

# Chapter X Home Ownership, Housing Policy and Path Dependence in Finland, Norway and Sweden

**Bo Bengtsson, Hannu Ruonavaara and Jardar Sørvoll**

## **INTRODUCTION**

While housing policy debates have been historically dominated by discussions of rental tenures, more recent attention has turned to the role of home ownership, especially in regard to so-called asset-based welfare (see Dewilde and Ronald, this volume). So far, most contributions to discourses on home ownership and welfare have understandably focused on social and economic aspects. In contrast, this chapter takes a perspective of *housing politics* (cf. Bengtsson 2015) and discusses power and political processes related to housing policies that include home ownership. In doing this, we explore what specific expressions of path dependence housing provision would take in relation to such a policy. The argument draws on observations from three Nordic housing regimes: Sweden, Norway and Finland.<sup>1</sup> In all these countries, home ownership has indeed been seen as an important ingredient in general housing policies, although from different cultural and ideological standpoints and within different institutional frameworks. Policies of asset-based welfare related to home ownership have so far not been coherently formulated in any of these countries, although in more general terms, the issue has recently entered public debates.

To our knowledge, this chapter represents the first attempt within housing studies to examine whether political processes related to the provision of owner-occupied housing follow similar or different logics of path dependence compared with those of housing provision in general. Our discussion is related to Jim Kemeny's well-known thesis on 'the myth of home ownership', and we explicate the political implications of this myth by linking it to empirical observations of political processes of housing provision in Finland, Norway and Sweden. In the following, three separate sections corresponding to each national context are presented followed by a concluding comparative discussion. This outline is in accordance with a methodological logic of 'comparative process tracing' that combines theory, chronology and comparison and where the primary focus is on the historical trajectories of policies and

institutions (cf. Bengtsson & Ruonavaara 2011). Comparison is not based on static variables but on the social mechanisms of path dependence and theory-informed periodisation. In contrast to other chapters of this book the evidence is qualitative: political texts, statements and debates; unfortunately space does not allow detailed references to our sources here.<sup>ii</sup>

## **THE MYTH OF HOME OWNERSHIP REVISITED**

More than 30 years ago Jim Kemeny argued that the conventional view of the virtues of home ownership was a socially constructed myth (Kemeny 1981; cf. Ronald 2008). This myth was deeply embedded in the cultures and policies of a group of Western capitalist societies he called ‘home owning societies’ (the UK, the USA, Australia and New Zealand) whereas in what he called cost-renting societies (Sweden, the Netherlands, the Federal Republic of Germany and Switzerland) the myth had much less power. Kemeny did not single out in detail what the myth consists of. However, as we see it, the core concerns are essentially: long-run affordability and value increase; freedom of consumer choice; autonomy from outside control; and resident responsibility.<sup>iii</sup>

Kemeny argued that the alleged virtues of home ownership are socially and politically produced through institutional and legal arrangements that make owner-occupied housing an attractive and advantageous choice. These arrangements are ideologically justified by a discourse that constructs home ownership as the ‘natural’ type of tenure that everyone in her/his right mind should strive for. Together with how ownership and other general institutions are defined legally and socially in a society, housing policy is obviously central in the social production of comparative advantages of home ownership. Subsidies to different forms of tenure are an obvious way to make one form more attractive than another, as well as the tax breaks that home owners in many societies enjoy.

However, political decisions are not the only means through which governments contribute to the myth of home ownership. Kemeny paid considerable attention to non-decisions and claims that the superiority of home ownership is largely produced by choosing not to create a cost-rental (limited profit) housing sector that would be able to compete on equal terms with home ownership. Thus without a conscious political intervention to create a competitive sector of non-profit rental housing, home ownership would be the dominant tenure

everywhere. This is also what Michael Harloe argues from a framework based on a theory of capitalist development (e.g. Harloe 1995).

The most important policy measures targeted at existing home owners are various kinds of tax concessions granted to home owners, for example, lower taxes on housing property and rights to deduct mortgage interest payments from taxes or taxable income. Such subsidies are not always the result of conscious political decision-making and their size is often not even calculated in national budgets. Thus, much of the housing policy targeted at home owners consists of indirect measures under limited political control.

All over Europe home owners have, for several decades now, tended to be better off than tenants. However, with a growing share of home owners in the population, there will be more variation in their situations (see, for example, Forrest, Murie & Williams, 1990). In societies with mass home ownership, there will likely be a substantial group of home owners on the margins, for whom maintaining their tenure status is a challenge. If the ongoing economic recession in Europe continues, more and more home owners will have problems (of the kind, for example, that homeowners in Spain have already experienced), which calls for rethinking housing policies targeted at home owners. This development also has important implications for the prospects of a policy of asset-based welfare (Elsinga & Hoekstra, 2015).

In this chapter, we look at housing policies targeted at home ownership in Finland, Norway and Sweden. Previous research has established the strong elements of path dependence in housing policies and institutions in all of these countries (Bengtsson et al. [2006] 2013), but the focus has largely been on the rental sector and the relation between rentals and other tenures. Would we expect path dependence to be stronger or weaker in the owner-occupied sector, for example due to a dominant ‘myth of home ownership’? As mentioned, perspectives of path dependence have not been applied to home ownership policies.<sup>iv</sup>

## **PATH DEPENDENCE AND HOME OWNERSHIP**

In recent years various studies have pointed to the strong degree of path dependence in housing provision (e.g. Kleinman 1996; Kemp 2000; Lowe 2004, chap. 6; Kay 2005; Bengtsson et al. [2006] 2013; Holt-Jensen & Pollock 2009; Malpass 2011). A typical case of

path dependence is where actors more or less deliberately design institutions at point A (a ‘critical juncture’), institutions which at later point B (a ‘political focus point’) serve as restraints to political decision-making, and thus make some policy alternatives impossible or implausible. The mechanisms of path dependence can be summarised as efficiency, legitimacy and power, implicating that events at point A would make some alternatives (appear to be) more efficient, more legitimate or more powerful at point B (Bengtsson & Ruonavaara 2010; cf. North 1990; Hall & Taylor 1996; Thelen 1999; Pierson 2000).

