

# Never-ending debt: the Dutch housing market as an engine for capital accumulation

Explaining the rapid increase in Dutch housing prices through regulation theory

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### **Abstract**

In recent years, prices in the Dutch residential real estate sector have been rising at an increasingly rapid pace. Although works in the field of economics do provide reasons why housing prices can increase in general, these theories both prove unable to explain the rate at which prices are increasing and assume the current situation in the Dutch housing market to be a natural course of business. Through the use of a theoretical framework based on regulation theory, this thesis intends to provide an alternative vision on the Dutch housing sector. Through observing the historical processes this sector has been going through, this thesis intends to show not only that the current shape of the Dutch housing sector is not necessarily a natural one, but also shows how the latest developments are hard to understand without taking the historical processes into account. Housing has been used as a means to achieve capital accumulation in varying ways, which proves to be crucial to how this sector develops. Only once housing became used as an engine for accumulation in itself prices were able to develop as they do now. This thesis shows, through the shifts in regimes of accumulation as well as modes of regulation, how this process has been developing in the Netherlands specifically, thereby illuminating processes for which some economic works prove to be too short of memory.

## 1. Introduction

In recent years, the Netherlands has seen an accelerating increase in housing prices with residential real-estate prices increasing from approximately 2.5 per cent per year in 2015 to almost 10 per cent per year in 2018 (CBS, 2019c). Although real-estate prices have expanded across the board within the European Union, the Netherlands stands out as having the second highest increase within the EU, only behind Slovenia (Eurostat, 2019). This is happening in the second most privately indebted OECD country with a household debt of 243 per cent of disposable income, only behind Denmark (OECD, 2019). Most of this debt is comprised of mortgages (CBS, 2015b).

Such statistics have a real impact on society, something which becomes very clear when looking at the cities more subject to these price hikes. Amsterdam, for example, saw an increase in residential real-estate prices of over 20 per cent within a year (Couzy & Damen, 2018). As much as home-owners may like the idea of their assets increasing in value, for those seeking housing the consequence will be having to take on larger mortgages for the same home, or even an inability to apply for one in the first place. Furthermore, the effects of high housing prices also translate into the private rental sector which in such places are becoming unaffordable even for middle-income families (Wigger, forthcoming, p. 11).

Although conventional economic theory can offer explanations for price changes over time, they do little to explain why prices can rise as fast as they do now. Within an economically liberal view of the housing sector, housing is observed as a market like any other, leading to the concept of a “housing market”. The main question to be answered from this perspective is what exactly determines the supply and demand of housing. It is this supply and demand which is assumed to determine the price and quantity of housing.

In their paper, Arestis and Gonzalez-Martinez (2017) offer one such explanation when observing the influence of demographics upon housing prices. The theoretical assumptions here may be considered rather intuitive, the demand for and supply of housing is determined by how many people wish to buy or sell a house and this, in turn, is determined by demography. Different age groups have different demands, as younger people are more likely to buy their first house, and older people are more likely to buy or sell houses as part of an investment portfolio. It is thus through the sizes of these groups that prices are explained (*ibid.*). The main

problem with this viewpoint is that although demography changes, it does not change near the rate real-estate prices do. For example, in 2018 housing prices in the Netherlands have increased around 10 per cent but the total population barely meets 0.5 per cent growth within the same year (CBS, 2019b, 2019c). Demography might thus be able to explain that housing prices can increase in general, but it cannot explain the rate at which housing prices are rising. Likewise, research by a Dutch bank argued that the prices were increasing because there are not enough houses being built, arguing from the viewpoint of supply instead of demand (de Groot & Vrieselaar, 2019). Here, the same issue comes into play, supply and demand can explain that prices are rising, but considering the nature of housing it cannot explain the rate at which it does. It is here that conventional economic theory falls short in explaining the current status of the Dutch housing market.

One of the assumptions implicitly or explicitly present when discussing housing in terms of a market is the idea of considering this market to be a closed one. Arestis and Gonzalez-Martinez (2017, p. 7) even explicitly make this assumption, stating that they consider housing to be produced and consumed locally. Intuitively, this underlying economically nationalist focus makes sense in a housing market as a house is not a very convenient product to trade across borders. What this assumption does not take into account is that the products of increasing relevance to the “housing market” are mortgages which are much more conveniently traded across borders compared to the house itself. Boelhouwer (2017) provides insight into the increasing importance of these mortgages within the housing market. In his attempt to explain the drop in housing prices within the Netherlands from 2011 until 2013, Boelhouwer shows a clear correlation between overall lending capacity within the Netherlands and Dutch housing prices. However, as interesting as his observation about the growing importance of lending capacity and the financial sector is, he provides very little theoretical insight into how the financial sector acquired this importance. As regulation theory shall show, the financial sector does indeed play a role as described in the rising housing prices, but this must be considered in a broader context offered by this theory.

This thesis thus intends to provide an alternative to the conventional economic theorizing concerning housing prices using regulation theory to explain the current situation in the Dutch housing market where conventional economic explanations prove themselves lackluster. Rather than attempting to provide trans-historical and general economic laws supposed to explain such increases, like mechanisms surrounding demography or building capacity, regulation theory offers an explanation specific to the case and its history (Jessop & Sum, 2006, pp. 3-4). This

thesis shall offer such a historical context by creating an explanatory narrative informed by regulation theory. Like many regulationist works, this thesis shall use regulation theory to form a narrative around the so-called “Fordist” and “post-Fordist” accumulation regimes and the shift from the former to the latter (Jessop & Sum, 2006, p. 13). In doing so, the changing roles of the housing sector in such different regimes shall be exposed to explain how the Dutch housing market came to be as it is now.

The creation of this explanatory narrative can be considered a form of outcome explaining process-tracing. This method is a case-centric method, implying that it attempts to create conclusions about the case at hand rather than generalize findings to form a general theory. Consequentially, this thesis shall not insist to be forming a general trans-historical theory either. Instead, this thesis intends to give an explanation specific to the Dutch housing market. The reasons for this choice shall be explained through a critical realist epistemology, which shows why approaches such as this are justified and constitute proper science. This thesis shall make use of data available on sources like the Dutch Central Bureau of Statistics (CBS) and shall use direct textual sources as well as secondary sources wherever possible. The data and sources used shall be further explained in a later chapter. First, the next chapter shall explain regulation theory and its varying facets.

## 2. Regulation theory: the alternative approach

Due to its origins within French academia, regulation theory was originally named “l’école de la régulation”. The meaning of the French word *régulation* is often somewhat lost in translation and a source of confusion (Jessop & Sum, 2006, p. 15). Regulation in the sense of regulation theory does not refer to legal regulation as it is interpreted in the English language but rather refers to regularities within an economic system (ibid.). Regulation school gained traction in the 1970s as the inflationary crisis of this time raised questions amongst numerous scholars considering how capitalism can survive these crises as well as it did (Jessop & Sum, 2006, pp. 37-38). Regulation theory knows a variety of schools within its field, the most dominant of which is the “Parisian school” (Jessop & Sum, 2006, pp. 18-19). Aglietta (1979) is often considered to be the founder of this Parisian school and is the one who coined the term “Fordism” as a description of the post-war regime which underwent the 1970s inflationary crisis. The Parisian school shows an interest in accumulation regimes and their accompanying modes of regulation which enable these regimes (Jessop & Sum, 2006, p. 19). It is through a trial and error process leading capitalism from one regime to another that the Parisian regulation school attempts to answer the question as of how capitalism manages to survive its own crisis struck nature (ibid.). It is this specific regulation school which this thesis shall use and thus also refer to when explaining regulation theory.

Many works using regulation theory in this sense place explanatory power in the shift from a Fordist to a post-Fordist regime of accumulation (Jessop & Sum, 2006, p. 13). This thesis shall form no exception to this trend, as these two regimes of accumulation shall form a key factor in explaining the developments of the Dutch housing sector and consequentially play a crucial role in explaining the current price increases. However, it ought to be noted that regulation theory is in no way limited to these two regimes, nor that all studies observing “Fordism” in one way or another are inherently regulationist in nature (ibid.). What makes this thesis in particular a regulationist thesis lies in its observation of Fordism and post-Fordism in terms of regimes of accumulation and modes of regulation. This theory chapter shall explain both concepts later. However, this chapter shall first elaborate on the Marxist nature of regulation theory and explain why the use of such a Marxist natured theory is justified.

## 2.1 The Marxist foundations

By attempting to provide an answer to how capitalism manages to survive despite its internal contradictions, regulation theory has acquired a mainly Marxist heritage (Boyer, 2018, p. 285). Ergo, from an economist perspective, this theory may be considered to be a heterodox theory on the periphery of the academic field in contrast to the liberal core of economic theory (Boyer, 2018; Davis, 2007; Howard & King, 2001). Regulation theory is different from orthodox economics in a number of ways. First of all, regulation theory does not claim to create general, trans-historical laws of economics like orthodox economic modelling tends to do (Jessop & Sum, 2006, pp. 3-4). By not doing so, regulation theory prevents naturalizing capitalism and characterizing it and its reproduction as a consequence of natural and rational economic behaviour (ibid.). Instead, regulation theory offers a historically specific answer incorporating both economic and non-economic factors (ibid.).

Owing due to its questioning of capitalism rather than blindly accepting it, regulation theory shows a more fundamental difference from conventional economics in its critical nature. Critical in this sense does not refer to mere scientific critique by inquiring the degree of truth in orthodox theories, this is something that is mostly inherent to social research in general (Wigger & Horn, 2016, p. 40). Rather, this theory can be considered critical due to its questioning of existing social orders rather than accepting this as a given (Wigger & Horn, 2016, p. 41). In doing so, regulation theory recognizes the political nature of theories thus preventing implicitly or explicitly reaffirming a capitalist social order (ibid.). Within the field of economics specifically, there has been an increasing demand for scientific pluralism (Sent, 2006). In this sense, heterodox theories should have value within this field. That being said, most “pluralist” economists do not go as far as questioning capitalism itself, yet. However, to deny Marxist theory access to economic platforms denies the field useful theoretical insights into the crises and fundamental problems of capitalism (Boyer, 2018; Howard & King, 2001). Hence, this thesis intends to provide such useful insights into a seemingly economic issue like the developments in the Dutch housing market by using regulation theory with its Marxist heritage.

Partly due to the critical nature and Marxist pedigree of regulation theory, regulation theory follows a critical realist ontology (Jessop & Sum, 2006, p. 300). As a philosophy of science, critical realism is characterized by three facets: ontological realism, epistemological relativism and judgemental rationality (Danermark, Ekstrom, & Jakobsen, 2005, p. 10). While the latter

two will be further elaborated upon within the epistemology chapter, ontological realism deserves some attention when discussing regulation theory. Within critical realism, reality is considered to be structured meaning that reality does not just exist of objects and events observed but also exists of underlying material and ideational structures as well as social power relations (Patomäki & Wight, 2000, p. 223; Wigger & Horn, 2016, pp. 43-44). These underlying structures and power relations do exist independent of human observation, which makes critical realism ontologically realist (Patomäki & Wight, 2000, p. 224). This stands in contrast with positivism which considers reality to be limited to what can be observed (Patomäki & Wight, 2000, p. 224; Wigger & Horn, 2016, p. 45). In this case, observation thus drives the view of reality without consideration of its underlying structures leading to what is referred to as an “epistemic fallacy”, meaning that all which cannot be observed is assumed not to exist (Joseph & Wight, 2010, p. 10). Regulation theory can provide the framework necessary to form an explanatory narrative illuminating these underlying structures. The exact details to how this is achieved are further explained when discussing the critical realist epistemology. First, the role of accumulation regimes within regulation theory shall be explained.

## 2.2 Regimes of accumulation

Regimes of accumulation and the shift between these regimes form a key explanation within regulation theory for the question of how capitalism manages to survive as well as it does despite its internal contradictions (Jessop & Sum, 2006, p. 19). Regime, in the sense of this theory, does not refer to any specific source of power but much rather to a broader set of arrangements on a macro-economic scale (Bieling, Jäger, & Ryner, 2016, p. 59). Before explaining what accumulation regimes are, however, the contradictions that accumulation regimes are answering ought to be explained first. These contradictions can be categorized into two types of threats: an internal threat of overaccumulation and an external threat of the capital-labour nexus and its effects.

The internal threat of overaccumulation refers to the accumulation of capital which, within Marxist theory, is considered a “coercive law of capitalism” (Boyer, 2018, pp. 289-290). What this means is that a capitalist uses a majority of their capital’s surplus value for reinvestment in order to acquire yet more capital, thereby accumulating their capital stock. This is not mere opportunism, as capital which is not reinvested shall dwindle over time by courtesy of inflation. As Harvey (2014, p. 73) put it, capital must circulate or it must die. Competition provides a key process through which this capital accumulation takes place. Competition forms a vital dynamic

of capitalism as it binds both the capitalists and the workers into this system (Boyer, 2018, p. 288). However, it is also through this competition that “weaker” capitalists will find themselves going bankrupt, which consequentially leads to the remaining market share to be located with fewer capitalists. It is through this process that capital will be concentrated in increasingly fewer hands (ibid. p.289). This accumulation cannot endure endlessly. At some point, so much reinvestment has happened that further reinvestment becomes difficult, meaning that standards need to be lowered (ibid. p.291). This effect is further exacerbated when this is done through credit, as the bank taking the risks is not the one owning the money, removing responsibility and creating extensive moral hazards. Therefore capital accumulation is not a linear process, but rather one burdened with crises (ibid.). In order to deal with this internal threat of overaccumulation, an accumulation regime needs to find a way to allow capital to accumulate for extended periods of time. In general, accumulation regimes can be characterized along three distinct axes: intensive versus extensive accumulation, introversion versus extraversion and finally accumulation through productive capital versus accumulation through fictitious capital (Becker, Jäger, Leubolt, & Weissenbacher, 2010, p. 227; Bieling et al., 2016, p. 57; Jäger & Raza, 2001, p. 2). For this thesis in particular, the latter axis plays a vital role through the concept of financialization linked to this axis (Becker et al., 2010, p. 227). This does not render the other axes irrelevant, however. Hence, before financialization and its axis shall be explained, the first two axes will be clarified.

