of action would still hold risks for lenders, they would still carry out this threat in order to prevent the basis of their power from being undermined. As shown in Chapter 9, discussed later in this conclusion, this uncertainty has led to the establishment of new insolvency regimes that have statutorily privileged the interests of creditors over the need to keep social housing stock within the social housing sector. An additional key finding of Chapter 6 however is that tenants themselves remain a factor in this situation, with lenders such as high street banks concerned over the potential reputational risk if they repossess stock. Another contribution of my thesis is therefore to show one possible opening in which tenants may “enter” financial terrain through

contesting the ability of lenders to take possession of their stock (D. Fields 2015), echoing similar protests in the takeover of the New Era estate in London by private interests after its sale by a charity (Beswick et al. 2016). Such contestation would nonetheless happen under desperate circumstances given the threat to the homes of tenants, demonstrating the urgent need to gain knowledge of the risks that are currently developing through the sector.

10.3. The contradictions of housing association financialisation

In this section I consider my second research question on the extent to which associations have adopted financialisation, and whether this process has bounds or limits. In Chapter 7 I analysed how the financial crisis and its aftermath have transformed social housing finance, focusing on the shift to the capital markets in the form of bond lending, and the nascent equity market offered by institutional investors that is a marginal but growing feature of the sector. I found the immediate impact of the crisis was for banks who themselves faced higher funding cuts to pull back their lending to the sector, claiming that many of the loans they had previously made to providers were now loss-making (House of Commons 2013). The perceived stability and state-backed nature of housing associations nonetheless made them attractive to bond lenders such as pension funds and insurance companies, who were seeking long-dated assets to offset their own liabilities. While banks still hold the majority of the sector's historical debt, and still provide some funding for the sector, the majority of new loans have since come to be accounted for by the bond markets. The relation of associations to the state has therefore been a crucial factor in their construction as an asset class for bond lenders, enabling the continuation of the private finance model previously dominated by banks from the Housing Act 1988 up until the onset of the 2007 – 2009 financial crisis.

As seen in Chapter 7, much policy and financial services industry analysis over the past decade, with the collaboration of some academic researchers, has explored the potential for attracting new institutional investment into the social housing sector, as part of a wider exploration of corporate investment in residential rented housing (Williams, Salisbury, and Caven 2011; Oxley et al. 2015; Montague 2012). Although corporate investment at scale has been limited in the UK compared to other national contexts such as the US, a key finding of my chapter was that at least two types of investor can be distinguished; those seeking long-term safe returns, and those actively targeting higher yields and the potential for equity investments such as sale and leaseback arrangements. Interest in these within the social housing sector itself has nonetheless been relatively limited, due to the ready availability of long-term, affordable fixed rate debt through the bond markets. From the point of more conservative investors, bonds are also preferable in offering a readily identifiable and exchangeable asset, which in the case of a public issue will have received a grading from a credit rating agency. This can also enable them to be sold on and traded at a future point in time, although interview data with participants indicates that secondary trades of association debt are currently still rare.

This turn toward the bond markets has also attracted attention within the academic literature, though there is not yet a consensus over its impacts within the few papers that have been published on this specific area to date. Tang et al (2017) have claimed that bond finance presents a flexible source of finance in comparison to equity investment, while Wainwright and Manville (2017) have argued that the process of bond issuance involves associations having to submit to inflexible procedures such as rigid credit checks in order to access credit. Interestingly, credit downgrades as providers become more exposed to the market limits the ability of associations to

engage in commercial developments, with bond buyers wary of anything that may threaten the perceived safety and stability of association debt. Both analyse access to finance in terms of enabling associations to meet social goals such as the development of below-market housing, though for Wainwright and Manville (2017) financialisation is very much something that associations acquiesce to, rather than playing an active role in reshaping the process.