How then, can the relatively strong path dependence in housing provision be explained? First of all, housing has some well-known special characteristics as consumption and investment good. Dwellings last long, they are tied to a specific place, slow to produce, expensive, not easily substituted with other goods etc. (Arnott 1987; Stahl 1985). A housing stock produced over decades and centuries represents a powerful physical, social and cultural heritage that no government can ignore when making policy decisions. Furthermore, the psychological and social ‘attachment costs’ related to a household's transfer from one dwelling in one housing area to another (Dynarski 1986) also should have a stabilizing effect on policy.

Second, market contracts serve as the main mechanism for distributing housing, while state intervention has the form of correctives, defining the economic and institutional setting of those contracts (Bengtsson 2001; Oxley & Smith 1996, 2-3, make a similar observation; cf. also Torgersen 1987). This means the main institutions are those that define the rules of the game in that market: in housing, crucially, tenure forms and other types of regulations. Housing tenures help define the basic rights of possession and exchange that are fundamental to a capitalist economy, which should induce some political self-restraint.

Third, since housing is ultimately distributed via markets, change in tenant legislation must also be accepted in the market by consumers and producers. This need for ‘double legitimacy’ – both in the political and the market arena – may also contribute to the path dependence of housing provision.

So, would a housing policy directed (also) at home ownership be strongly path dependent? The special characteristics of housing markets are highly relevant to home ownership. Even though owner-occupied single-family houses may on average not last so long, be a little easier to move, take a little less time to produce and be a little less expensive than large multi-family

block, it is definitely not an easy thing to adjust the supply of owner-occupation to short-term changes in demand. And the emotional ‘attachment costs’ of abandoning one’s home may even be higher due precisely to the prevalence of the myth of home ownership. So we should expect the special characteristics of the housing market to restrict change in the home ownership sector as well.

Secondly, the legal and financial conditions of home ownership decide the economic welfare of a large share of the population, so political self-restraint may be expected, in the general interest of predictability and transparency for home owners. Indeed, considerable state intervention to the disadvantage of home owners may easily be framed by critics as an intrusion on citizens’ basic rights and economic conditions.

Thirdly, the need for ‘double legitimacy’ for change (politics and market) should be of relevance to the home ownership market as well. The obstacles to change may indeed be particularly strong, considering that in most countries the majority of voters live in owner-occupied housing.

The myth of home ownership may in itself have path dependent properties. If the mutual relation suggested by Kemeny between housing policy and the discursive power of the myth is indeed valid, this would be an example of a self-reinforcing circle, typical of path dependence. In sum, we would expect just as strong path dependence, if not stronger, in policies directed at home ownership as has previously been observed in housing provision generally.

## **HOME OWNERSHIP AND HOUSING POLICY IN THREE NORDIC COUNTRIES: AN OVERVIEW**

‘Home ownership’ or owner-occupation, is a general label for a type of tenure that exists in many particular forms (cf. Ruonavaara 1993). Karlberg and Victorin (2004) make an illuminating distinction between direct and indirect ownership of housing. The clearest case of *direct ownership* is a household individually owning a house and the land on which it stands and is individually responsible for the property and all its costs, as well as being the sole beneficiary of capital gains and other benefits. *Indirect ownership* refers to a situation where

‘the building or property is owned by a legal entity of which the residents are members or joint owners’ and ‘shareholding in the legal entity is linked to the right to a certain dwelling’ (ibid, 62). In indirect ownership the owners’ individual rights of use, control and disposition concern only their dwelling, whereas shared spaces and the property as a whole are owned jointly together with other residents and managed collectively. The distinction between direct and indirect forms is highly relevant to understanding owner-occupation in Finland, Norway and Sweden.

Sweden and Norway have substantial sectors of *co-operative housing*. Today, in both countries the major co-operative tenure forms share many characteristics with home ownership, and Karlberg and Victorin classify them as ‘indirect owner-occupation’. Besides the dominant tenure of direct owner-occupation in single family houses, owner-occupation in multi-family housing is also allowed in both countries, in Norway since 1983 and in Sweden only since 2009.

In Finland, besides direct ownership of detached housing, there is also a specific form of tenure based on indirect ownership, *housing companies* (see Lujanen 2010 for a detailed description). Each resident owns a certain number of shares in the company, and these shares entitle her/him to the possession of a specific apartment. The resident has rights of use and disposition of the apartment, whereas the ownership rights to the structure of the house and estate belong to the joint-stock company in which the residents are shareholders.

In all three countries, owner-occupation is the most common type of tenure but there are important differences in the forms. In Norway, most people are owners of detached housing. Direct ownership in Finland and Sweden is on a rather similar level, but in contrast to Norway, Finland’s reputation as a home owning society rests on the large share of indirect housing company based owner-occupation. Using the classification developed by Karlberg and Victorin table 1 shows the tenure divisions of the three countries ca 2010:

Table 1. Distribution of housing stock by category of owner, per cent ca 2010

	Owner-occupied		Rented		Other	All
	Direct ownership	Indirect ownership*	Public and social rented	Private for profit		
<b>Finland 2010</b>	36	30	15	16	3	100
<b>Norway 2011</b>	63	14	5**	18**	-	100
<b>Sweden 2011</b>	41	22	18	19	-	100

\* Finland: housing companies; Norway and Sweden: cooperatives.