First of all, there is the distinction between extensive and intensive accumulation. In an extensive accumulation regime capital accumulation takes place through the expansion of capitalism into new forms of activity at the cost of any non-capitalist producers present (Jessop & Sum, 2006, p. 24). Exploitation is thus spread to sectors where it previously weak or even absent, such as a sector with artisan producers being entered by capitalist manufacturing. This form of capital accumulation thus found its dominance in the 19<sup>th</sup> century and dealt with overaccumulation by allowing crises to recur regularly through a business cycle economy (Boyer, 2018, p. 295). An accumulation regime relying on extensive accumulation by extension does also rely upon market expansion for continued capital accumulation (Bieling et al., 2016, p. 57). It must thus continuously find sectors which previously were not governed through capitalist mechanisms. In contrast to extensive accumulation, intensive accumulation focusses on the intensification of exploitation (Jessop & Sum, 2006, p. 24). Instead of relying on the expansion of the market, these regimes rely upon the growth of productivity in order to prevent overaccumulation (Bieling et al., 2016, p. 57). Through this growth of productivity, the surplus

value generated through labour can be expanded thus allowing capital to maintain its accumulation (Jessop & Sum, 2006, p. 24). It is this increased surplus value extraction which defines the intensification of exploitation, hence it is an “intensive accumulation regime” (ibid.).

Secondly, there is the differentiation between introversive and extraversive accumulation, the first also referred to as “autocentric accumulation” (Jessop & Sum, 2006, p. 59 & 162). This distinction primarily refers to the orientation of capital flows, with extravertive accumulation showing an outwards orientation (Becker et al., 2010, p. 227). Introversive accumulation on the other hand shows a more inward orientation, largely confining capital within national boundaries (Becker et al., 2010, p. 227; Jessop & Sum, 2006, p. 59). Fordism is generally considered as such an introversive accumulation regime, but this also shows how this axis is not an either-or issue but rather a matter of degree (Bieling et al., 2016, p. 57). This is exhibited through the fact that, aside of actual colonialism still remaining in various places, industries like the footwear industries showed how exploitation on a global scale was already present at an early stage in the post-war period (Merk, 2011). The orientation of capital flows is thus always to be considered relative to the orientations in other regimes in order to bear judgement on what typology fits a certain regime.

Finally, there is the distinction between accumulation through productive capital and accumulation through fictitious capital. This distinction links to an important concept within this thesis: financialization (Becker et al., 2010, p. 227). Fictitious capital refers to a circuit of capital in which capital accumulates through various forms of securitized assets (ibid., p. 228). This stands in contrast with productive capital which accumulates through interest on productivity. This is not to say that the two forms of capital accumulation are separated, however. In its essence, fictitious capital represents a claim upon productive capital, but has securitized it and thus turned it into a financial product (ibid.). This financial product ultimately acquires its value through its claim on the productive sector. Financialization links to these concepts as it most commonly entails the increasing share of fictitious capital compared to productive capital (ibid.). On itself, financialization has been given numerous definitions. Epstein (2005, p. 3) offers a broad definition of financialization by describing it as the increasing influence of the financial sector on society. This broad definition offers the advantage that it is likely to encompass all forms of financialization imaginable. However, a major disadvantage of such a broad definition is that it is prone to false positives by arguing certain processes to be part of financialization which can be argued not to be a part of

financialization. A more specific definition of financialization can be found in the conception of financialization as the shift towards a regime where accumulation and growth take place through the financial sectors rather than the productive ones (Aalbers, 2008, p. 148; Krippner, 2005, p. 174). This definition stands more in line with the distinction made between fictitious and productive capital as it fits the distinction between growth and accumulation through the financial sector or through the productive sector respectively. This also implies that growth through the financial or productive sector do not stand separated from one another, as the financial sector only has value through its claims on the productive sector. For example, mortgage-securities have value through the payment of these mortgages which in turn acquire value through the productive income of those indebted with these mortgages. Using the concept of “Le monde enchanté” or “Fetishism” as coined by Lipietz it can be concluded that although it is the exoteric concept of prices appointed to a house of which a mortgage shows its value, it is the esoteric material condition of productive income that forms the real value behind such mortgages (Jessop & Sum, 2006, p. 309; Lipietz, 1983). This is why within a financialized accumulation regime, the house itself is not part of the equation. Adding to this definition of financialization is the concept of circuits of accumulation (Aalbers, 2008, p. 149). Within this context, financialization is seen as a switch of capital from the first circuit of accumulation, the productive sector, towards the fourth circuit of accumulation, the financial sector for its own good (ibid.). So far, this approach is almost identical to the fictitious capital versus productive capital distinction. Where Aalbers (2008, p. 149) differs from this conception is in the fact that he defines two other circuits of capital, the built environment being the second circuit of accumulation and the social infrastructures like education being the third circuit. Using this distinction, it can be concluded that accumulation can not only be described as the switching of capital from the first to the fourth circuit, it also becomes possible to observe the second and third circuit becoming increasingly governed by the rules of the fourth circuit, the financial sector. This way, the approach by Epstein (2005, p. 3) of defining financialization as the increasing influence in society is made more specific in a meaningful way, reducing the risk of false positives. Financialization is thus not only limited to the shift from productive to fictitious capital accumulation but also includes concerns about parts of the public sector becoming increasingly governed by the financial sector (For an example of such a concern, see: Engelen, Fernandez, & Hendrikse, 2014).

These varying axes offer accumulation regimes different ways with which to deal with the internal threat of capitalism, overaccumulation. There is, however, another important aspect for

an accumulation regime to deal with, which is the capital-labour nexus. This capital-labour nexus forms a more external threat to capitalism. Although conventional economics might teach that labour contracts are voluntary arrangements between equals, Marxist theory objects to this as labour is essentially weaker than capital (Boyer, 2018, pp. 287-288). The essential inequality lies in the fact that the labourer does not own the means of production within a capitalist system nor do they own enough land to make a living on their own. What this means is that each labourer is fundamentally dependent for his or her livelihood on capital owners, giving the latter the power to extract surplus value from the labourer. It is through this process that, within Marxist theories, capital can acquire any added value at all (ibid.). The role this nexus plays within regulation theory lies in the social and political struggles emerging from this capital-labour nexus, as the acceptance of this exploitation is not inherently a *fait accompli* (ibid.). Further exaggerating this capital-labour nexus in a modern context is that it shows a contradiction between capitalism and democracy. First of all, an essential problem to capitalist society is how it ought to protect capital from being voted away by democracy. Assuming each citizen has an equal vote and the number of citizens owning enough capital to be a capitalist is small and ever-shrinking due to competition, it makes sense for the majority of people in a country who are not capable of being a capitalist to simply vote for taking capital away from capitalists and redistribute it in society. This issue is important for Marxist theory for it dives into the idea of class conflict, the main consequence of the aforementioned capital-labour relationship. Secondly, the economic instability as a consequence of overaccumulation and the accompanying crises begs the question of how capitalism can make sure voters will not enchain capitalism to prevent the impacts of such crises. Considering both issues, it is key for any regime of accumulation to find a way to maintain social order despite the internal mechanisms of capitalism ensuring recurring crises. Any form of the capital-labour nexus requires a set of legal and institutional conditions allowing wage-earning to be a form of acquiring labour in the first place (Boyer, 2005).

Capitalism thus needs to overcome two threats in order to survive, first of all the internal threat of overaccumulation and secondly the external threat of the social and political struggle as a consequence of the capital-labour nexus. For Marx, modern history started with capitalism as a necessary step to acquire wealth for a country to put to use (Boyer, 2018, p. 292). However, he did not consider capitalism to be able to survive the described threats, and thus expected another mode of production to rise and replace it after a crisis of the capitalist system (ibid.). Modern history may thus have started with capitalism, according to Marx it does not end with

it. The wisdom of hindsight does show that so far, this capitalism ending crisis has not yet occurred. It is here, that the regimes of accumulation allow regulation theory to explain how capitalism is as resilient as it has proven itself to be, despite internal contradictions (Bieling et al., 2016, p. 55; Boyer, 2018, p. 292). Through changing from one regime to another, with different values on the mentioned axes, capitalism can allow itself to buy time. Such a regime of accumulation cannot do this on its own, however. It needs a political playing field favourable for its existence. It is here where modes of regulation come into play.

### 2.3 Modes of regulation

Each mode of regulation forms a set of implicit and explicit rules and norms enabling each separate regime of accumulation, without which a regime of accumulation is likely to succumb to crisis (Jäger & Raza, 2001, p. 2). Thus, where accumulation regimes allow capitalism to be maintained for a given period, it is through the modes of regulation that these accumulation regimes themselves are maintained for the medium term (Peck & Tickell, 1992, p. 349). These modes of regulation exist of varying structural forms considered inherent to capitalism (Jäger & Raza, 2001, p. 2; Jessop & Sum, 2006, p. 229). These structural forms exist of a mode of competition, a wage relation, a monetary regime, the state and the international regime (Becker et al., 2010, p. 226; Delorme, 1991, p. 165; Jäger & Raza, 2001, p. 2).

Starting with the first part, competition does indeed form what is considered the “coercive law of capitalism” (Boyer, 2018, pp. 289-290). Because this competition forms a key mechanism through which capital accumulation takes place, it naturally follows that the specific forms in which competition takes place form a key part of a regime’s mode of regulation. These forms of competition can vary from a monopolistic form of competition to one of competition on a local or even global scale (Boyer, 2018, p. 296; Jäger & Raza, 2001, p. 8). When considering the process of financialization in particular, the process of privatization is linked to the form of competition considering the competition is now on the private market rather than the public sector (Becker et al., 2010, p. 228). Adding to the form of competition, the monetary regime and wage relations form key parts of a mode of regulation and its accompanying accumulation regime (Jessop & Sum, 2006, p. 229). Beginning with the latter, a wage relation can form a key mechanism allowing accumulation taking place. This can, for example, be done through a virtuous cycle of rising productivity, wages and consumption forming what Aglietta characterizes as a “*société salariale*” (ibid.). However, the role of a wage relation is not limited to the arrangement of wages but can also include “social wages” like pensions (Becker et al.,

2010, p. 228). Such social wages can form a way in which wage-earners can be coerced into integrating in whatever accumulation regime is present (ibid.). This way, wages do not merely form an inconvenient catalyst within the capital-labour nexus but can play a vital role in integrating labour into whatever accumulation regime is present at a given period. On the other hand there is the monetary regime, forming another key aspect in the nature of accumulation (Jessop & Sum, 2006, p. 229). A monetary regime exists of the varying ways in which money and credit are arranged within an economy (Becker et al., 2010, p. 228; Boyer, 2018, p. 294; Jessop & Sum, 2006, p. 231). This monetary regime can determine whether a mode of regulation shows an inflationary or deflationary bias, and can thus switch between these once the regimes of accumulation and their accompanying modes of regulation have developed further (Becker et al., 2010, pp. 227-228). For any mode of regulation to remain stable, it is paramount for this monetary regime to be compatible with the other aspects of this mode of regulation (Boyer, 2018, p. 295).

Finally, modes of regulation also consist of the state and international regimes (Becker et al., 2010, p. 226; Jäger & Raza, 2001, p. 2). The state has played a role within regulation theory at an early stage already, but the theory surrounding the role of the state was largely considered incomplete (Delorme, 1991, p. 153; Jessop & Sum, 2006, p. 231). Delorme (2005, p. 117) defines the state as the set of institutions wielding public power through the central state as well as local government bodies. More specific to regulation theory, the state is viewed as a method of maintaining order in a social-economic system which has inherent instabilities (ibid.). What emerges is what Delorme calls the “*mode de relation entre l'état et l'économie (MREE)*” (Delorme, 1991, 2005). MREE distinguishes four levels at which the state and the economy are related to one another (Delorme, 2005, pp. 118-119). First, there is the conception of the state as a societal principle in itself where it is being distinguished from civil society (ibid.). This level essentially encapsulates the “social game” between the state and civil society. The rules of this game are consequentially established on the second level: the level of institutional forms (ibid.). These institutional forms are fivefold existing of 1: the law with its accompanying justice system, 2: the codification of other rules for “game-institutions”, 3: the *moda operandi* of legislative and executive powers including the level of centralization and the level of democracy, 4: the rules of taxation and finance and finally 5: the rules of foreign relations (ibid.). This level thus considers the state as the place where formal rules and regulation in society are codified and maintained. It is consequentially on the third level where this social game with its accompanying rules and regulation is played out (ibid.). Within this level,

markets, hierarchies and various other networks come into play, within which the state is considered as one such network in the form of a public hierarchy (ibid.). Here, the state forms a network within which actors can interact. This stands in contrast to the fourth and final level where the state plays a role within the social game as an actor in itself, with its own interests and conflicts (ibid.). Having established the levels at which the state and the economy can interact, what remains are strategies available to the state. These are threefold: the state can co-ordinate, legitimize or coerce (Delorme, 2005, pp. 119-121). Co-ordination refers to what is typically thought of when considering the relation of the state to the economy: the state coordinating the economy in whatever sense is considered necessary. Legitimization has two interpretations. First, it renders situations acceptable even if co-ordination has failed and thus generated issues like unemployment or inequalities (ibid.). More broadly, legitimization determines what representation of reality is available to the actors involved in a given society (ibid.). Lastly, coercion is considered to be the role which is least commented on (ibid.). This entails the exercise of sovereignty by the state at the point where there is no “higher power” (ibid.). Considering all this, Delorme forms a conception of the state he calls “*l'état relationnel intégré complexe (ERIC)*” (Delorme, 1991, 2005). The state is relational for it is not formed by an intrinsic essence but rather through a conjunction of social phenomena with which it stands in relation (Delorme, 2005, p. 121). This means that the state is considered to be socially embedded (Jessop & Sum, 2006, p. 231). Furthermore, considering the varying levels at which the state can operate, the duality of the state being either a structure or an agent shows no truth to evidence (Delorme, 2005, p. 121). Hence, the state is instead integrated within both, giving the state its complex nature (ibid.).