While one limitation of this research is a lack of direct interview data on the process of bond issuance, including the role of credit rating agencies, one contribution of my thesis to these debates is that I have found the relation of associations to the capital markets to be a more complex process. Although the process of bond issuance can be rigid in comparison to bank lending, one key finding of my chapter was that the purposes by which associations borrow is changing, with providers engaged in developing seeking to access lending facilities that can be used across the whole of their operational requirements, rather than for specific projects. In doing so, although bonds can themselves entail restrictive covenants, they can also provide an opportunity for some associations to refinance their existing debt if they have existing covenants restricting them from exploiting their assets to engage in development. The ability to access large bond facilities with fixed rate payments has also seen a small number of cases where associations have directly engaged in financial accumulation themselves, such as the case of Notting Hill housing association offering interest rate swaps with other providers. While financialisation may not involve bond buyers changing their practices to suit associations, it can still therefore be seen to be a two-way process in which associations are gaining the capacity to engage in trading in financial instruments themselves. The consequences of this are an urgent area for future research given, the demonstrable volatility of derivatives in cases such as the

near bankruptcy of the Dutch housing association Vestia after its engagement in derivatives speculation (Aalbers, Loon, and Fernandez 2017).

Additional findings in Chapter 7 further complicate this picture of financialisation. It should be stressed that I have found financialisation to be a dynamic and contradictory process. While bond lending has so far been relatively favourable for associations, the ability to attract debt on the capital markets has been occurring within a post-crisis conjuncture (Engelen et al. 2010) of low interest rates and a search for safe assets in an economic context characterised by weak growth and a death of investment opportunities. Furthermore, one finding of my chapter is that even within this context, associations have encountered difficulties in borrowing. My findings, corroborated by my interview data and financial regulator reports (Financial Conduct Authority 2016), have indicated that banks working as bond arrangers may have a conflict of interest in securing deals that are favourable to bond buyers, rather than associations. The need to explore the extent to which these conflicts of interest in the process of bond issuance are widespread is therefore an important area for future research that has been identified by my thesis.

Additionally, in my exploration of the distinction between two classes of prospective lenders and investors in Chapter 7, I have argued that the dynamic nature of financialisation can be seen in the exploration of equity investment by fund managers seeking higher returns on their capital. Forms of equity investment such as sale and leaseback using index-linked finance have been found to so far be marginal within the sector, with interview respondents and consultants such as TradeRisks (2014) warning of high hidden costs, which can be difficult to predict unless aspects such as inflation are adequately priced in. A minority of housing associations have nonetheless been attracted into equity finance via their reaching the limits of the *current* borrowing

opportunities available to them, for example by exhausting their capacity to use stock as collateral, or encountering difficulties in attracting bond finance for more commercial developments such as shared ownership. As housing associations reach the limits of their current borrowing capacity, with lenders wary of their exposure to greater risk, these barriers may be overcome through a turn to the equity markets, particularly if interest rates rise and make borrowing more difficult. This cautions against viewing financialisation as a static end point or a sustainable solution for the housing sector (Oxley et al. 2015), pointing to the need for critical assessments of the potential negative consequences of institutional investment for social housing.

Most recently, there has been critical analysis of the scope for transnational corporate landlords attempting to enter the affordable housing market, with speculation that Real Estate Investment Trusts (REITs) or private equity firms such as Blackstone may attempt to enter the affordable housing market via social housing estates in London, to evade higher land prices elsewhere in the capital. My findings in Chapter 7 have contributed to this emerging research area by demonstrating the need to look beyond London, with institutional funds such as Cheyne and others piloting developments in regional towns and cities such as Sheffield or Luton. Although this is still an emerging market, interview data suggests that one strategy pursued by these organisations is to target affordable housing in areas where affordable rents are close to market rate, or alternately, specialised property such as temporary accommodation where housing benefit payments would be more secure. My fieldwork data suggests that low land costs in such areas combined with the stability of affordable housing enables the chance for higher relative yields to be extracted, though such developments would need to be deployed at scale in order for such a strategy to bring higher absolute returns (D. Fields 2017). An alternate strategy identified has been to target

developments in areas such as Luton that could be capable of capturing commuters based in high-wage areas such as London, enabling higher rents to be charged for lower land costs. As such, the UK's highly uneven economic geography therefore emerges as a resource for institutional investors, who are able to exploit land differentials and inter-city rent gaps in the search for yield.