\*\* Distribution between public and private rented estimated.

Sources: Statistics Finland 2010, table 216 (Finland); Statistics Norway 2011 (Norway); Statistics Sweden 2011; Bengtsson 2013, 122 (Sweden).

The role of home ownership has differed considerably between the three countries and, to some extent, also over time. In Finland, part of the home ownership sector, together with part of the rental sector, has functioned as social housing with means-testing for applicants. In Norway, until the 1980s, housing policy was universal, without means-testing, with price-controlled co-operative housing as the institutional mainstay. The rental sector then was a peripheral concern for politicians. In Sweden, the universal housing policy pursued after World War Two has, at least in principle, been directed at all tenures, without any means-testing, under the principle of ‘tenure neutrality’.

Although home ownership has had different functions within the different housing regimes, in all three countries it has continuously been on the political agenda and discussed explicitly in housing policy terms, often in relation to other tenures. This should make them fruitful as cases for the empirical study of housing policies directed (also) at home ownership. The main differences between the three housing regimes are summarized in table 2.

Table 2. Comparative overview of the housing regimes of Finland, Norway and Sweden

	<b>Finland</b>	<b>Norway</b>	<b>Sweden</b>
<b>general logic</b>	selective	universal -> selective	universal
<b>type of regime (Kemeny)</b>	home ownership	home ownership	cost-renting
<b>direct ownership share</b>	medium	high	medium
<b>indirect ownership share</b>	high	medium	medium
<b>indirect ownership form</b>	housing companies	cooperatives	cooperatives
<b>rental market (Kemeny)</b>	dualist	dualist	integrated
<b>means-testing</b>	(ownership*), rentals	public rentals	not formally
<b>role of municipalities</b>	planning; owning estates; allocation	planning; owning estates; allocation	planning; owning MHCs; allocation
<b>housing organizations</b>	weak	medium	strong
<b>type of corporatism</b>	trade union	housing	housing

\*Until 2007.

Sources: Bengtsson 2013; Ruonavaara 2013; Sørvoll 2014.

Development in the three countries can be organized and periodised in terms of a phase model based on the structural and discursive development logic of housing provision in modern welfare states. In all Nordic countries (and probably other countries as well) four phases can be distinguished more or less clearly: (1) an *introduction phase*, (2) a *construction phase*, (3) a *management (or saturation) phase* and (4) a *retrenchment (or privatization) phase*. In the first phase, housing becomes a political question and public interventions in the housing market are initiated. In the second phase, the main concern of housing policy is to produce as much housing as possible to combat shortages. By the third phase, intensive production in the previous phase has resulted in a largely saturated housing market, and the concern shifts to the management and maintenance of the existing stock. In the fourth phase, housing provision is gradually marketized.

### **FINLAND: OWNER-OCCUPATION IN A DUALISED HOUSING REGIME**

The nature of the Finnish housing regime can be summarized by three features that to a large degree characterize it from the beginning to the present day. First, owner-occupation has long been seen as the normal, desired form of housing tenure, whereas renting is something for those temporarily or permanently unable to access owner-occupation. Secondly, housing

policy has been seen as a branch of social policy, that is, something that concerns primarily those with a weak position in the housing market. Thirdly, public housing policies are targeted at those most in need of support leading to increasing selectivity in housing policies – and this has been seen as fair and socially responsible.

Despite recent changes in housing policy, as discussed below, it can be argued that in Finland home ownership has been dominant not only numerically but also ideologically – even though it is difficult to find policy statements explicitly promoting home ownership. Throughout history, there has been a taken for granted consensus that the two major ways for households to satisfy their housing needs are either by renting or buying in the private market, or by self-building. Of the two market forms of tenure, home ownership has been politically preferred (cf. Ruonavaara 2013). Housing provided and regulated by the state has been seen largely as a supplement to private forms of housing provision.

Finland industrialised later than many other countries in Europe, while the development of housing policy also lagged behind. In the first half of the 20<sup>th</sup> century the public involvement in housing provision remained marginal and restricted to acute crisis situations, like the housing shortage after the First World War. This was in line with the general welfare policy orientation: social policy was generally residual and control-spirited. (ibid, 287-289.)

The end of the Second World War was a landmark for the development of the Finnish welfare state in general, and of housing policy in particular. During post-war reconstruction, the role of the state in housing provision became dominant: rents were controlled; new house building was subsidised in taxation; and a new state housing loan system, ARAVA, was established (in 1949). This marked the first large-scale intervention in housing by urban and semi-urban municipalities. After rather modest beginnings ARAVA became quite important. Whereas the other post-war policy measures were gradually abolished after the private housing market recovered ARAVA was preserved. Over the following decades the ARAVA share of housing production was larger when private production stagnated and smaller when it thrived (ibid, 296-309).

The establishment of the ARAVA system meant the introduction of a social rental housing sector in Finland but ARAVA production was not targeted at any particular form of tenure. In practice the loan policy supported above all the growing indirect ownership sector in the urban areas; during its first decade as much as 80 per cent of housing produced with the help of state housing loans was for owner-occupation, mostly flats in housing companies.

Although the share of rental housing increased in the state-financed production, it was not until the 1980s that it exceeded that of owner-occupied housing. At that time, however, the state financed little more than one third of all production (ibid, 317-319). It can be safely concluded that in the early post-war period the new interventionist housing policy actually promoted the growth of home ownership, especially for low- and middle-income households.