In general, the state thus proves to play an important role within a mode of regulation. It plays on varying levels with varying strategies giving it a complex nature summarized by *ERIC*. It is argued that most research is aimed at the role of nations within régulation theory, somewhat overshadowing the role of international regimes (Vidal, 2005, p. 108). Like the role of the state, the role of international regimes has also been considered an incomplete part of regulation theory (Jessop & Sum, 2006, p. 232). The role of international regimes is hard to oversee, however, even when arguing on a state level. For example, when arguing about the coercive strategy a state can use towards the economy, its exercise of sovereignty can face limits when considering the existence and role of European integration (Delorme, 2005, p. 119). Much of the theoretical vision on international regimes by regulation theory draws upon the “American school of international regimes” as formed by Stephen Krassner (Jessop & Sum, 2006, pp. 232-

233; Vidal, 2005, p. 109). This theory defines international regimes as a set of norms, rules, principles and decision-making processes aimed at ensuring coherent behavior of varying international actors (Vidal, 2005, p. 109). The strength of such a regime is consequentially defined by the degree to which its norms are respected (ibid.). More specific to international regulation, these norms and institutions can take shape as trade and financial networks, multinational firms, an international monetary system or as trade agreements (ibid.). Beyond this, there is also an increasing interest in regional integration such as can be seen with organizations like the European Union or NAFTA (Jessop & Sum, 2006, p. 233). Altogether, international regulation is understood as a result of the interaction between national regulations, but can also influence those national entities in turn, often in the form of disciplining action (Vidal, 2005, p. 114). The effects of international regimes are considered somewhat ambiguous, it can enforce homogeneity amongst national regulation modes while it can simultaneously amplify differences between these same national entities (ibid.). International regimes can thus have a wide variety of different influences upon regulation regimes.

To summarize, regulation theory tries to explain how capitalism managed to survive as it did despite its internal contradictions through two mechanisms: regimes of accumulation and modes of regulation. Regimes of accumulation form the economic part of the theory showing how economic regimes can be adjusted to temporarily allow capital to maintain its accumulation while also maintaining the necessary degrees of social order. These regimes do, in turn, require a compatible mode of regulation to enable this regime to exist. This forms the political dimension of the theory, showing how varying institutions influence and enable the regimes of accumulation and thus in extension, capitalism as a whole. The shape these regimes of accumulation and modes of regulation are given differs per regime observed. For the purpose of this thesis, the Fordist and post-Fordist regimes will be used as a framework to observe the history of the Dutch housing sector. The details of these regimes will be explained within the operationalization. However, considering the specific nature of regulation theory, the next chapter first requires to expand upon the critical realist epistemology linked to this field of research.

### 3.1 A critical realist epistemology

As Jessop and Sum (2006, p. 299) argue, regulation theory administers a critical realist epistemology, albeit implicitly. However, within the field of critical realism, regulation theory has been largely ignored. It is often considered irrelevant for a meta-theoretical discussion, is ignored in favour of critical realist Marxism or in many cases it is not even examined in the first place (Jessop, 2001). As a philosophy of science, critical realism has both an ontological and epistemological viewpoint, meaning it can respectively argue on what reality can be and in what manner knowledge about this reality can be acquired (Danermark et al., 2005, p. 3). Critical realism is often associated with the works of Roy Bhaskar, although some authors prefer to use the term “scientific realism” to denote the use of critical realism in any manner which does not necessarily fit entirely with the works of Roy Bhaskar (Joseph & Wight, 2010, p. 2; Wight, 2007, p. 381). This chapter shall consistently use the term critical realism in order to prevent any confusion, however.

Critical realism primarily emerged as a response to the positivist philosophy of science dominant in the 1930s (Archer, Bhaskar, Collier, Lawson, & Norrie, 2013, p. 3; Danermark et al., 2005, p. 4). Jessop and Sum (2006, p. 299) even go as far as considering critical realism to be “anti-positivist”. Before going this far, however, it is important to clarify what positivism and by extension anti-positivism mean in the first place. As a philosophical school of science the “logical positivists” located their efforts into defining what did and did not constitute science (Danermark et al., 2005, pp. 7-8). Within these efforts, positivism found itself acquiring a strictly empiricist foundation by whose definition of science all that which is not concerned with empirical observation is not to be considered science at all (ibid.). Bhaskar (1998, p. 19), calling this philosophy “classical empiricism”, argues that within this viewpoint science is a natural and objective observation of reality. It is thus assumed that human senses can perceive the world objectively, reducing ontology to epistemology in the process (ibid.). Theories about what reality can be are no longer needed beyond offering suggestions to test in reality.

Opposite to positivism stands anti-positivism. This anti-positivism arises from Nietzsche’s perspectivist theory on knowledge (Danermark et al., 2005, pp. 8-10). Perspectivism considers viewing reality from a “god’s-eye perspective” impossible and instead considers knowledge to always be embedded in the specific perspective of the one creating this knowledge (ibid.). Here, anti-positivism shows an epistemological relativism as knowledge is now considered to be dependent on the context and interests of its creators meaning that knowledge is not assumed

to be objective like it is by positivists. However, the relativism does not stop with epistemology. Taking anti-positivism to its logical extremes, Richard Rorty argues the whole process of theory-generation to be a “meaningless preoccupation” (Danermark et al., 2005, p. 9). The reason for this lies in the assessment and comparisons of theories to one another. According to Rorty, in order to assess the usefulness of one theory against the usefulness of another theory, it is necessary to determine what merit means for a theoretical discussion in the first place which in turn requires a “universal language” in which this merit can be defined (ibid.). The problem is that once knowledge is considered context dependent, such a universal view on science is inherently impossible, meaning that different theories are viewed in different “languages” and can thus not be compared. If theories cannot be compared, it thus logically follows that no theory is better than any other theory, in which case one may wonder why to bother with this activity in the first place (ibid.). Anti-positivism is thus not only epistemologically relativist but is also relativistic on an ontological level. Here, epistemology is reduced to ontology, making reality essentially a matter of opinion.

Critical realism thus criticizes these two philosophies of science. When considering positivism, ontology became reduced to epistemology which assumes that human perception can observe reality and thus also implies that all what cannot be perceived by human observation does not exist (Danermark et al., 2005). This is what within critical realism is considered the “epistemic fallacy”, a term coined by Bhaskar meaning that epistemological arguments are given ontological tasks (Joseph & Wight, 2010, p. 10). Critical realism instead argues that reality is structured meaning that it does not just exist out of objects like events or experiences but also out of underlying structures and powers (Patomäki & Wight, 2000, p. 223). These underlying structures, they argue, do not always manifest themselves in human experience and can thus not always be perceived by human observation (ibid.). That these underlying structures cannot be perceived does not mean that they do not exist, however. Anti-positivism does offer a similar epistemological relativism, but takes it to the other extreme by writing away reality itself as being just theory (Danermark et al., 2005, p. 9). Within critical realism, reality may be structured, but it is real nonetheless meaning that some theories may actually be better at estimating this reality than others (Patomäki & Wight, 2000, p. 224). Ontological relativism is thus fundamentally at odds with critical realism. Critical realism is thus characterized by its ontological realism, epistemological relativism and judgemental rationality (Archer et al., 2013, p. xi; Danermark et al., 2005, p. 10).

Both critical realism and regulation theory follow an epistemological tradition of retroduction, also known as abduction (Jessop & Sum, 2006, p. 16; 303; Retroduction, n.d.). In order to explain this, retroduction has to be contrasted to induction and deduction which are its competitors regarding forms of reasoning. Pertaining to this, there are some conflicting definitions. For example, Beach and Pedersen (2013, p. 175) consider abduction to be a dialectic combination of induction and deduction, whereas Peirce (1955, p. 151), whose very work Beach and Pederson referred to, explicitly states that abduction has gotten its own name because it is *different* from both induction and deduction. Jessop and Sum (2006, p. 16) offer the most workable distinction, albeit also the least expansive one. In their explanation, induction is done through observing reality and developing, also known as inducing, general laws based on these observations. In contrast, deduction develops hypotheses through logical argumentation and consequentially tests these hypotheses in reality. It ought to be noted that both forms of reasoning show links to positivist reasoning as these forms of reasoning do imply that human observation can offer an objective representation of reality. This does not fit critical realism as it leaves little to no room for numerous viewpoints to contain truth. Retroduction explicitly offers this possibility, as Peirce (1955, p. 150) expressed “*All our knowledge may be said to rest upon observed facts. [...] But observed facts relate exclusively to the particular circumstances that happened to exist when they were observed. [...] They, therefore, do not, in themselves, contain any practical knowledge.*” (Peirce, 1955, p. 150). Thus, merely observing a “fact” is considered to be insufficient to obtain practical knowledge, and thus retroduction adds a step to the process of knowledge gathering. This step is the step of inferring a hypothesis from this fact and thus linking this observation to another fact which accounts for the observation (Svennevig, 2001). Peirce (1955, p. 151) describes this process as follows (paraphrased): observation C is made, it is hypothesized that C is a natural consequence of A, hence there is good reason to suspect A to be true. What such an hypothesis exactly ought to be is admittedly open to endless interpretations, this does not mean that all cases of retroduction follow an anti-positivist philosophy of “anything goes”, however (Svennevig, 2001). Within retroductive reasoning, hypotheses can be discerned and judged, meaning some hypotheses are ultimately better than others (ibid.). It is thus through retroduction that critical realism acquires its judgemental rationality. Furthermore, critical realism plays into the epistemological relativism of critical realism as its outcomes are uncertain, there may be better hypotheses out there after all, and in that its outcomes are context specific (ibid.).

Through critical realism, Bhaskar challenges the orthodox idea of science having to become increasingly unitary. In his argument, there is a reality “out there”, but this reality is stratified in a manner that requires a plurality of scientific fields and viewpoints to be observed with any degree of accuracy (Collier, 1998, p. 261). Within regulation theory, this scientific pluralism expresses itself in the vision of the economy as a “methodological demarcation within the domain of social relations” (Jessop & Sum, 2006, p. 309). What this implies is that in order to acquire knowledge about “the economy” one needs to take non-economic factors into account. Research on capitalist regulation can thus not be limited to some abstract economic models but needs to observe the transformation of social relations (Aglietta, 1979, p. 16). Through this scientific pluralism, regulation theory fits into the epistemological relativism of critical realism without becoming ontologically relativist. Thus, when it comes to acquiring knowledge the mere showing of empirical regularities is not considered sufficient in the field of epistemology (Jessop & Sum, 2006, p. 303). In order to acquire a real understanding of the causal mechanisms at play within an explanandum, regulation theory with its critical realist epistemology maintains a very open character concerning methodology (ibid, p.310). As Aglietta (1979, pp. 15-16) pointed out, the advancement of knowledge does not consist of “hypothetico-deductive” phases but keeps developing in dialectic phases alternating from concrete to abstract levels of inference. Through these dialectic phases, knowledge is acquired and theory becomes more than “*the exposition of conclusions already implicitly contained in an axiomatic system*” (Aglietta, 1979, pp. 15-16). In sum, within critical realism there is a reality “out there” but any acquisition of knowledge about this reality is uncertain and context dependent (Svennevig, 2001). Any theory or knowledge is thus an estimation of this truth meaning that theories can be judged, compared and improved upon through dialectic phases (Aglietta, 1979, pp. 15-16). Through this continuous process of observation and comparison, knowledge keeps improving, a process in which this thesis thus aims to play a role.

## 3.2 Outcome-explaining process tracing as a critical realist method

Owing to its retroductive form of reasoning, Downward and Mearman (2006, p. 89) argue that data and method triangulation are important aspects of a critical realist methodology. Method triangulation entails the idea of using separate methods to explain the same explanandum whereas data triangulation entails the use of different forms of data for explaining the same explanandum (Downward & Mearman, 2006, p. 81). The latter will be of particular use considering the scope of this thesis. Method triangulation requires numerous distinct research papers as it requires the same explanandum to be explained through different research methods. This thesis shall only offer one such research to offer a viewpoint on the issues at hand. However, this thesis will use various forms of data through quantitative data, observed discourse amongst various actors involved in the Dutch housing market and secondary sources. This shall maintain a degree of data triangulation within this thesis.