The exploitation of spatial strategies to take advantage of rising land values, in a temporal conjuncture of low interest rates, can also be seen in the development activity of housing associations themselves. In Chapter 8, I analysed the impact of post-2010 austerity cuts on the development activity of associations, in particular the growing dependence on more commercialised developments among larger, often London-based providers. I have argued that the expansion of commercial activity in the aftermath of the financial crisis acts as the next iteration of a path-dependent process of privatisation and re-commodification (Harloe and Lebas 1981; Ginsburg 2005) that has been underway throughout the neoliberalisation of social housing policy over the past 40 years. With Manzi and Morrison (2017), I have argued that this has the potential to lead to some associations adopting a fully commercial perspective, fulfilling the warnings by Ginsburg (2005) of a genuine privatisation of social landlords.

Some analyses within the housing studies literature have suggested that de-municipalisation and greater commercialisation can be interpreted as a "migration" of social housing toward the private sector, driven by a structural "modernisation" of the housing system through a path-dependent drift to the market (Malpass and Victory 2010; Pawson and Sosenko 2012; Malpass 2005; Pawson and Mullins 2010). Contrasting with this, my research indicates that associations are undergoing a more far-reaching process of financialisation as associations are incentivised to treat their land and housing as pure financial assets, within which the political economy of social

housing is becoming more dependent on being able to facilitate the circulation of capital through the built environment (Aalbers and Christophers 2014). Furthermore, in my research I have contributed to a housing political economy by extending the analysis of Montgomerie and Büdenbender (2015) by showing housing financialisation to be a spatially and temporally bounded process. The successful commercialisation of housing associations on a large scale has been shown in Chapter 8 to be geographically concentrated among a relatively small number of larger providers, while this has relied on an unusually beneficial temporal conjuncture of low interest rates and welfare reforms whose worst impact has not yet been felt. Beyond these limits, financialisation appears as a risky and precarious phenomenon, as shown in the next section of this conclusion.

10.4. The risks of financialisation

In considering my third research question, financialisation has potentially serious consequences for tenants, with the provision of future affordable housing found to be becoming dependent on the ability of associations to participate in speculative processes of land development which themselves produce unaffordability and dispossession. One key finding of my research in Chapter 8 for example is that in funding development, some London-based associations have sold land assets in inner London to overseas investors. Although this may release money for cross-subsidy, any new affordable housing would not be built within the same area, contributing to the gradual expulsion of affordable housing from central areas of the capital. Furthermore, an additional finding of the chapter is that in order to extract a return sufficient to cover the costs of development, associations have diversified the tenancy mixture of the housing they develop, reducing the proportional amount of affordable housing they build and casting doubt on the claim that cross-subsidy can provide new

social housing without government subsidy. Although commercial developments are coming to account for a higher share of the sector's income, with one quarter of the sector's turnover now accounted for by income from sources other than social housing (Homes and Communities Agency 2017b), financialisation has also been seen to be a geographically concentrated process, with the bulk of revenue accounted for by a small number of predominantly London-based providers (Homes and Communities Agency 2017a). Financialisation should therefore not be considered as a sustainable income model for the sector as a whole.