With the revival of private housing production after post-war reconstruction, state intervention in housing tended to lose importance. This changed with the ideas of social planning and equality of the 1960s (ibid, 309-317). Now, for the first time the state was seen to have responsibility for the workings of the housing provision system and its distributive outcomes. A social minimum for housing standards was defined, and the state was understood as being responsible for guaranteeing that minimum to every citizen. The conceptual triad of social planning, social justice and economic efficiency characterised the new housing policy. The scope of public financing of housing production expanded radically. When benefiting from subsidised housing finance, developers also had to comply with state regulations concerning the standards of housing produced, house prices and rents, as well as choice of residents. Social justice was to be guaranteed by favouring the least well-off.

The planning ideology of the 1960s, however, had already started to wane by the end of the 1970s. The 1980s was a time of very lively private housing production and growth of privately-financed home ownership. Finnish housing policies shifted from supporting production to supporting consumption. Selective and direct forms of subsidy increased their importance in state subsidy policies. However, at the same time, tax subsidies enjoyed by indebted homeowners became the most important form of subsidy to housing outweighing public production support and housing allowances (ibid, 309-316). In terms of our phase model, the period from the early-1980s on had characteristics of both management and retrenchment phase. The orientation towards more market-based housing policy, typical of the retrenchment phase, emerged already in the 1980s, whereas some of the typical features of the management phase, like concern for residential segregation and for the renovation of housing areas from the construction period, emerged later.

In recent years the role of the state in housing finance has diminished. The ARAVA system, once the flagship of Finnish housing policy, was put to rest by a government decision to not grant new ARAVA loans after 2007. The once substantial state financial support of owner-occupied housing production has shrunk to include only interest subsidies for first-time

buyers and self-promoters of low-energy detached housing. State financial support for housing supply is now targeted at social rental housing and housing for special groups (ibid, 331-332). Moreover, since 2012 the government has started to scale down the politically sensitive tax subsidy to home owners: the right to deduct mortgage interests in taxation. In 2015, 65 per cent of interest payments were deductible whereas the percentage in 2011 was 100 per cent. The estimated size for this subsidy for the year 2015 is still 350 million euros (Ministry of Environment 2015). The retrenchment phase has meant that the selective character of housing policy has become stronger. For example, the ending of ARAVA loans was justified in parliament by the argument that instead of general production subsidies, the housing budget should be targeted at needy 'special groups' (Ruonavaara 2013, 332). Thus, housing policy has become more selective, having even more of a social policy character than before.

The global financial crisis immediately affected the Finnish economy but its impact on home ownership was quite limited at first. After an initial shock in 2009, dwelling prices continued to rise until 2013. Since then there has been a slight decrease in prices and demand. From the early-2000s the stock of outstanding housing loans, as well as the average mortgage, increased, with the GFC making little difference. However, in the year 2013 this trend stopped and for the first time the volume of outstanding housing loans decreased. As in other European countries, the prolonged economic crisis advanced the number of homeowners in debt problems. For example, compensations paid through mortgage payment protection insurance increased in Finland in 2013. Debt problems have especially emerged in unemployment-ridden municipalities where large employers have cut down and/or relocated their activities. Overall, however, credit defaults have increased considerably slower in Finland than in most countries, and mortgage repossessions have been relatively rare. This is partly due to the strong protection that Finnish law provides for residential property (Wennberg & Oosi 2014.)

In the Finnish housing discourse owner-occupiers are increasingly seen as people who are doing all right and are in no need of support, neither through direct nor indirect housing policy interventions. Though the idea of asset-based welfare has not been raised explicitly, expert voices have suggested that people should provide at least part of their future care needs from their own sources – and what assets do ordinary people have other than the wealth stored in their home? The most important housing policy response by the government to the problems caused by the GFC was the increase of financial support for production of social rental

housing in the years 2009-2011. The main objective for this was to boost employment in the building sector. The previous government's (2012-2015) housing policy program did express concern for the debt problems of home owners, and these were indeed investigated (see Wennberg & Ossi 2014), but this did not result in any specific policy measures.

### **NORWAY: THE SOCIAL DEMOCRATIC NATION OF HOME OWNERS (Annaniassen 2006)**

The development of the Norwegian housing regime may be summarized with reference to three characteristics (cf. Sørvoll 2014): First, the universal policy of the post-war years was gradually replaced with a selective housing policy directed at underprivileged households from the 1980s. Second, despite a universal tradition of housing provision, individual and co-operative home ownership have been the dominant tenures since the post-war years. Both of these tenures were subject to price controls until the 1960s and 1980s respectively. Third, Norway is a classic example of a 'dualist' rental market, to use Kemeny's (1995) typology. Since the 1950s, a small sector of rented housing owned or controlled by the municipalities has catered primarily to the housing needs of the most marginalized members of society. In 2012, the municipal sector accounted for around 12 per cent of the rental market (LMU 2012).

After World War Two, Norway, like Sweden, was led by Social Democratic governments. Both countries launched ambitious post-war programmes aiming at comprehensive welfare state reforms in education, care, pensions, the labour market etc. Considerable attention was paid to housing provision that was seen as contributing to the conditions in other welfare state sectors. In both countries, housing policies before the war (the introduction phase) had been rather ad hoc and directed towards solving imminent problems of housing shortage, inadequate housing standards and sudden fluctuations in housing markets. Now was seen as the moment for laying the ground for more comprehensive and universal policies, where 'only the best is good enough for the people' – to quote an expression that is often attributed to a former Swedish Minister of Social Affairs.