The epistemological relativism of critical realism additionally implies that an explanation is only ever sufficient for a given explanandum, as knowledge is tied to a human structure which defines what explananda are to be explained (Patomäki & Wight, 2000, p. 224). What follows is the need for theory to move from being abstract to become concrete, as any specific explanandum needs a specific explanation. This is important for regulation theory considering the conceptual nature of the theory. Accumulation regimes are a rather broad concept, but what do these specifically entail in real life? It is this exact question that the movement from the abstract level to the concrete one entails. What is also implied is a movement in the opposite direction, theory ought to move from being simple to complex (Aglietta, 1979, pp. 15-16). This means that a given explanandum needs to be introduced to more dimensions in order to acquire an answer. This is primarily implied by the ontological realism of critical realism, as there is a reality “out there” which is very likely to be a complex one. Any theory which is better able to catch the complexity of reality than another theory can thus be considered an improvement. Adding to the implication that every explanandum needs a specific explanation, Lipietz also adds that “each national social formation ought to be studied in its own right” (Lipietz, 1985, chapter 3 pp.6-7). The idea behind this is that every country can have its own progress of regimes of accumulation as well as modes of regulation and thus the specific progress of a country should be observed in itself. This is important to remember when discussing Dutch housing markets, for the progress here might be different from progress elsewhere. This should not lead to national reductionism, however. Considering the studying of modes of regulation in

particular, international regimes prove to be a relevant part of a mode of regulation (Vidal, 2005, p. 108). This thesis shall thus aim to offer an explanation specific to the Dutch housing market, meaning that a periodization of Fordism and post-Fordism has to be specified within a Dutch context. The operationalization will offer a periodization of these two regimes in general, whereas the periodization specific to the Dutch housing market will be offered within the empirical chapters. This periodization can be explained through quantitative methods using economic data such as the economic influence of the financial sector in the economy. Lipietz (1983) shows that this is not a brilliant idea, however. In his concept of “le monde enchanté” (the enchanted world), Lipietz makes a distinction between the exoteric world and the esoteric world. Within this distinction, the exoteric world entails the world of representation whereas the esoteric world exists of the material conditions forming reality (ibid.). Limiting this research to these quantitative indicators limits the observation to the exoteric side of financialization and thus ignores the esoteric reality of material circumstances and actual institutions dealing with these changing circumstances. Hence, a focus on a more qualitative approach offers more insight into this esoteric reality of the underlying institutions enabling the processes observed. This thesis shall use quantitative data to point out some processes, but the explanatory power shall thus mainly be found in a qualitative analysis of the Dutch housing market.

This qualitative approach shall entail the method of process-tracing. Process-tracing is mostly defined by its ambition to provide causal mechanisms across a given time-period (Beach & Pedersen, 2013, pp. 2-3). However, process tracing is not one single form of methodology, which is often a source of confusion in its definitions (ibid.). Instead, there are three forms of process-tracing: theory-testing, theory-building and outcome explaining process-tracing (Beach & Pedersen, 2013, pp. 11-13). The first two are considered theory-centric whereas the latter is considered case-centric. Within critical realist thinking, explanations are always specific to their given explanandum (Jessop & Sum, 2006, p. 303). Consequentially, it is process-tracing in its outcome-explaining nature which ought to be the method of choice. Furthermore, this thesis is primarily an attempt to explain an outcome not expected through conventional economic theory, that outcome being the rapid increase in residential real-estate prices. Outcome-explaining process-tracing is thus useful for explaining this outcome (Beach & Pedersen, 2013, pp. 18-21). Finally, this specific method also allows for a scientific philosophy in which the social world is acknowledged as being very complex and context-specific, which fits the critical realist ontology (Beach & Pedersen, 2013, p. 13; Jessop & Sum, 2006, p. 309).

Explaining-outcome process-tracing needs some adaptation before it can be used in a critical realist framework, however. Explaining-outcome process-tracing offers two distinct paths to acquire a “minimally sufficient” explanation: an inductive and a deductive path (Beach & Pedersen, 2013, pp. 18-21). Beach and Pedersen (2013, p. 19) admit that these are separated from abduction, of which they state that it most closely resembles this method as a strategy. They consider abduction to be a dialectic combination of both induction and deduction and thus consider the separation as done here as a valid strategy (*ibid.*). In this vision, deduction serves to provide causal mechanisms by which to test the case whereas induction takes the evidence found here to adapt the deducted theory upon the facts of this case (Beach & Pedersen, 2013, pp. 18-21). These then generate sufficient conditions for the outcome, of which this methodology attempts to use the minimum amount of while remaining able to explain the outcome. Abductive reasoning starts with the case and from there attempts to find out what reality ought to look like for the observed case to be true (Jessop & Sum, 2006, p. 16; Peirce, 1955, p. 151). What this essentially means is that sufficient conditions are looked for in order to explain the outcome reality has given. Beach and Pedersen (2013, pp. 18-21) may call this induction, and it is indeed similar to induction, but in reality, they are describing a part of abduction. Likewise, the attempt to finding these conditions in empirics may be called deduction but are in reality a part of abduction. In this sense, the statement of Beach and Pedersen (2013, pp. 18-21) that abduction entails a dialectic combination of deduction and induction makes sense, but this fully depends on how one defines these terms. These definitions can often be fuzzy and can differ across studies. Using the definitions offered by Jessop and Sum (2006, p. 16) one can say that the names of these paths are rather misused for the deductive path does not test a theory, it tests conditions. Furthermore the goal of the inductive path is not to develop general laws but it is much rather meant to provide a case-specific sufficient condition.

The outcome-explaining process-tracing method shall be used by creating an explanatory narrative, meaning that the historical process will be observed and shaped into a plot which culminates in an outcome: the current form of the Dutch housing market, hence creating a “narrative configuration” (Polkinghorne, 1995). Such a narrative is aimed to be temporally organized (*ibid.*). In order to do this, the narrative will start with an explanation of the Dutch housing market during the Fordist accumulation regime and shall follow the move towards a post-Fordist regime over time. Throughout this time, housing prices and the division of the housing stock will be observed and the accompanying changes within and by the institutions

enabling this will form key parts of the “plot”. What results is an explanatory narrative giving meaning to the observed events and processes. What does not emerge is a final and objective theory of truth concerning the case of the Dutch housing market, as it has already been explained that this kind of positivist reasoning is not only beyond the point of a critical realist epistemology but is a wrong way of conducting science following this epistemology. This theory intends to explain the situation better than conventional economic theories concerning aspects like demographics, as is in line with judgmental rationality.

### 3.3 Operationalization: Fordism and post-Fordism explained

Through its explanatory narrative, this thesis places a focus on the form of the Dutch housing sector in both the Fordist and post-Fordist regimes and on how the sector changed through the movement from the first to the latter. Before a description of this can be offered in the context specific to the Dutch housing sector, it is first necessary to clarify the general characteristics of these regimes. This chapter aims to characterize and explain both regimes and the general mechanisms behind them.

Fordism as an accumulation regime came into existence in the period after world war two and has acquired a great deal of interest by researchers (Juillard, 2005, p. 155). Bieling et al. (2016, p. 57) characterize the Fordist regime as being intensive, introverted and based upon productive capital. Its intensive nature of accumulation means that accumulation is based more on productivity growth than on the expansion of capitalist markets (ibid.). It is thus an intensification of exploitation as profits are generated through the increased siphoning of the additional productivity (Jessop & Sum, 2006, p. 24). Adding to this, accumulation within a Fordist regime is mainly based on productive capital. This is a key aspect of the Fordist regime, as capital accumulation is thus based upon the growth of wages and their accompanying consumption, which then increases demand and thus allows for profits (Juillard, 2005, p. 155). This means that society and its varying modes of regulation need to focus on the increase of worker productivity in order to support this accumulation regime. It is thus to be expected that housing functions as a means to this end within the Fordist accumulation regime. Finally, Fordism is also considered introverted in nature (Bieling et al., 2016, p. 57). This means that the Fordist accumulation regime is focused on the domestic market rather than the international one (Becker et al., 2010, p. 227). Arguably, housing is already introversive in nature, considering that houses are rather inconvenient to trade across borders. Here it ought to be recalled that although housing itself is hard to trade across borders, mortgages and similar financial products financing this housing are easier to trade across borders. Following the idea that Fordism entails an introversive accumulation regime, it is thus to be expected that this trade occurred less often within this regime compared to a post-Fordist regime.

Concerning the mode of regulation of Fordism, much is described by the concept known as “embedded liberalism” (Crouch, 2009; Ruggie, 1982). Through the productivity growth of Fordism, wages are allowed to grow quick enough to allow for mass-consumption, which in turn is necessary for Fordism to encourage mass-production (Juillard, 2005, p. 155). This focus on wages in order to foster consumption and thus growth is what Aglietta calls a “société

salariale”, which thus fits the Fordist wage relation (Jessop & Sum, 2006, p. 229). This wage-relation of Fordism forms a part of how the external threat to capitalism posed by the capital-labour nexus is dealt with (Becker et al., 2010, p. 228; Jessop & Sum, 2006, p. 229). However, this does not deal with crises within capitalism yet. It is here where Fordism and the state within embedded liberalism work in tandem as the state deals with these inherent instabilities through its Keynesian budget policy wherever productivity growth cannot deal with these instabilities (Crouch, 2009, p. 384). Such a policy focused on full employment and the protection of labour proved rather unique in capitalist history and is linked to the war out of which this regime followed. Trying to prevent the economic nationalism as seen in the interbellum while trying to avert the kind of unrest which arguably caused the second world war, the embedded liberalist regime had to allow for a great deal of domestic government intervention (Ruggie, 1982, p. 393). Adding to this large interventionist state, the Fordist mode of competition was oligopolistic in nature, creating an economy dominated by large scale firms (Boyer, 2018, p. 296). It is in such large firms where ownership and control of the firm tend to be separated, which in turn allows for an explicit capital-labour compromise which is characteristic of the Fordist regime (ibid.).

The parts of the mode of regulation which are left at this point are the monetary regime and the international regime (Becker et al., 2010, p. 226; Delorme, 1991, p. 165; Jäger & Raza, 2001, p. 2). It is here where problems with the Fordist regime started to arise. Starting with the monetary regime, this was characterized as a credit-based regime, which thus required continuous reinvestment of this credit to maintain economic stability (Boyer, 2018, p. 299). Considering the international regime, the introversion of the Fordist regime characterizes this regime with a focus on internal mass-consumption and mass-production (Becker et al., 2010, p. 227). The problem when combining these two facets of the mode of regulation is that internal growth through mass-consumption becomes saturated at some point, which means the returns of capital start to decline (Boyer, 2018, p. 299; Jessop & Sum, 2006, pp. 125-126). This moment arrived with the stagflation crisis of the 1970s, as growth grinded to a halt while the inflationary bias of the monetary regime kept inflation high (Crouch, 2009, pp. 387-388). With the rates of return on capital too low for investment, capital thus found its way across national borders instead (Ruggie, 1982, p. 393). This renders the domestic interventionist policies of national governments useless as these are based upon an introvertive regime. This, in turn, provided the justification capitalists sought to replace this system with their own alternative: post-Fordism (Crouch, 2009, pp. 387-388).

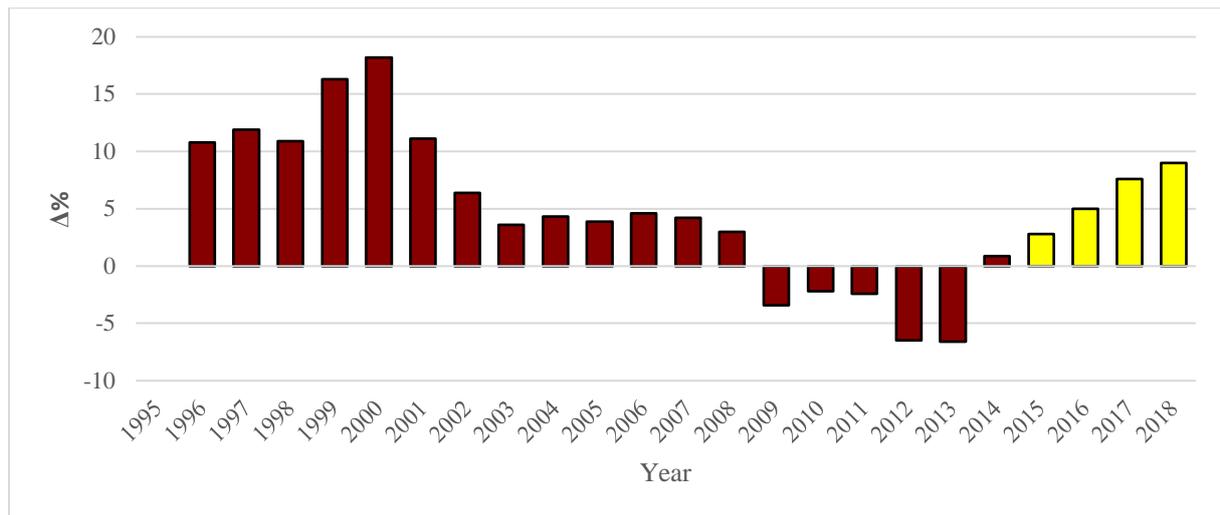
Within this post-Fordist regime, accumulation increasingly takes place through fictitious capital instead of productive capital, meaning that accumulation is achieved through financialization (Boyer, 2018). This new regime is thus more extensive in nature, as it is through the expansion of the financial sector into other circuits of capital, often not subject to the laws of financial capitalism yet, that the financial sector can achieve capital accumulation (Aalbers, 2008, p. 149). Furthermore, the financial sector works at a global level more easily, creating a more extraverted accumulation regime based upon global competition (Boyer, 2018, p. 296). When considering the post-Fordist mode of regulation, however, it may be concluded that although post-Fordism shows more signs of extensive accumulation compared to Fordism, it still maintains signs of intensive capital accumulation. This becomes particularly clear when observing the wage relation of post-Fordism, which is dominated by the move towards increasing flexibility of the workforce allowing for more intensive exploitation (Jessop & Sum, 2006, p. 77). This effectively entails an individualization of the collective and explicit capital-labour compromise known from Fordism, shifting negotiating power from labour to capital (Boyer, 2018, p. 296). This shift was visible on other parts of the post-Fordist mode of regulation as well. Competition is no longer bound to national borders but rather takes place at a global level (*ibid.*). This also means that the state now has to account for this global competition, ruling out many national economic policies as the required borders were gone. In all facets, the post-Fordist regime was a finance-led regime, and the varying modes of regulation were to adjust to this (*ibid.*). This maintains the question how the external threat of the capital-labour nexus was dealt with, considering embedded liberalism does not fit to this regime. What happened here is that embedded liberalism found itself replaced by a new system known as privatized Keynesianism (Crouch, 2009, p. 390). Now that the state could no longer provide protection against the inevitable crises of capitalism, this job was now given to the financial sector as well (*ibid.*). What happens is that instead of the government stabilizing the economy through domestic intervention, this task is now individualized through private debt. Now, if income falls, it is to private citizens themselves to acquire debt to compensate for this consequence of an instable economic system (*ibid.*). This allows citizens to spend this loaned money on one hand while offering more potential for accumulation for the financial sector on the other. What it also means, however, is that private debt sees a large degree of increase throughout this period.