In addition, Chapter 8 showed how the response of the government to the recent re-classification of housing association debt as belonging to the public sector has been a wide-ranging deregulation of regulatory powers, including the scrapping of the consents regime through which the regulator has historically been able to restrict sales of stock from the sector or its use as collateral. The deregulatory measures appear to have had the desired effect, with the Office for National Statistics at the time of writing having re-classified association debt as private sector once more. The temporary classification of housing association borrowing as public debt did not have any impact on the operational activities of associations, and as indicated by *Macleod, R (on the application of) v The Governors of the Peabody Trust* [2016] EWHC 737, in which a transfer was declared a private act, the statistical reclassification of associations' debt has not had an impact on the public or private status of associations in case law. The removal of association debt from the public books is nonetheless significant in that it may free up the government's capacity to borrow against its self-imposed limits. Whether this is spent on social or affordable housing is a discretionary matter for the Treasury however, with the latest budget announcement in November 2017 not

containing significant levels of new capital spending for affordable rented housing that had not already been announced (Barratt 2017).

Though the regulator still has indirect levers to influence association behaviour, such as the use of Governance and Viability ratings monitored by lenders, in Chapter 8 I argued that this nonetheless represents a significant long-term change within the sector, enabling the more commercial churning of assets and raising the possibility that social housing stock could be sold from the sector. As such, tenants are likely to bear the costs of financialisation through a continued expulsion of social and affordable housing from central urban areas, as the provision of their housing as a shelter becomes dependent on the ability of associations to extract value through treating land and housing as a pure financial asset. This finding can be seen to contribute to the literature by adding nuance to the theorisation by Bryan and Rafferty (2014b) of financialisation as a transformation of social reproduction. My research has found this to operate not just at the level of home ownership, but through the homes of social housing tenants being treated as assets for the purposes of value extraction. For future research agendas, this strongly suggests the need for an exploration of financialisation that moves beyond the interviews with social housing stakeholders and practitioners contained in this study, moving instead to inquire as to how social housing tenants themselves experience, narrate and reflect on these processes, including the extent to which it shapes their own practices of social reproduction within a wider context of austerity and insecurity.

In addition, my research also contributes to the financialisation and housing studies literatures by undertaking a critical assessment of the claim that financialisation can be used in the pursuit of progressive political ends. Recalling the analysis by Cowan and McDermont (2008) of a constitutive obscurity in the aims and norms of social

housing, a key finding in Chapter 8 was the claim by think tanks and private sector-adjacent consultants that financialisation, in the sense of the treatment of land and housing as a pure financial asset, can also be a means of fulfilling social goals (Walker 2014). The expulsion of people on low incomes from central urban areas, within this view, can be justified through it unlocking the market in order to build more houses. Critiquing the conceptual assumptions underlying this claim, I have argued this rests on a normative and depoliticised depiction of housing as a privatised and individuated commodity, a view that excludes the relationships and collective practices by which people may shape their homes and the neighbourhoods and cities in which they live.

This claim also rests on the denial of the importance of the relational spaces through which we associate with one another as human beings, erasing the harms caused by displacement through an implicit assumption of housing as belonging to the abstract space of commodity circulation (Lefebvre 1991). My analysis as to how this view of space is weaponised to justify dispossession within social housing financialisation is relevant to the housing studies literature that analyses changes to social housing as a process of 'hybridity' between commercial and social goals (Kickert 2001; Pawson 2006; Czischke 2009; Mullins, Czischke, and Bortel 2012; Sacranie 2012; Manzi and Morrison 2017). Even where these adopt an explicitly critical analysis of these changes to housing associations (Manzi and Morrison 2017), my research contributes to this literature by showing the need for an explicit conceptualisation of the notion of spatial justice as part of the aims and norms of social housing (Soja 2009), in order to account for these processes of displacement and dispossession.

While the above critiques of dispossession apply to when financialisation is working 'well', in a scenario where associations are able to successfully reform themselves as large commercial developers, my findings in Chapter 9 strongly suggest that the

financialisation agenda is building up serious risks for both providers and tenants. A key finding of my research is that even under the favourable environment for financialisation experienced since the crisis, the HCA has expressed concerns over the build-up of risks within the sector, for example through a minority of associations selling assets in order to cover their operations costs. Although the surpluses collectively made by the sector are high, I have argued that these are a reflection of current low interest rates rather than evidence of underlying financial health. The case of Cosmopolitan Housing Group (Underwood, Kane, and Appleby 2014) in particular has raised concerns over the possibility of an association undergoing default, putting social housing assets and the homes of tenants at risk, while bringing down the current development model by destroying the sector's collective credit rating.