When the construction phase started in Norway, the socially oriented housing sector that existed before the Second World War had successively developed from municipal renting towards cooperative tenant-ownership. The universal housing policy launched by the Labour

Government in 1946 favoured co-operative and owner-occupied housing, the former mainly in the cities and the latter in the countryside. These tenures were supported through the new State Housing Bank subsidies to construction and municipal land allocation. The establishment of the nation-wide cooperative umbrella organization NBB also contributed to the strong expansion of housing co-operatives in the construction phase; in 1980 co-operatives accounted for nearly 17 per cent of the housing stock (Kiøsterud 2005, 29). In Oslo, the cooperative sector grew from 16 to 45 per cent of the housing stock between 1950 and 1980 (Hansen & Guttu 1998, 354).

In contrast to the Social Democrats of neighbouring Sweden, the Norwegian Labour Party supported individual and co-operative owner occupation on ideological grounds. This was not because they had fallen victims to the myth of home ownership. Indeed, the policy was rather based on what can be seen as an anti-capitalistic and anti-landlordist ideology of housing provision. In a parliamentary debate in 1951, future Prime Minister Trygve Bratteli (1971-72, 1973-76) made it clear that owning other people's homes should not be accepted as a field for private business interests:

To me it is a matter of principle, and I want to make this crystal clear. In the modern society there are certain fields where private business is conducted and other fields where private business is no longer conducted, or where it is being phased out, and I for one do not accept owning other people's homes as a field for private business. (Stort. forh. b. 7a 1951, 455; our translation.)

The co-operative sector, as the 'non-speculative' mainstay of Norwegian universal housing policy, had strong links to municipalities. In the construction phase then, transfer prices of co-operative housing were controlled by the state via the municipalities. However, in the 1970s, with the passing from the construction to the management phase, this regulation came under pressure from many quarters. According to Gulbrandsen, the effects of Social Democratic housing policy after 1945, i.e. the growth of the co-operative tenure and the decline of rented housing, led to a backlash against state regulation. Ironically, the Labour Party lost votes because of the success of its own policies. Most importantly, fast growing numbers of co-operative dwellers in the capital increasingly began to regard themselves as home owners, and therefore turned against many of the regulations governing the Norwegian cooperative tenure. In short, they wished to sell their apartments to the highest bidder, just like owners of single-

family housing. Studies of electoral behaviour indicate that residents in the co-operative sector flocked to the Conservative Party between the late sixties and early eighties. This is argued to have been an outcome of the party promising to protect their interests as homeowners (Gulbrandsen 1983; Bay 1985).

Despite growing pressure from residents, the system was not changed until a Conservative government came into office in the early eighties. During the Willoch government (1981-1986) the principle of market prices was established in large parts of the cooperative sector. Regulated prices survived for some time in the capital, where the cooperative tenure had its highest relative and absolute importance. However, after 1988 it was of negligible importance even in Oslo.

Since the 1980s, in the management and retrenchment phases, the former universal housing regime has successively developed into an almost completely dualist one, with market-priced individual and co-operative ownership, and private rentals dominating the supply of housing, and a small municipal sector providing housing to low-income households with special needs. Interestingly, no serious political efforts to turn the tide have been made, not even under the Labour-led government between 2005 and 2013. When it entered the halls of power this government promised to establish a large sector of non-commercial rented housing. However, the government did not seriously pursue this ambition at any time.

In recent years, moreover, politicians have expressed concern for the almost continuous increase of property prices and household debt since 1993. This is not surprising given that the global financial crisis only affected the Norwegian housing market temporarily, after a modest downturn the housing market recovered in 2009. Between 2009 and 2015, property prices surged to all time high levels (Norwegian Statistics 2015). However, the government's response to spiralling debts and price increases has consistently been based on the general presumption that home ownership is the 'normal' tenure (i.e. on Kemeny's myth of home ownership). The Labour-led government in office from 2005 even considered policies that sought to increase the number of low-income homeowners. Similarly to the Finnish case, policy makers generally consider rental housing a tenure form suitable for households temporarily unwilling or unable to cover the costs of home ownership (Sørvoll 2011).

According to the present Conservative dominated government's new strategy for the housing sector, home ownership is an entrenched part of the 'Norwegian national spirit' (KMD 2015, 1). In light of the price increases in recent decades, housing capital has become a source of economic security and freedom for many home-owning pensioners in the view of the government (ibid). Previously, the Conservatives argued that rented housing was a poverty trap because it does not promise capital gains (Sørvoll 2011). This suggests that, even though asset-based welfare is not high on the political agenda, housing wealth is implicitly regarded as a supplement to the welfare state, most notably on the right.

While mainstream politicians seldom question the merits of home ownership, public debate reflects a slightly different reality. For instance, academics and journalists have recently sought to document the different forms of inequality characterizing the owner-occupied sector. Gulbrandsen and Sandlie highlight that the housing boom of recent years has increased both the need and ability of parents to help their children establish themselves as homeowners. The prevalence of intergenerational of housing wealth transfers 'may reproduce or even increase social inequalities' (Gulbrandsen & Sandlie (2015, 74). The importance of inherited housing capital is a novel development at odds with the egalitarian ethos of the welfare state. This notwithstanding, the comprehensive and universal Norwegian welfare state is not in the process of being abandoned for a so-called property owning welfare state, in which life chances are determined by 'the accidents of market-determined changes' (Groves, Murie & Watson 2007, 2). Instead, housing wealth supplements relatively generous welfare state benefits and services.