It may be argued that post-Fordism is a dysfunctional regime in itself and the evidence of its instability ought to be seen in the 2008 financial crisis (Vidal, 2013). So far, however, there

is little evidence of this post-Fordist regime to have fallen, as it still appears to be alive and well. Although this may change in the future, this thesis will consider the post-Fordist accumulation regime as the current regime present. The empirical chapters will offer an explanatory narrative showing how these two accumulation regimes have formed the Dutch housing market into what it is now, and shall show how the role of housing has changed significantly throughout these periods. First, however, the next chapter will elaborate on the details of this housing sector and on what process is to be explained.

## 4.1 Housing prices on the rise

The rate at which housing prices in the Netherlands increase has accelerated from roughly 2.5 per cent per year in 2015 unto almost 10 per cent per year in 2018 (CBS, 2019c). Looking at housing price developments from 1996 until today, housing prices show a large amount of volatility as can be seen in figure 1.



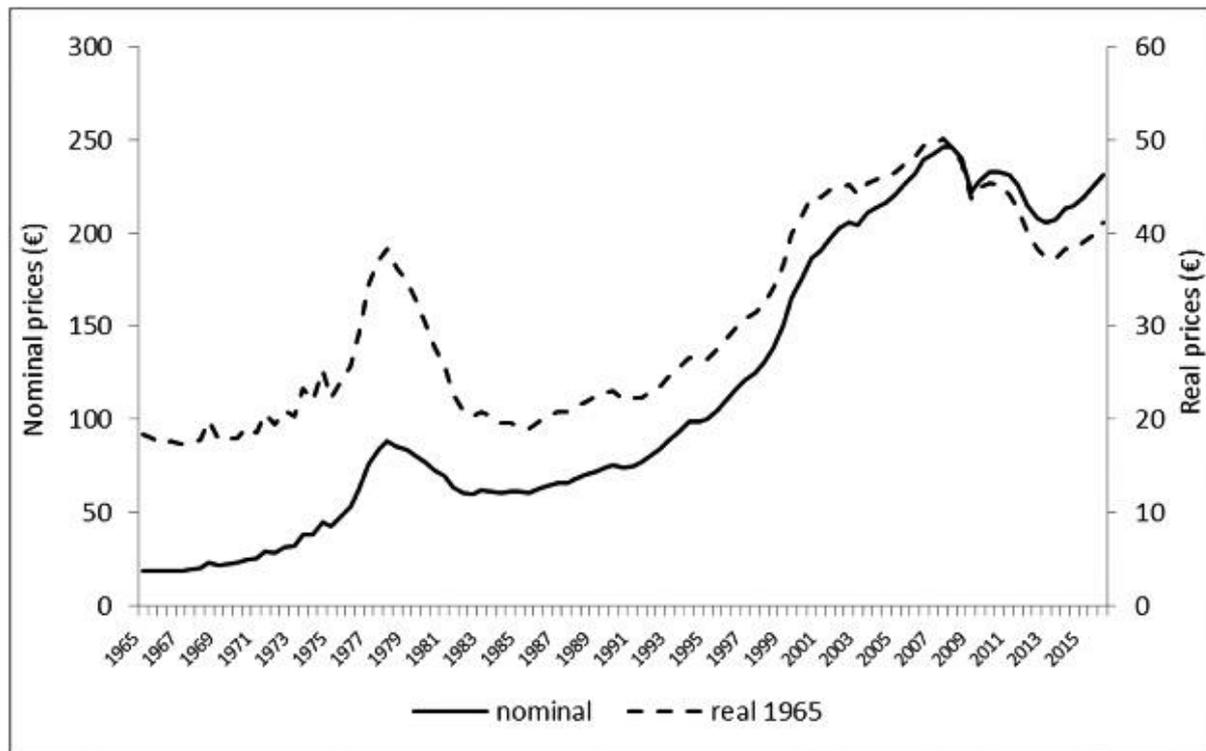
**Figure 1:** Price developments for residential real-estate compared to one year earlier, data per year 1995-2018. The period from 2015 to 2018 is emphasized by a yellow colour.

Source: CBS 2019a

From 2015 until 2018, this acceleration of price increases has been continuing uninterrupted, leading to a growth of nearly 10 per cent in 2018. Using the sources of either the Dutch real-estate broker's organization NVM or Eurostat, this increase has even surpassed 10 per cent in 2018 (Eurostat, 2019; NVM, 2019). The increase in Dutch housing prices compared to a year before in 2018 forms the second highest increase in Europe, only behind Slovenia which has seen a 15.1 per cent increase in housing prices linked to its communist past (Cirman & Sendi, 2016; Eurostat, 2019). Looking at the development of the Dutch housing sector from 1996 until 2018, it appears as if the recent accelerating price increases are an expected part of housing price cycles, essentially repeating the process before the year 2000. Nonetheless, there are multiple issues making the current increase worth observing.

First of all, it is a high increase, even if this kind of increase has already happened around the year 2000. The issue here is that the mathematical concept of compound interest has to be taken into account, the displayed increases are compared to the year before after all. In February 2016, a period in which the described price acceleration came well under way, the average price

demanded for residential real-estate was approximately €300.000 (CBS, 2017). If a price increase of five per cent, which even the period in which the price increases “evened out” between 2003 and 2008 often touched upon, is maintained for fifteen years the prices will average at €624.000. This means that housing prices have to increase to more than double their original value within fifteen years in order to maintain a five per cent growth. Using an eight per cent growth, more in line with the current increase in housing prices, prices rise to €952.000 in fifteen years. This compound-interest calculation, of course, primarily serves as an illustration of what such price increases really mean in nominal terms. A second reason why the current increase is interesting to observe is because of the rate at which prices increase. Conventional economic theory is able to explain housing price increases through arguments like changing demographics and slow housebuilding (for example Arestis & Gonzalez-Martinez, 2017). The problem is that these variables explaining real supply and demand of housing cannot explain the rate at which housing increases, considering that demographics do not change with multitudes within a period of fifteen years nor do houses get to be built this quickly. This indicates that there must be a different mechanism present influencing housing prices to develop as they do now, it is this mechanism that this thesis tries to explore. Finally, the current situation is much more unique than what may be derived from the developments in housing prices between 1996 and 2018. For this, it is necessary to compare the situation in this period to the earlier history of Dutch housing prices. Thankfully, Boelhouwer (2017, p. 592) offers the exact data necessary for establishing the price developments within the Netherlands from 1965 until 2016.



**Figure 2:** Nominal and real housing prices in the Netherlands, 1965-2016 (measured by each second quarter).

Reprinted from: The role of government and financial institutions during a housing market crisis: a case study of the Netherlands by Boelhouwer 2017, p. 592 in *International Journal of Housing Policy* ©The Author(s).

Notwithstanding the late 1970s price hike, real housing prices were effectively unchanged halfway the 1980s compared to the real housing prices in 1965 (Boelhouwer, 2017, p. 592). All that has actually happened in the housing market is that those unlucky enough to buy a house during the late 1970s price hike lost a lot of value (Dieleman & Everaers, 1994, p. 18). But aside from this, the Dutch housing market was rather uneventful before halfway the 1980s. That changed in the late 1980s when the pattern of Dutch real estate pricing started to shift. From this moment, real housing prices started rising again, but in contrast to the late 1970s, kept rising for approximately twenty years until 2008 (Boelhouwer, 2017, p. 592). Not only did the rise in housing prices maintain itself, it also kept rising increasingly fast. Even after the price drop from 2008 until 2013 real housing prices did not return to the levels familiar to the period until halfway in the 1980s nor did these do so at any later moment (*ibid.*). Looking at the history of Dutch housing prices, there are thus two periods to be separated. First, there is a generally stable and uneventful development of real housing prices before halfway the 1980s. In contrast, there is a rapid and accelerating development of real housing prices after the late 1980s. Both periods have seen an exemption, those being the price spike in the late 1970s but also the price

decrease from 2008 until 2013. In this context, the current price increase appears to be a part of a long-lasting process observed in the latter period. This means that in order to explain the current price hikes, the historical context offered by the distinction of these two periods needs to be taken into account.

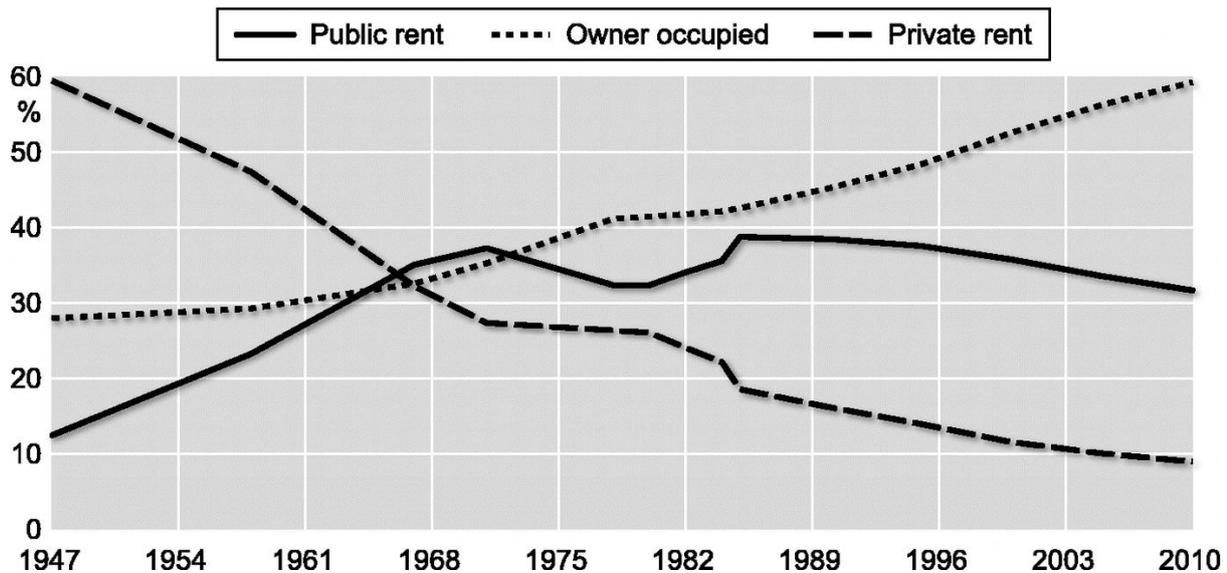
## 4.2 Housing as a site of accumulation

Regulation theory takes historical contexts like the periodical distinctions in the Dutch housing market into account. It does so by its distinctions of different regimes of accumulation which deal with the problems of overaccumulation inherent to capitalism in varying manners. The distinction used in this thesis is the one between Fordism and post-Fordism which through their different forms of capital accumulation also assign different roles to the concept of housing. As shall be argued in this thesis, it is through these different roles assigned that housing prices have come to develop in the way they do nowadays.

### 4.2.1 Fordism in the Dutch housing sector

Starting with Fordism, this regime permitted capital accumulation through productivity growth (Jessop & Sum, 2006, pp. 59-60). Due to its intensive accumulative nature, all investment was to be pointed to maximizing productivity, which meant that society also had to be so (ibid., p.24). Housing in itself is not a form of productivity, as it does not produce any commodity. Housing is a necessary part of human life, however. This is where housing by necessity forms an integral part of the Fordist accumulation regime. It is through the exploitation of the worker's productivity that allows for capital accumulation. As it happens, however, these workers are human and thus need a home in order to be productive in the first place. In this sense, housing serves as a storage facility for the workers whose productivity is to be exploited. Within the Netherlands, this need to provide workers with housing in order to keep them productive has been present for a long time, considering that already in the late 19<sup>th</sup> century employers set up housing associations in order to maintain social order, a concept coined as "philanthropic capitalism" (Hoekstra, 2017, p. 32; Wigger, forthcoming, p. 13). Nevertheless, it took until 1901 for housing quality to become regulated at all through the enactment of the Dutch housing act of 1901 which also formalized the right to housing in the Netherlands (Hoekstra, 2017, p. 32; Musterd, 2014, p. 467; Wigger, forthcoming, p. 13). Within this housing act, the concept of a "permitted institution" (in dutch: *toegelaten instelling*) has been introduced (Aalbers & Holm, 2008, p. 16; Aalbers, Loon, & Fernandez, 2017, p. 574; Wigger, forthcoming, p. 13). This created a system in which social housing was arranged through private non-profit institutions regulated and empowered by the government but *not* owned by the government, meaning that although this form of housing is social it is not public (ibid.).