With the regulator facing limited resources, I have argued in Chapter 9 that the focus of attempts to counter these emerging risks has been a deepening of the individualisation of risk management by associations, further entrenching the process of "organised irresponsibility" (Veitch 2007) analysed above by entrenching commercial subjectivities in the sector. An additional contribution of my analysis of how financialisation operates through the governance of associations is therefore the attention this draws to the importance of disciplining associations into effective capitalist behaviour, while obscuring the systemic aspects of crisis in the urban landscape. I have also shown the value of a socio-legal perspective by analysing the new insolvency regime created for the sector in an attempt to formalise procedures for dealing with a provider in administration. Although this may appear to give some clarity to the 'obscurity' of the relation between lenders and the government in the event of a default, I have shown how this turns to the powers of the courts through a court-appointed administrator may reflect a weakening of the regulator's power, as disputes

become subject to formal legal arbitration. The explicit statutory privileging of the rights of lenders over that of tenants within this system through the Housing and Planning Act 2016 may then deepen the reach of the “financial terrain” analysed in Chapter 6, entrenching the commodification of housing associations.

If an outright collapse were to happen it would be a nightmare scenario, at best requiring a large-scale government bailout to protect the homes of affected tenants comparable to the Vestia incident (Aalbers, Loon, and Fernandez 2017), and at worst leaving potentially thousands of people at the risk of rent hikes or homelessness. As in the Netherlands, financialisation within English housing associations could end in disaster, leading to providers withdrawing from the commercial market (Manzi and Morrison 2017). A common theme emerging from interview respondents within the social housing sector was a desire to characterise cases such as Cosmopolitan as a case of bad governance by boards and senior executives, with proposed solutions including the need to recruit people with commercial development experience. My analysis in Chapter 9, building on my thesis as a whole, suggests that this individualised focus is misplaced, obscuring the systemic risks of financialisation generated by the reliance of associations on speculative and volatile private property markets to earn income.

While not all providers would be affected by a downturn, one possible outcome of a collapse could be the sale of assets held under commercial development arms by associations, displacing housing associations with outright private actors. Given my findings in Chapter 7 of new investors looking for opportunities, a provider collapse could give rise to the worst case scenario highlighted above, enabling the creation of a new frontier of accumulation through dispossession as private actors snap up valuable assets, at a cost to tenants who would likely face higher rental costs and

worse services as associations enter financial distress. The practices and strategies of the financial investors analysed in Chapter 7 should therefore be an urgent area for future research, with critical academics analysing the extent to which this represents a nascent class of corporate landlords at work.

If these scenarios were to be avoided, then I have endeavoured throughout this thesis to show how tenants would still bear the costs of financialisation within an age of austerity. One finding of this research is that associations at the time of fieldwork were considering introducing affordability criteria in deciding who they let to, potentially leading to the future exclusion of a class of people who are either out of work and vulnerable to benefit cuts, or who cycle in and out through unpaid work. To that extent, financialisation even in its 'best' case scenario can be seen to operate as a process of accumulation through dispossession, with people excluded from future affordable housing, particularly in central urban areas. My research has also indicated that there are likely to be nuances and contradictions in this approach however, with indications that some associations may be devoting more resources to tenant management and assessment in order to take preventative action against the chance they may fall into arrears. How this works to transform the daily lives of tenants and their relations with their landlords should therefore be an urgent area for future research.