Moreover, many economists claim that the tax system unduly favours relatively prosperous homeowners and is a major cause of rising property prices and socioeconomic inequality. In Norway, there is no state property taxation and homeowners have the right to deduct interest rate payments from their taxable income. In 2013, the estimated value of tax subsidies to the owner-occupied sector was approximately 7 billion Euros (Braanen Sterri 2014). Even though several government policy commissions – from the 1970s to the present time – have recommended increasing the tax burden of homeowners, little has changed. This is another illustration of the strong position of home ownership in Norwegian politics: the National Federation of Homeowners and their allies in parliament have successfully defeated all proposals calling for housing taxation reform (Sørvoll 2011). In short, neither the financial crisis and increasing debt, nor concerns about inequality have undermined the political

support for the promotion of home ownership. This suggests strong path dependence in the Norwegian owner-occupied sector. Indeed, the decisions taken at the critical juncture of 1945 empowered homeowners and their organizations, weakened the political voice of tenants, and contributed to the strong ideational legitimacy of home ownership in policy debates.

## **SWEDEN: OWNER-OCCUPATION AND TENURE NEUTRALITY**

In Sweden, like in Norway, the construction phase in our phase model commenced in the late 1940s, when a comprehensive and universal housing policy was introduced by a Social Democratic Government. The Swedish housing regime from that date and up to the beginning of the twenty-first century can be summarised in terms of five distinctive characteristics or ‘pillars’ (cf. Bengtsson 2013): (1) A universally oriented housing policy directed at all tenure forms, without individual needs- or means-testing. (2) A public rental sector with housing companies (MHCs) that are owned by the municipalities, and professionally managed at arm’s length from political influence. After new legislation from 2011, MHCs are to change from being cost-based to being ‘business-like’. (3) A unitary rental market (Kemeny 1995), where both public and private rental housing is available to all types of households, and formal links exist between rent settings in the public and the private sector. (4) A ‘corporatist’ system of centralized rent negotiations between (public and private) landlords and representatives of a well-established national tenant movement with internationally unique membership rates. (5) A large cooperative sector based mainly on the specific tenure of ‘tenant-ownership’ that before World War II was the leading provider of socially oriented housing, but today is a clear case of ‘indirect ownership’.

Sweden has the largest share of cooperative housing in Europe comprising more than 20 per cent of all dwellings. In the 1930s the Swedish model of the tenant-ownership was actually imported to Oslo where, as mentioned, it came to play a crucial role.

For its new universal housing policy after World War II, Sweden, however, set out on a different institutional path than Norway. Sweden chose a system based primarily on rental tenure in municipally controlled MHCs, while also supporting cooperative tenant-ownership. Although the post-war decisions prioritized municipal rental housing, they also included an element of tenure neutrality. The new state loans were directed at all tenure forms, including

individual home ownership. Together with the developer's own capital investment, the state offered top loans to cover the share of the building costs (about 30 per cent) that could not be borrowed in the general finance market. The MHCs, being publicly owned, received loans covering all these 30 per cent. Cooperatives received up to 25 per cent and had to contribute 5 per cent of the total cost from equity. Private investors, including individual home owners, had to contribute 15 per cent as down payment.

Importantly, state finance only included a small and provisional element of subsidies; the main function of the state loans was to guarantee the financial security of investments in housing. They were combined with state control of rents and of transfer prices of cooperative and owner-occupied housing, and there was also some municipal influence on the distribution and transfer of dwellings. The policy was universal and the commission behind the proposals eloquently emphasized the need for a comprehensive policy in order to avoid housing with 'institutional or slum character'.

When war-time rent regulations were finally phased out, the regulation of transfer prices of tenant-ownership dwellings was also abolished (in 1969). Like in Norway 15 years later, over time this led to a complete marketization of the cooperative sector. The political debate over the deregulation was less infected than discussions over the corresponding decision in Norway in the 1980s, and after the deregulation returning to the previous cooperative price control was never a realistic political option (cf. Sørvoll 2014). This meant that tenant-ownership in Sweden was transformed into a form of indirect ownership, and from this point on came to fill the market segment that in other countries consists of owner-occupation in multi-family housing. In consequence, MHCs in principle became the sole socially oriented organization and tenure form in the more universally orientated Swedish housing regime.

In the last and most intensive period of the construction phase, the intensive building production of the so-called Million Programme 1966-75 – first of all associated with large-scale multi-family housing – led to an expansion of all tenure forms, including home ownership. Soon, with inflation and rising interest levels, the right to deduct interest on housing loans from taxed incomes had turned into a financial support to home owners. Individual home owners were actually 'paid for being housed' the title of a book by two leading economists (Sandelin & Södersten 1978). The Social Democrat Government realised that something had to be done but saw it as politically too risky to undermine economic

conditions for this large group of 'our people' – as the influential Minister of Finance labelled home owners. The solution was to reintroduce (in 1974) general subsidies to all housing under the parole of 'tenure neutrality'. The intention was that interest subsidies and tax deduction together should favour rental, co-operative and directly owned housing equally. Up to the early 1990s tenure neutrality was actually highlighted in the state budget when the total size of the subsidies from tax deduction was presented alongside the costs of subsidies to housing production.

Before long, however, this generous 'neutrality' was to become a serious threat to Sweden's economy, when state-subsidies expanded beyond all limits. When a right-wing Government took office in 1991, a 'system shift' in housing policy was immediately signalled, starting with the termination of the Ministry of Housing. This also represented the beginning of the retrenchment phase in Swedish housing policy, and in the following years, state loans and housing subsidies were successively phased out.