Fast forward to 1945, and the Netherlands saw a combination of rapid birth rates, migration and had a vast amount of its housing stock damaged or destroyed. This led to a great shortage in housing in which the government had to, and ultimately did, intervene (Aalbers & Holm, 2008, p. 16; Musterd, 2014, p. 468; Wigger, forthcoming, p. 14). Instead of building the necessary housing themselves, however, the social housing system already present led to a strategy where the government subsidized the social housing corporations which in turn were to build the necessary housing (Aalbers & Holm, 2008, p. 16; Hoekstra, 2017, p. 32; Musterd, 2014, p. 468; Wigger, forthcoming, p. 14). Membership of social housing associations was no longer required meaning that social housing was now distributed through waiting lists instead of selective appointment, taking levels of urgency into account (Wigger, forthcoming, p. 14). Throughout the post-war period, social housing became the standard form of housing for the majority of the population (Aalbers et al., 2017, p. 574). Adding to this, houses were built in a standardized fashion and housing policy was focussed on providing as much affordable housing as cheap as possible (Musterd, 2014, p. 469; Wigger, forthcoming, p. 14). Through this, housing served a crucial purpose within the capital-labour nexus known from embedded liberalism, that is to say, it was meant to maintain social and political order in an unstable capitalist economy by providing security in the field of housing (Wigger, forthcoming, pp. 14-15). The provision of this security in housing was fundamentally at odds with the possibility of using housing as a site of accumulation in itself. This is first of all because housing does little to increase productivity in commodities, as it does not “produce” in the first place. This means that in order to acquire significant amounts of money from housing, real housing prices have to rise, but in an embedded liberal regime this ultimately leads to a call for higher wages which had to be prevented in order to enable the Fordist regime to exploit extra productivity in the first place (Musterd, 2014, p. 469). Hence, real housing prices were not to be allowed to increase in any significant margin, which they indeed did not do until well in the 1980s (Boelhouwer, 2017, p. 592).



**Figure 3:** Shares of the housing stock of Public rent, owner occupied housing and private rent in the Netherlands 1947-2010.

Reprinted from: *Public housing for whom? Experiences in an era of mature Neo-Liberalism: the Netherlands and Amsterdam* by Musterd 2014, p. 470. © 2014 Taylor & Francis

Musterd (2014, p. 470) shows how the public housing sector has increased its share of the Dutch housing stock over the period from 1947 until halfway the 1980s. The exception to this progress stands in the 1970s when the owner-occupied sector started to gain a larger share compared to the public rental sector. This is not to say that public rent was already on a decline here, but much rather that owner-occupied housing started helping increase the housing stock and release the pressure upon the housing sector, something it did not manage to do before that moment (Musterd, 2014, p. 469). Not only did the state-sanctioned social housing sector gain an increasing influence within this period, but the state also gained more influence within this sector itself (Aalbers et al., 2017, p. 575). The Dutch government did not only subsidize this sector but also determined rents, set housing requirements and local governments even had the ability to determine the choice of architect, the manner of tendering contracts and the supervision of the building project (ibid.). The Fordist mode of regulation considering the Dutch housing sector was thus mainly characterized by this big interventionist state typical for Fordist regimes in general (Ruggie, 1982, p. 393). Within the Netherlands specifically, the social housing sector was further reinforced by the process of pillarization (in Dutch: *verzuiling*), meaning that social housing providers were subdivided into catholic, protestant and socialist housing providers like everything else in society from bakeries to schools (Aalbers & Holm, 2008, p. 16; Aalbers et al., 2017, p. 574; Lijphart, 2008; Wigger, forthcoming, p. 13). Here, the

fact that Dutch public housing is actually social rather than public is a relevant one. For it is these private non-profit housing associations which were pillarized. Consequentially, the parties with an interest in pillarization tried to maintain the relevance of pillarized institutions which included non-profit sectors like those housing associations (Brandsen & Pape, 2015).

#### 4.2.2 A move to post-Fordism

Like the stability of real housing prices, the role of the government also saw a start to its demise in the late 1980s with a number of cuts in the housing sector (Aalbers & Holm, 2008, p. 16; Aalbers et al., 2017, p. 575). Although full privatization of the sector was still out of reach at this point, there was a perception that the shortage of housing was dealt with (ibid.). Because of this and an increasing share of housing in the government budget, cutbacks became increasingly easier to defend (ibid.). This followed a trend throughout the Netherlands as growing deficits led to increasing austerity policies (ibid.). Throughout this time, the Netherlands thus experienced a move from Fordism to post-Fordism as much of the capitalist world did after the 1970s inflationary crisis (Crouch, 2009, pp. 387-388).

Compared to the capitalist world as a whole, however, the Dutch housing market showed its signs of this move rather late. For most of the capitalist world, this move started in the 1970 and 1980s, whereas the Dutch housing market only experienced this shift at the end of the 1980s and in the 1990s (Fernandez & Aalbers, 2017, p. 35). This is in surprising contrast to the process in the Netherlands as a whole, which was financializing at a rapid pace seeing deregulation and a rapidly building wall of money present at this time (van Loon & Aalbers, 2017, p. 223). This goes to show that social housing was not a topic which was easily touched upon within the Netherlands at the time (Aalbers & Holm, 2008, p. 16; Aalbers et al., 2017, p. 575). This has a lot to do with the pillarized nature of Dutch society in that period, as the interests of the pillarized parties proved strong enough to protect the housing sector at this stage (Brandsen & Pape, 2015). Adding to this, it was in the 1970s when the process of depillarization (in Dutch: *ontzuiling*) started, primarily within the catholic pillar (Lijphart, 2008, pp. 204-205). Instead of weakening the protection of the social housing sector, however, this initially gave the “pillars” still present even more reason to protect their pillarized institutions, as these pillars showed a particularly defensive attitude during this time of depillarization (ibid.). Thus, instead of the protection of the social housing sector declining, its defense became ever more vigorous. Full depillarization of society proved necessary for allowing pillarized non-profit institutions like social housing associations to be touchable in the first place (Brandsen & Pape, 2015, p. 2277).

Nevertheless, the Dutch housing market found its juncture in 1989, with the publication of the “memorandum on housing in the 1990s” (in Dutch: *Nota Volkshuisvesting in de jaren negentig*) (Aalbers & Holm, 2008, p. 16; Aalbers et al., 2017, p. 575; Boelhouwer & Priemus, 2014, p. 224). This memorandum established that housing was to be deregulated, the free-market was to be introduced into the sector, and social housing was to return to its “core task” of guaranteeing affordable housing to “target populations” (ibid.). Starting with the latter, this policy excludes middle-income groups from social housing and labels those of middle-income groups who remain in such homes as “skewed dwellers” (in Dutch: *scheefwoners*) (Wigger, forthcoming, p. 15). No longer was social housing a go-to form of housing, instead any resident who is theoretically able to live elsewhere was now to be considered to live “too cheaply” in social housing and to be “taking someone else’s place” (ibid.). Not only did this justify building less social housing by framing it as an allocation issue (ibid.), but the war against the skewed dweller also guaranteed that the poorest households were allocated to the worst dwellings and that the better dwellings to be available to the richer households (Van Kempen & Priemus, 2002, p. 246). After all, having middle-income households forced out of social housing also forces the poorer ones in (ibid.). Housing was no longer be focused on providing as much housing as possible in an affordable as possible manner, but was now focused on generating profit instead, which has everything to with the renewed goal of housing within Dutch society as a site of capital accumulation.

The space for this change has been largely created through the fulfillment of depillarization, but this process alone does little to explain how the Dutch housing sector move to post-Fordism specifically. During the stagflation crisis of the 1970s, the intensive Fordist accumulation regime found its limits, and thus the productive circuit of capital was no longer sufficient (Aalbers, 2008). Crouch (2009, pp. 387-388) showed how during the inflationary crisis in the 1970s, capitalists already had their alternative ready to be plugged in: neoliberalism. Within this system, new circuits of capital had to be found, a process which characterizes the post-Fordist accumulation regime. In this case, workers were no longer the driving force behind accumulation, and the financial sector was to provide this force instead (Aalbers, 2008, p. 148; Krippner, 2005, p. 174). When workers are no longer the driving force behind capital accumulation, housing no longer needs to serve the purpose of storage facility for these same workers. Consequentially, even though the Dutch housing sector has been shielded from the influences of the financial sector due to the defence of pillarization during the 1970s the Dutch housing sector also ended up shifting towards the post-Fordist regime. With the financial sector

at the epicentre of this new regime, housing had to serve a purpose for this sector instead. This was achieved through financialization, and more specifically through switching capital from the primary productive sector to the secondary sector of the built environment, which includes housing (Aalbers, 2008, p. 149). This effectively entails the degradation of the social housing sector, which culminated in the so-called “balancing operation” (in Dutch: *Operatie balansverkorting*) in 1995 (Aalbers et al., 2017, p. 575; Boelhouwer & Priemus, 2014, p. 222). This plan was to cut the ties between the government and social housing associations, limiting the government support to a fund to be called upon by these same social housing corporations without the need of full state support (ibid.). Instead of social housing, private home ownership was now to become the standard, starting with an ambitious plan of the Dutch social democrats (PvdA) to make housing associations sell one million of their approximately three million social housing units, the eventual result of which was a more moderate plan meant to subsidize low-income households to the extent to enable home-ownership (Aalbers & Holm, 2008, p. 16). Combining this with the already present tax deductibility of mortgage interest and the aforementioned decrease in social housing, the housing stock steadily shifted from social housing to owner-occupied housing (Musterd, 2014, pp. 470-471). This changed the division from approximately 60 per cent social housing versus 40 per cent private housing to the reverse: a 40:60 division respectively by the 1990s (Wigger, forthcoming, p. 27).

During the 1990s, the privatization of the social housing stock really took off inspired by the aforementioned memorandum *housing in the nineties* (Aalbers et al., 2017, p. 575). At this time neoliberalism found a surprising ally: social democrats. As the Keynesian regime which fell in the 1970s was seen as their system, the social democrats feared that they would be seen as incapable of leading a modern economy and thus embraced the so-called “third way” (Green-Pedersen & Van Kersbergen, 2002). This third way embraces a neoliberal economic vision within a new social democratic framework (ibid.). Now, instead of mediating between capital and labour, social democrats offer capital free reign and tax some of the profits to compensate labour for the inconvenience. This helps explaining why during the 1995 “balancing operation” it were the Dutch social democrats (PvdA) who went as far as suggesting that housing associations should be forced to sell one million of their approximately three million homes out of their housing stock into the private sector as soon as possible (Aalbers & Holm, 2008, p. 16). The 1990s are characterized by such devotion towards neoliberal economics. Exemplifying this is the fact that when receiving a critical letter from his minister of transport concerning the

public tender of the train-line known as the “Fyra”<sup>1</sup> prime minister Wim Kok (also PvdA) ripped apart the letter containing her arguments in front of her eyes (Heijne, 2018, pp. 69-70; NOS, 2015). Although perhaps not all criticisms of neoliberal economics were dealt with in such a dramatic way, it goes to illustrate that little to no opposition was accepted towards the “third way” and its neoliberal ideas. With the social democrats now also firmly established in this neo-liberal framework, the state became a firm part of the post-Fordist mode of regulation.