10.5. Finance and the welfare state: creating better capitalists out of social landlords

This section concludes by bringing together the theoretical implications of the findings of my thesis for the study of financialisation. To briefly recap, leading voices within the current academic literature in the wake of the financial crisis have attempted to nuance the concept, calling for more attention to the specific practices and agencies that enable financial capital to circulate, while warning against conflation of the concept

with an mechanical imposition of market forces (Christophers 2015). At an empirical level, post-crisis studies into the financialisation of rental housing have sought to bring geographical nuance into how entities such as private equity funds and institutional investors are brought into contact with residential struggles across urban space (Fields and Uffer 2016; Beswick et al. 2016). In order to better theorise financialisation, there has been a strong tendency to draw upon Marxian and cultural political economy to differing degrees to historicise the concept while treating it as an outcome to be explained rather than as a determining, pre-social force (Christophers 2014; Ouma 2016; Fields 2017). In other words, the wake of the crisis has seen an attempt to grasp the practices that in Marxist vocabulary lead from M to M', examining the accumulation of finance capital through real estate as a practical accomplishment that has to be made, and therefore is potentially open to being unmade.

The findings of my thesis as analysed through my theoretical framework have implications for the nuances of these debates, and the questions that critical housing researchers should be asking in the study of financialisation. As often observed in the housing studies literature, housing associations have contradictory roles as both welfare state providers and large landlords operating within a substantially commodified system of land markets governed by private property rights. As shown throughout my data chapters, austerity policies in a post-crisis environment of low growth and ultra-low interest rates have driven a greater reliance on commercial income and a turn to the capital markets to secure development finance by providers. While Chapter 6 showed how regulatory liberalism and neoliberal reform from the 1980s generated a long-term commercialisation of the sector, the post-crisis period has seen a qualitative shift toward financialisation as providers have come to treat their stock as financial assets whose monetary value should be maximised. Unlike

fully private corporate landlords however, as shown in Chapter 7 the specific nature of housing associations as an asset class has been constructed by their role as welfare providers, in particular the stability that lenders have come to expect through the anticipation of government regulatory support. Even given the impact of austerity measures analysed in Chapter 8, the need to maintain that stability has been a crucial task for the regulator in maintaining their appeal as long-term secure borrowers for entities such as pension funds. Chapter 9 found that legal and regulatory measures have still remained vital in reassuring lenders of their security through means such as the introduction of a court-appointed administrator in the event of insolvency. This demonstrates the continuing relevance of state frameworks in how associations are treated as an asset class, even with the weakened powers of the regulator with respect to lenders, due to the negative consequence of a provider failure given their continued welfare provider role as social landlords.

Crucially, the ongoing regulatory effort to shape associations as reliable clients of financial investors highlights the iterative nature of constructing social landlords as investor-subjects in the wake of the financial crisis. This demonstrates the need for the financialisation to take seriously what Emma Dowling (2017) has called the co-imbrication of the state and the financial sector in delivering welfare services, with the latter gaining opportunities for profitable accumulation through the outsourcing of services such as social housing by the former. The analysis in this thesis has advanced this understanding through extending the insights of the socio-legal literature as to the regulatory space of social housing (McDermont 2007), showing how this operates in a financialised, austerity context. As shown in particular in Chapter 7 and Chapter 9, providers reaching their borrowing limits for example have been shown as a spur toward consolidation and the seeking out of new sources of finance for more

commercial products such as shared ownership. In doing so, I have further advanced the theoretical analysis of the crucial role of legal and regulatory frameworks that have sought to gain a better understanding of how financial agents use law to entrench commodification and investor power (Knuth and Potts 2016). Law has already been shown in the crossover literature between socio-legal analysis and financialisation to be crucial in areas such as the creation of new markets through means such as the direct creation of new regimes of property rights (Kay 2016). My analysis extends this by showing the need to be attuned to the latent aspects of investor power, with lenders to housing associations actively defending their rights over housing association loan security even though this is a power that has not been actualised in practice given the reputational risk of repossessing the homes of sitting tenants. Financialisation in social housing therefore has a strong performative aspect, in terms of the regulator needing to maintain confidence in the ongoing commercial viability of the social housing sector in the face of fragile and crisis-prone real estate markets.