These reforms put an end to economic tenure neutrality. The galloping universal production subsidies were phased out, although tax deductions remained. In 2012, total tax subsidies for home ownership were estimated at 3 billion Euros (Svenska Dagbladet 2013). Private and public housing were, however, still to compete in the same unitary market, and selective means-testing was not even discussed.

As Holmqvist & Magnusson Turner (2014) point out, encouraging ownership was essential part of the housing policy of the Liberal/Conservative Government in office 2006-2014. Some examples of this were promoting conversions from rentals to cooperatives, abolishing the real estate taxes (in 2008) and making condominiums legal in new buildings (in 2009). Sweden went through the GFC comparatively unharmed. House prices only decreased by 5 per cent between 2008 and 2009, and then went up again. However, the recent promotion of home ownership may have made the Swedish economy more vulnerable to future housing-related crisis (cf. Holmqvist and Magnusson Turner, 2014).

The indebtedness of Swedish home owners is high by international standards, and growing, although some commentators find comfort in the fact that the debt ratio is highest for households with high incomes while the Swedish economy is seen as generally sound. Nevertheless, a number of different measures have recently been suggested against potential

bubbles, including loan caps, mandatory amortization on housing loans, cuts in tax deductions for home owners, and limits to households' debt-to-income ratios. All such proposals are technically and legalistically complex, as well as politically sensitive, and as of early 2016 nothing has been decided.

Tenure neutrality is no longer an explicit goal of Swedish housing policy – and tax deductions are no longer framed as subsidies in the annual state budget. However, the concept of tenure neutrality still seems to have some discursive power. Organizations representing the rental sector (private and municipal landlords as well as the tenant unions) regularly point out that home owners are favoured by the taxation system, which is argued to be unfair.

On the other hand, the political will to restore tenure neutrality seems to be weak. Today, direct and indirect home owners represent an even stronger political pressure group than it did in the 1970s. And universal subsidies seem to be politically unacceptable after the subsidy crisis of the late 1980s. This would represent path dependence not only driven by the discursive myth of home ownership but also by the political strength of home owning marginal voters. So far, however, the economic support of home ownership has not initiated any political debate on asset-based social welfare as an alternative to the traditional Swedish welfare policies, which are still universal although largely dressed in NPM clothing.<sup>v</sup>

So far, Sweden is not a home owning society in Kemeny's terms – home ownership is still not taken for granted as the 'natural' tenure form. Since 2011, after new legislation in adjustment to EU competition law, MHC rents are no longer to be cost-based and MHCs are to be more 'business-like'. However, the outcome in the market of this reform is still uncertain (cf. Elsinga & Lind 2013). Thus, it is still too early to tell whether it in the end Sweden will no longer have the competitive sector of non-profit rental housing that Kemeny sees as a necessary condition for keeping the dominance of home ownership at bay.

## **CONCLUSION: OWNER-OCCUPATION, PATH DEPENDENCY AND POLICY**

The analyses in previous sections demonstrate the strong path dependence of housing provision in the three studied countries. In each of them the institutions that were established in the post-war period were crucial to the development over the following decades – through

the phases of construction, management and retrenchment. Even when the previous institutions were radically changed or even abolished, traces of them were still seen in the discourse and the new institutions. Table 3 summarizes the development in the three countries over the different phases of our periodisation model.

Table 3. The path dependent development of the Finnish, Norwegian and Swedish housing regimes

Phase	Finland	Norway	Sweden
Introduction phase ca 1900–1945	Crisis management: self-build and rentals.	Crisis management: municipal rentals.	Crisis management; selective MHCs.
Construction phase ca 1950–1980	ARAVA system: social ownership and rentals.	Social ownership, direct and indirect.	Support to all tenures, universal MHCs.
Management phase ca 1980–2000	Phased out state finance, ownership expansion and tax subsidies, deregulation	Deregulation of cooperative sector.	Tenure neutrality; galloping subsidies.
Retrenchment phase ca 1995–	of rental housing.	Development of social rental sector.	Ownership expansion, business-like MHCs.

Sources: Bengtsson 2013; Ruonavaara 2013; Sørvoll 2014.

The analysis also demonstrates how home ownership has played an important part in the housing policies of Finland, Norway and Sweden, in some periods being in the centre of the political debate, in other periods lurking in the background as a crucial constraint to what is politically possible. However, the role of owner occupation in the historical development of the national housing regimes differs strongly between the three countries.

In sum, *Finland* has gone from a two-tier selective housing policy, with both means-tested rentals and means-tested owner occupation, towards a system where owner occupation is constructed as the privileged tenure form and the social sector is dominated by means-tested rentals. *Norway*, meanwhile, has gone from a universal housing regime with price-regulated cooperative housing, open to all households but under some municipal control, to a selective system with a small sector of means-tested municipal housing. *Sweden*, finally, has gone from a universal and tenure-neutral housing regime with cost-based MHCs (and previously also price-regulated cooperative housing), without means-testing, towards a modified universal system, still largely based on, now more ‘business-like’, MHCs, but now without tenure neutrality.

Despite the strong national differences in the social and institutional roles of home ownership, in none of our three countries have policies concerning asset-based welfare so far come up on the political agenda in a prominent way. As the recent debate in Norway indicates, however, this may however soon change. Although the role of home ownership has been continuously debated over the years, this has been done under the auspices of housing policy and not general social policy. The still rather stable ‘home ownership policies’ of the three countries may also, to some extent, be explained by the relatively limited impacts of the global financial crisis, in particular in Norway and Sweden.