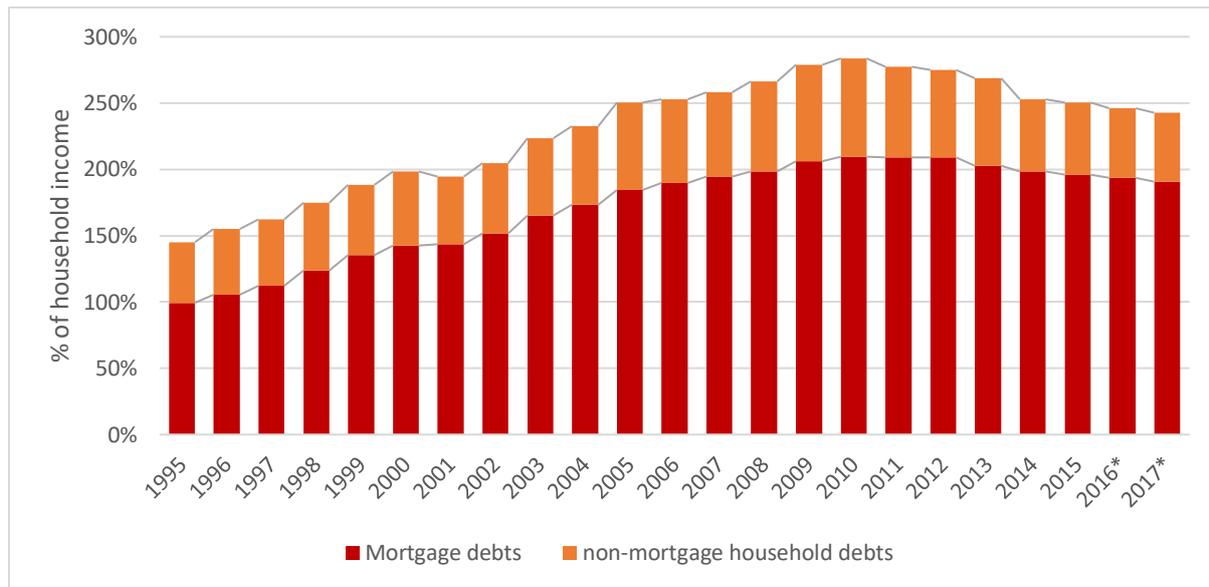
Adding to the political landscape in the Netherlands, the European Union (EU) reinforced this neoliberal hegemony (Bohle, 2006). Housing may, in a strict manner, be the responsibility of national and local governments rather than that of the EU, but that does not mean that the EU has no influence in this housing policy (European Parliament, 1996). Housing policy interacts with a number of other issues, including economic integration and free-market competition (Elsinga, Haffner, & van der Heijden, 2006; European Parliament, 1996). It is the latter in particular that put the Dutch social housing sector under EU scrutiny. It should be recalled that due to the 1901 housing law, housing corporations in the Netherlands are private, not public (Hoekstra, 2017, p. 32; Musterd, 2014, p. 467; Wigger, forthcoming, p. 13). In 2005, 104 years later, this technicality led the Dutch housing sector to EU scrutiny. Because these corporations are non-state actors and are present on a market considered competitive, state-aid to these corporations is considered to be a private subsidy and thus competition distorting (Elsinga et al., 2006, p. 6; Wigger, forthcoming, p. 16). First of all the European Commission enforced a new rule concerning the “separation of accounts”, which meant that private organizations receiving state-aid were required to separate their public service activities and their non-public service activities in order to create a “level playing field” for private competitors (Elsinga et al., 2006, p. 6). Dutch housing associations generated a lot of value through the private sector and often solved financial issues by “selling their silverware”, meaning they sell their valuable housing assets which usually are large and/or luxurious apartments in gentrified neighbourhoods (Aalbers et al., 2017, p. 577; Wigger, forthcoming, p. 15). If the public and non-public service activities are divided, the capital generated through the private sector could no longer be used to invest and compensate losses in the social sector. This, in turn, drains the social sector of much-needed resources. Social housing associations eventually had to become creative and thus enacted complex administrative changes and further financialized in order to circumvent these limitations (Aalbers et al., 2017). Furthermore, in

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<sup>1</sup> The Fyra was meant to become a new high-speed railline between Amsterdam and Brussels with numerous stops in between. It came out costing twice the admitted budget and never got to ride on a fixed schedule (van Gompel, 2014).

order for the Netherlands to be able to give their social housing sector any subsidy, it has to be defined as a “Service of General Economic Interest” (SGEI) (Elsinga et al., 2006, pp. 7-8). Governments have a lot of autonomy in deciding what classifies as such, but that does not mean that anything goes. Numerous requirements are in place, the most important one of which is that a “particular task” needs to be assigned to the SGEI which, of course, has to be of general economic interest (ibid.). Within the Dutch housing sector, this reinforced the retreat of the Dutch social housing sector to its “core task” of providing housing for the “target population” of low-income groups that the private sector is usually not interested in anyways (Aalbers et al., 2017, p. 575; Wigger, forthcoming, p. 16).

With an increasingly important role, the financial sector was quick to acquire its share in the new housing market. Despite the decreasing role of the social housing sector within the Dutch housing stock, this sector too was not to be left un-commodified. With the guarantee fund for social housing (in Dutch: Waarborgfonds Sociale Woningbouw (WSW)) which guaranteed loans for social housing corporations, housing associations acquired the ability to borrow at very favourable rates with two state banks (Aalbers et al., 2017, p. 576). With the shift in 2007 from guaranteeing specific projects to guaranteeing housing associations as a whole, these associations were able to use their cheaply borrowed money for a wide array of activities (ibid.). Rather than making housing associations return to their “core-task” however, this new arrangement pressured social housing associations to focus on investment opportunities outside of their “core audience” of lower-income dwellers in order to maintain a strong market position (ibid.). The result is a social housing sector investing in commercial real-estate and owner-occupied housing, turning themselves into providers of financial products rather than providers of social housing (ibid.). In this way, the social housing sector became a sector useful for the financial sector as another site of capital accumulation. This also comes with risks related to debt and the financial sector finding its way into the social housing sector (ibid.). The main shift in the base of accumulation was a shift from productivity and wage-led accumulation to one led on the basis of private debt (Fernandez & Aalbers, 2017, p. 35). A much stronger vehicle of exerting such debt was found in private home ownership with its accompanying mortgages. The graph below shows the progress of private mortgage debt as part of the total household debts represented by the percentage of debt compared to households disposable income.



**Figure 4:** Total household debts as a percentage of disposable household incomes within the Netherlands from 1995 until 2017. Divided into mortgage debts and non-mortgage debts. \*2016 and 2017 use preliminary data from the CBS.

Sources: CBS, 2019a; OECD, 2019

Figure 4 shows a continuing pattern from 1995 until 2010 where increasing mortgage debt fuelled an increasing overall household debt over time. It is here where the new function of housing becomes evident, and it is two-fold. First, mortgages allow for the financial sector to exert a large amount of credit, which in turn allows capital to accumulate through this increasing credit (Roberts & Soederberg, 2014, p. 659). Within this sense, the financial sector profits greatly with increasing housing prices, for the financial sector does not own the house as much as they own the mortgage for it, and more expensive houses yield larger mortgages. The mortgage in turn forms a claim upon productive income, meaning that the actual esoteric value of this house does not matter in this equation as much as the amount of productive income the mortgage can siphon off (Becker et al., 2010, p. 228; Lipietz, 1983). Profits get further reinforced through the repackaging of these mortgages into so-called “Mortgage-Backed Securities” (MBS) (Aalbers, 2008, p. 154). With this process, numerous mortgages are packaged together into different packages with similar perceived riskiness and sold together on the financial market (ibid.). This riskiness is observed through credit-scoring of the homeowners leading to, as Aalbers calls it, the financialization of the homeowners themselves (ibid., p.155-156). Additionally securitization allows banks to place these mortgages off their balance sheet and reduce the regulatory requirements towards capital involved through this, thus freeing up more capital to be reinvested and used for accumulation (Aalbers, 2008, pp. 154-155;

Acharya, Schnabl, & Suarez, 2013, pp. 155-156). The idea is that securitization allows banks to place risks in the hands of investors willing to buy the MBS, as these get full transparency on prices and risks associated and get to pick and choose their financial products (ibid.). MBS has a few caveats to their appraisal, however. First, banks have managed to increasingly retain the risks on their own balance sheets while still reducing the level of regulatory capital, which reduces stability (Acharya et al., 2013). Arguably, this was an important cause for the 2008 crisis as the risks proved to stack too severely (ibid.). Moreover, the packaging of different mortgages together as an investment product requires the risks inside to be disconnected from one another. Otherwise, if one of the mortgages fails and others follow, the asset becomes much riskier. The problem is that many of the risks associated with the mortgages are less disconnected as they may appear to those buying the financial product as housing markets in a globalized world tend to have an influence on each other, at the very least on a financial level (Blyth, 2013). Lastly, if observing housing as an investment from the perspective of the buyer, mortgages are an extremely risky financial product as it effectively entails taking a significant loan to buy a single financial product (Hertz, 2018). Investors can supposedly spread their risk across mortgages through securitization, notwithstanding the aforementioned caveats, but for the buyer it is not possible to spread their risk amongst numerous homes.

A second new function of housing stands with households themselves. In what Crouch (2009) calls “privatized Keynesianism” or Soederberg (2014) calls the “debtfare state”, credit serves a function of maintaining social and political order by making loans form the new cushion against capitalism’s inherent instabilities of its business cycle. As demonstrated in figure 4, mortgages offer a lot of money to be loaned, allowing home-owners to generate wealth through their real-estate. In this sense, those already owning a home profit a lot by price increases of housing, as it allows for their wealth to grow (Aalbers, 2008, p. 157). For those attempting to buy a house, the arrangement is less beneficial as housing becomes less affordable (ibid.). Nevertheless, mortgage loans fulfilled their purpose for social order by allowing future home-owners to loan more than the actual value of their home as a means to “repairing” one’s financial situation (ibid., p.158). Aside from individual consumption, the mortgage-industry also plays a role in general economic growth in a neoliberal economic regime. Stockhammer (2011, p. 19) argues that durable economic growth in the world economy is led by wages, which under neoliberalism are significantly suppressed. What then drives growth instead is what he calls “debt-led growth” or “credit-led growth” where growth is realized through financial bubbles and/or increasing debt (Stockhammer, 2011, pp. 19-21). Property prices form a useful

channel for such growth (ibid.). According to the Dutch central bank (DNB), half of the economic growth in the Netherlands during the late 1990s was to be attributed to home equity rather than growth of the real economy (Aalbers, 2008, p. 157).

The combination of a neoliberal political context in both the Netherlands and the EU thus forms the regulatory framework necessary to utilize housing as a site of accumulation. So far it has been observed that throughout the post-Fordist era housing prices increased and the housing stock shifted from social housing to private housing, with the accompanying mortgage debts rising along. It appears as if the hike in housing prices from 2015 until now is a continuation of this economic and political model continuing after the mild inconvenience of the 2008 crisis. The 2008 crisis has not had the same regime-shifting effects as the 1970s inflationary crisis, despite the expectation of this crisis doing so within, amongst others, scholarly circles (Wigger & Buch-Hansen, 2014, p. 130). Wigger and Buch-Hansen (2014, pp. 127-131) offer a number of explanations for this lack of “paradigm shift” as they name it. The crisis is to be considered a crisis *of* the neoliberal economic regime but is framed and interpreted as one *within* this regime, meaning that any solution must be found within this system too (ibid.). Combining this with a strong defence of this system by various institutions, and the neoliberal economic regime has proven itself to survive this crisis for now (ibid.).

#### 4.2.3 Current processes in the Dutch housing sector

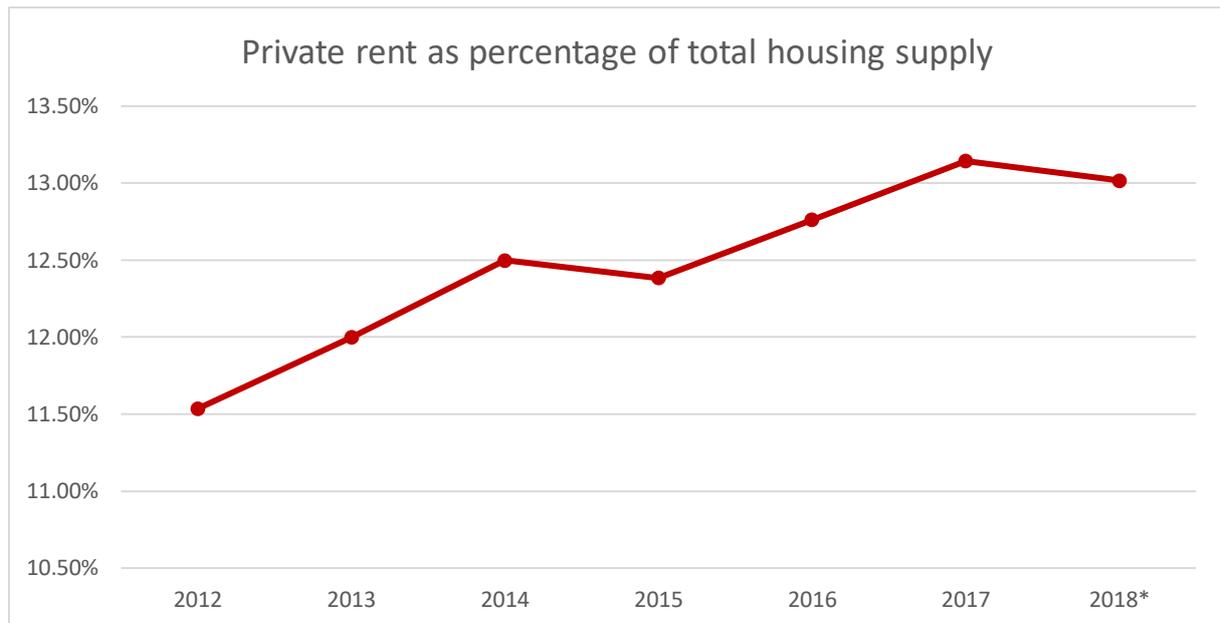
To conclude that the current Dutch price hikes form the continuation of business as usual may be too short-sighted, however. The Dutch government has shown numerous signs of a shifting attention of their policy. On the field of policy, the maximum allowed loan-to-value (LTV) ratio has been restricted and criteria for mortgage lending have been made stricter (Wigger, forthcoming, pp. 7-8). Likewise, tax deductibility is continuously being reduced (NOS, 2017). Adding to this, the government also states in its yearly budget known as the “millions memorandum” (in Dutch: miljoenennota) that there is a concern that people are using their homes as an investment tool when this is not a favourable option (Rijksoverheid, 2019b, p. 56). They also state that fiscal stimulation over-encourages the buying market and mention the risks involved in high amounts of mortgage debt (ibid.). All in all, it appears that the government is starting to become wearier of encouraging the private home-owner sector as it has been doing for a long time. Adding to this, from 2006 bank interest in the mortgage market started declining, albeit slightly (for example: Rabobank, 2008, p. 9). That does not mean that mortgage loaning grinded to halt at any level, however. Until 2016, non-bank investors like

insurances and pension funds have entered the market in force, expanding their market share and thus reducing the market share of banks from 80 per cent in 2010 to 62 per cent in 2016 (DNB, 2016, p. 11). From 2016 on, the market shares stabilized, but it has become clear that these non-bank investors are here to stay (DNB, 2019). This concept of non-banks entering the financial intermediation typically done by banks is also known by the name of “shadow banking” (Acharya et al., 2013, p. 516; Fernandez & Wigger, 2016, p. 408). These so-called shadow banks do not need to comply to the same regulation as banks such as capital reserve requirements, taking the regulation dodging already known from banks to a new extreme (Fernandez & Wigger, 2016, p. 413). Thus, through this field of shadow banking, mortgages are yet further financialized to allow for capital accumulation, making shadow banking also play an important role in this debt-led accumulation regime (ibid., p.412).