Finally, the question of lender and investor power gives rise to further theoretical considerations for the governance of housing associations as an asset class to which this thesis has contributed. My analysis has shown the governance of risk to be a key technology of financialisation, with legal and regulatory frameworks in the historical vulnerabilities of the post-crisis financial context passing down insecurity from lenders, to providers, and on to tenants in a process of organised irresponsibility. This extension of financial technologies of risk management through the housing system extends the theoretical analysis of Bryan and Rafferty (2014b), showing how this occurs not only in the context of homeowners acting as investor-subjects, but through the provision of social housing becoming dependent on the successful navigation of financial logics by housing associations. The analysis of Manchester's urban context

in chapters 8 and 9 shows the nuances of this however, with housing practitioners both attempting to focus support on existing tenants in order to prevent arrears risk, while introducing new exclusionary letting policies likely to exclude new classes of benefit-dependent tenants to protect their income streams. As such, the maintenance of financialisation has been shown to entail providers to engage in an intensification of knowledge-gathering with respect to tenants, while attempting to focus resources on preventing some tenants from presenting an arrears risk.

Financialisation can therefore be enacted through multiple techniques, operating through welfare provider governance strategies rather than a replication of outright private sector relations between landlords and tenants. Despite this nuance however, it should be emphasised that the current regime of financialisation in social housing provision via housing associations necessitates that lenders and investors be ensured of a profitable return. The need to show a return for lenders, therefore, still predominates in the last instance, with financialisation subordinating the ultimate social objectives of housing associations to ensuring the continued circulation of capital for the ends of profitable accumulation. As such, the transformation of housing associations as an asset class analysed in this thesis should be understood as fundamentally reliant on the privatisation of gains at the cost of rescaling risks onto providers and tenants, actively governed through state regulatory frameworks, and fuelling dispossession and the exclusion of new classes of people from the security of social housing in the urban landscape.

10.6. Postscript: social housing and the market

Forty-five years ago at the time of writing, the Housing Act 1972 brought forth mass grass-roots opposition against the attempt by Ted Heath's government (1970 – 1974) to link council housing rents to market values. The Act ultimately failed, but in hindsight

was the overture to an era of neoliberalisation in which the compromises of social democracy have been steadily rolled back. Housing has formed the leading edge of this process, from the Right to Buy of the 1980s, the demonization of council estates and the people living on them of the 1990s, the de-municipalisation and state-led gentrification of the New Labour era, and the revanchist class war conservatism that has been so typical of the Conservative Party's current term in office. For many, the disaster of Grenfell Tower, with a horrific fire killing at least 71 people, set within the gross urban inequalities of Kensington and Chelsea, seemed to summarise an era of profiteering, social cleansing and dispossession at the hands of authorities across too many areas of urban life throughout the neoliberal period.

The future implications social housing within the UK at the time of writing are subject to deep uncertainty. While an increasingly authoritarian political centre and the re-emergence of the far right until recently appeared to dominate politics, the unexpected prospect of a future Labour government led from the left under Jeremy Corbyn has raised the possibility of an attempted revival of the social democratic compact. Such a project remains precarious and limited, however. As social tensions and inequality within cities continues to grow, with landlords incorporated into racist regimes of border policing through means such as "Right to Rent" citizenship checks, the need to provide better, decent, secure housing is an urgent and pressing priority.

In analysing social housing financialisation as a process fundamentally intertwined with dispossession, I have sought to show with this thesis the necessity of finding an alternative to the market. Even if funding was returned to build new social housing, I have attempted to show that for this to be meaningful it must break with the reliance for new supply on the treatment of land and housing as assets whose value should be

maximised. Only if this break is made can we start to find new ways of living with one another within cities that are not determined by the requirements of profit.

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