The perspective of path dependence has also ostensibly proved to be fruitful in analysing the development of home ownership policies in three Nordic countries. Our periodisation of housing provision appears to be relevant for the comparison between the national processes. In all three cases, path dependence and change can be related to the changing conditions of the construction, management and privatization phases.

As mentioned, Aalbers (2015) also suggests a periodisation of developments in housing markets. He distinguishes between (1) a pre-modern period (before WWII); (2) a modern or Fordist period of ‘building for the masses’ (from the end of WWII); (3) a ‘flexible neoliberal’ post-Fordist period (from about 1980) and (4) an emerging ‘late neoliberal’ post-crisis period. Whereas our periodisation is based on the structural conditions of modern housing provision, Aalbers takes the impact of transformations in global capitalism on housing markets as his point of departure. Interestingly, periods of transition largely occur at the same points of time.

The *myth of home ownership* is prominent in all three countries, although only Finland and Norway would qualify as home owning societies in Kemeny’s terms. The myth seems to have an important role in the path dependent patterns we have observed, although it can probably be deconstructed in terms of the more established mechanisms of efficiency, legitimacy and power. Being an ideational phenomenon the largest impact of the myth is probably via the mechanism of legitimacy.

Our analysis has identified another mechanism that has to do with the potential *political power of home owners* – should they be mobilized as an interest group. This was most obvious in the Norwegian case in the 1980s, when the price controls in urban areas were

abolished. Moreover, in all three countries politicians evidently fear the reactions of homeowners to tax increases. In a sense, this is to be expected: homeowners potentially constitute a large block of voters.<sup>vi</sup> Here it is interesting to note that in Finland, deductible interest payments have been cut down from 100 to 65 per cent in the recent few years. What mechanism has acted against the power of home owners here? Though we have not investigated this, it can be hypothesized that the prolonged economic crisis in Finland has opened a window of opportunity for politicians to drive through reforms that previously were politically impossible.

Price regulation and housing taxation could benefit prospective homeowners and thus indirectly the wider society. Previous price controls on co-operative shares in Norway and Sweden were for instance expected to ensure low entry prices for first-time buyers. Proposals calling for heavier taxation of home owners' housing wealth or reducing the tax breaks they enjoy are frequently framed as methods to combat inequality and promote social justice, reduce price fluctuations in the housing market, minimize speculation in price increases and finance welfare services. In the light of these alleged benefits, therefore, the question is why other groups have not acted as a counterweight to homeowners' expressed and perceived anti-tax and anti-regulation attitudes. Drawing on the works of Pierson (1994; 1996) we suggest an answer to this question related to collective action theory. Whereas market prices and low levels of taxation constitute a tangible advantage that is channelled toward home owners and simple to understand for them, the perceived benefits of housing taxation and regulated prices are less tangible and harder to grasp for non-owners. They may not even have an established identity as 'prospective homeowners' – and consequently be unlikely to protest against the 'privileges of existing homeowners' (cf. Tranøy 2000).

The Norwegian case illustrates another aspect of the political and cultural dominance of home ownership. The favouring of owner-occupied and co-operative housing after 1945 led to the marginalization of actors championing rented housing, such as the National Federation of Landlords and the organization of tenants. This could be seen as an explanation of why recent proposals to revive private rental housing have found little support amongst politicians (Sørvoll 2015). In contrast, Sweden has a uniquely strong tenant movement that has consistently been playing the 'neutrality card' as an argument for more equal economic conditions between tenures. However, so far they have not been very successful either illustrating the strength of power mechanisms that favour home ownership.

Both the myth of home ownership and the potential political power of home owners work in the same direction. Together they represent a powerful force favouring path dependent stability where a certain housing regime already supports ownership and path dependent change where it does not (Thelen 1999). If we add the myth of home ownership, and home owners' political importance as voters, to the general path dependence of housing provision, the path dependence of home ownership policies would seem to be exceptionally strong. Neither arguments about tenure neutrality, justice and equality, nor about increasing risks of housing bubbles have changed the current progress along the path of favouring home ownership in the otherwise quite different housing regimes of Finland, Norway and Sweden. Examining the future politics of home ownership, wealth and welfare in these countries as well as in the context of other housing regimes represents a critical task for future research.

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<sup>i</sup> Following Jim Kemeny (1981), our definition of ‘housing regime’ is quite wide. We see a housing regime as ‘the social, political and economic organization of the provision, allocation and consumption of housing’ (p. 13).

<sup>ii</sup> For empirical detail on the path dependence of the three housing regimes see Ruonavaara 2013 (Finland), Sørvoll 2014 (Norway) and Bengtsson 2013 (Sweden).

<sup>iii</sup> A myth is here seen as a belief that is taken for granted by those concerned, but may possibly be false in an empirical sense. Interestingly, Forrest & Hirayama 2015 discuss post crisis home ownership in terms that can be understood as claiming that the elements of the myth of home ownership are to a growing extent empirically false within the current ‘economic project of neoliberalism’.

<sup>iv</sup> Aalbers 2015 suggests a periodisation of developments in housing markets on the basis of transformations in global capitalism, which may be interpreted in terms of path dependence.

<sup>v</sup> Kemeny (2005) discusses how declines in welfare provision for the elderly may represent a threat to integrated rental markets like Sweden’s. Presently, however, the EU represents a more imminent threat.

<sup>vi</sup> Politicians’ public choice-inspired perceptions of home owners punishing them on Election Day may be too simplified (cf. André & Dewilde 2014; Ansell 2014). But such perceptions matter. Key Nordic politicians have certainly been preoccupied with the potential electoral power of owner-occupiers (Sørvoll 2014, 483-484).