What thus far has been observed is a financial sector which uses the Dutch housing sector as a means to maintain capital accumulation through mortgages, home-owners using housing as a manner to build up wealth and the use of the housing sector as a means of maintaining debt-led growth in the Dutch economy. There is one last group with an interest in a financialized housing sector: private investors in the private renting sector. This group does not draw as much attention as the banking and shadow banking sector, mostly due to a general trend towards a decreasing share of the housing stock for private sector rent throughout the post-war era (Musterd, 2014, p. 470). Nevertheless, the private rental sector is considered as a form of “safe investment” and is often used by institutional investors as a means of maintaining a stable income (CBRE, 2019, p. 25). Harvey’s expression “capital must circulate or die” well summarizes the goal of capital accumulation: it must be invested in order to acquire more money than initially invested, otherwise, it diminishes through inflation (Harvey, 2014, p. 73). Mortgages are a fine means to achieve this by, but rents can serve this exact same purpose: these rents are likely to return more money than invested in the house, as long as rents are high enough. Whether these rents can meet this requirement depends on the value of the house, however. This is due to the Dutch point-system regulations determining maximum prices in the Netherlands which takes into account numerous values like energy efficiency and the size of the dwelling (Wigger, forthcoming, p. 14). An important determinant for this point system is the so-called “WOZ-waarde” which is the value the Dutch government gives to the dwelling through observing what prices similar and near homes have been sold for (Rijksoverheid, 2019a, 2019c). As a consequence, private investors in the rental market also have an active interest in keeping housing prices high, as it increases the maximum price which can be charged

for their dwelling and thus for their investments. Reinforcing this interest is that once the allowed rent surpasses €710 per month, the dwelling is considered fully “liberalized” meaning that any value of rent will be allowed (Wigger, forthcoming, p. 16).

The coalition agreement for the current government coalition also showed plans to encourage “middle-income” renting into the private rental sector (VVD, CDA, D66, & ChristenUnie, 2017, p. 31). In her 2018 letter to Dutch parliament concerning the “integral vision on the housing market”, minister of internal affairs Kasja Ollongren offers an insight into this new approach (Ollongren, 2018b). From the start, she states that she believes that private investors play a vital role in the expansion of the housing stock (ibid., p.1). She explains that due to decreasing interests in the capital market on other stocks, private investors have become increasingly interested in the housing sector (ibid., p.5). She then states that rents in the unregulated part of the housing sector are “necessary for a good balance” and goes on to explain that these provide a solution to those with a “more flexible housing demand” (ibid., p.6). These statements indicate an intention to shift focus towards more private rent enabled through private investors. This becomes yet clearer when observing the way in which her ministry in communicating with these investors, particularly the foreign ones. The ministry of the interior does all it can to praise the Dutch “middle-income” rental sector as a good investment, creating a little booklet as well as a site known as “investingindutchhousing.nl” (MIKR, 2014). The latter led to questions by numerous members of parliament in response to which minister Ollongren further defended the strategy of promoting private investment into “middle-income” rent (Ollongren, 2018a). On this site, the ministry praises this part of the housing sector by stating that “the number of self-employed has increased considerably” and states that “those groups depend on mid-priced rental housing” (MIKR, 2018). This illustrates what minister Ollongren likely meant in her letter to parliament with “a more flexible housing demand”. The Dutch private rental sector is being praised on the merits of having a population which stands without a secure enough income nor access to a social housing sector to provide an alternative for private rents. The precarization of the Dutch housing sector observed by a number of scholars (for example Huisman, 2016; Wigger, forthcoming) is thus exactly what makes this sector an attractive investment. In a way, precarization itself is being sold as a financial product.



**Figure 5:** Private rent as a percentage of the total housing supply in the Netherlands from 2012 until 2018. \*2018 is preliminary data

Source: CBS, 2019d

Private rent has been decreasing continuously from 1947 until 2010 (Musterd, 2014, p. 470). Looking at figure 5, it becomes clear that the policy of encouraging private rent is having an effect within the Netherlands. After half a century of a decreasing share of the housing stock, private rent has seen a moderate yet steady increase in its share of the Dutch housing stock from 2012 until 2018. Although this may appear to suggest that a new accumulation regime is taking shape, this is not necessarily the case. Within finance-led accumulation, the important thing is that the financial sector can accumulate capital through its capital circuits. This does not have to happen through debt, as rent can also allow investors to accumulate wealth. Looking at what happened during the 2008 crisis, a few disadvantages of mortgage-induced accumulation have come to light. The most important of which is that when home-owners cannot pay their mortgage any longer, all a bank or investor can do is force the home-owner out which leads to a forced sale of the house. There are a few disadvantages to this. First, forced sales often lead to the house being sold cheaper than its actual value, 5 per cent cheaper on average (Mocking & Overvest, 2015). Although this is less of a price decrease than in the United States, it should be noted that this is on top of the already present overall housing price decrease present in such a crisis (ibid.). What adds to this is that during such a crisis, many homes shall have a mortgage with a higher value than the house itself, also known as “being underwater” within the

Netherlands (CBS, 2015a). This is not only a risk for the home-owners, but also for the bank as in the case of a forced sale, all this overvalue of the mortgage may be considered lost. Combining both problems, it can be concluded that housing crises like the one in 2008 are likely to lead to a lot of lost value. This is a problem when the market is based upon buying and selling homes. Private rent does not have this problem, as the intent of the investor is explicitly *not* to sell the house. In this case, when a renting resident can no longer pay his or her rent, the investor can expel them and find new residents instead. If this proves difficult due to bad economic times, it is still an option to bring in free security guards and maintenance agents in the form of squatters, which do not tend to be able to use the few legal protections they have and can thus be expelled again once new paying residents show up again (Huisman, 2016, p. 94; Wigger, forthcoming, p. 20). In this case, bad economic times do not lead to loss of value but rather a temporary loss of income. In this sense, investors are far better protected from economic hardships, mostly at the cost of residents. It is thus not surprising to see residential real-estate increasingly being considered and used as a safe investment opportunity (CBRE, 2019, p. 25).

## 5. Conclusion

Through its comparison of the current situation with that of Fordist accumulation regime, regulation theory shows the problem many conventional economics unknowingly face when attempting to form general, trans-historical laws to explain the steep price increases within the Dutch housing sector (Jessop & Sum, 2006, pp. 3-4). Instead of naturalizing the current situation and its volatile housing prices, regulation theory shows how the current situation cannot be understood properly without taking the history of the Dutch housing sector and capitalism as a whole into account.

Starting with the developments of the Dutch housing sector during the Fordist regime of accumulation, it becomes obvious that the current volatile nature of this sector is not by definition a natural course of action. Instead, this thesis explains that the Dutch housing sector was arranged in a vastly different manner, creating price developments which were rather uneventful. In a regime where accumulation is based upon increasing productivity of workers, housing serves a function to maintain the productivity of these workers. Hence the Dutch housing sector within this period can be described as a storage facility for these workers. Within this regime, housing policy was aimed at providing and maintaining accessibility of housing to such workers. Consequentially, social housing significantly grew in size, considering this provided the accessibility necessary in this accumulation regime.

In contrast to the Fordist accumulation regime, the post-Fordist accumulation regime has been shown to use housing as a site of accumulation in itself. Through the financialization of social housing providers and the encouragement of both private home-ownership and the acquisition of the accompanying mortgage-debt, housing formed an important engine for capital accumulation as well as debt-led economic growth. This provides an explanation to why the Dutch housing prices are rising faster now than they used to in the Fordist regime before, as it is by housing price increases that housing becomes profitable. However, this thesis has also observed that the Dutch housing market became financialized rather late compared to the rest of the world and the rest of the overall Dutch economy. This can be largely explained through the concept of pillarization, as the social housing providers formed a pillarized institution. Because of the defensive nature of the societal pillars at the exact time the general shift from Fordism to post-Fordism took place, the Dutch social housing sector enjoyed a large degree of protection. The Dutch housing sector eventually followed this shift in the late 1980s and in the 1990s, partly because of the fulfillment of the “depillarization” process, but this thesis

also showed some other aspects in the mode of regulation making this shift possible. On the one hand, the state was entrenched in a neoliberal framework fitting to the post-Fordist regime, even more so when social democrats embraced the so-called “third way”. Adding to this, the European Union accelerated the financialization of the social housing providers through its enforcement of its competition rules. This shows how an international regime reinforces the mode of competition present in a regime like post-Fordism. The fact that the Dutch housing market has enjoyed protection for a decent amount of time and financialized late provides a potential explanation as of why the Dutch housing market is seeing its prices rise so much faster than its fellow European nations, as the Dutch housing sector has a larger proportion left to financialize.

Finally, this thesis showed how the Dutch government showed a shift of strategy towards the housing sector post-2008. This is to be described as a shift back towards private rent, which share of the housing stock has been decreasing for a long time. Although it is yet unclear whether the Dutch housing market is unique in this aspect, that is a subject for future research, this shift may explain why the housing price increase in the Netherlands is as sharp as it is now. An argument can be made that the entrance of private rent into the Dutch housing market is heating up the market through increased demand by these investors. This subject too can benefit of further future research as the process has not been going on for very long at this moment. Nevertheless, the fact that the steep housing price increases this thesis is trying to explain and the increase in share of the private rental sector are taking place almost simultaneously from 2012 until 2018 suggests that there may be a relation here. Minister Ollongren, when asked about this relationship, has already stated that “it is unclear to what extent crowding out [of first time buyers] really plays a role” (Ollongren, 2018b, p. 6). This statement is largely true as research considering this recent process is relatively sparse, yet this thesis has shown that within the historical context of the Dutch housing sector, this relationship fits the current regime and recent processes, thus it makes sense that this relationship does indeed play a role.

Whether or not this mechanism or any described mechanism is conclusively true this thesis does not and cannot ensure. As has been argued through a critical realist epistemology, claiming a conclusive result is not a goal research like this thesis can or should aim for. Instead, this thesis provides an explanatory narrative illuminating explanations for the current housing market situation where conventional economic theories often prove lacking. Through taking the historical and nation specific contexts into account, this thesis hopes to provide a better explanation for this situation. Nevertheless, it is in the nature of a critical realist epistemology

that any explanation can be improved upon. A prime issue with this thesis which is familiar to numerous works opting for regulation theory is that it primarily observes the structures enabling the varying regimes of accumulation and thus oversees the role of agency (Bieling et al., 2016, p. 57). There are already varying works explaining the varying agents offering resistance to or enforcement of the current situation (for example: Huisman, 2016; Wigger, forthcoming). This, however, also shows that the issue of agency is complex enough to write whole articles on, meaning that when focusing on more general economic phenomena like housing prices it is difficult to give these issues all the attention they deserve. When considering regulation theory in general, neo-gramscianism is often used as a method of taking agency into account (Bieling et al., 2016, p. 58). This theory explains how varying structures of exploitation can be maintained through the concept of hegemony (Cox, 1983; Jessop & Sum, 2006, pp. 364-366). Within this concept, social classes are not static and unitary but instead exists of varying groups with a degree of agency. These groups can form lasting alliances within their social class in order to acquire a dominant position in society known as a “hegemonic bloc” (ibid.). These hegemonic blocs do not only maintain their power through structural state power, but also through the “soft” powers of intellectual and moral dominance (Jessop & Sum, 2006, p. 365).

Although this thesis did not explicitly follow such a framing, it is not the case that agency played no role at all in the offered explanation. Agency was, however, mainly appointed to political groups. For example, the defence of confessional and pillarized parties of the social housing associations have arguably delayed the financialization of this sector for a significant amount of time. Likewise, the adoption of the third-way by social democrats proved important for establishing the position of the state within the post-Fordist mode of regulation. These are cases where these political actors showed a great deal of agency and influenced the Dutch housing sector in particular. Although these actions were not explicitly framed as acts of agency, they arguably are.

Adding to the issue of agency, this thesis provided an explanation which is specific to the context of the Dutch housing sector, meaning that it is not inherently able to explain the processes in similar countries. This does allow for an explanation more fitting to the case at hand, however. That being said, the process in other countries are also worth observing. Furthermore, there can be global processes present which are worth observing in themselves. For example, Cao and Priemus (2007) compare processes between the San Francisco bay area in California, United States and the Randstad, the conglomeration of Dutch cities in the West of the Netherlands. Such comparisons are worth making in order to find global processes which

may be missed when only observing single nations. Vice versa, such research may miss mechanisms specific for certain nations which are more easy to observe when offering nation-specific explanations. Thus, ideally both forms of research should be done if no mechanisms are to be missed.

On a final note, it should be mentioned that housing is not necessarily an exclusively economic issue. To frame it as such largely ignores the human consequences of housing policy. The use of housing as a site of accumulation is nevertheless primarily observed as an economic and political variable. Critical observers do often point out the consequences of this policy on a human level, but the morality of considering housing as a site of accumulation in itself deserves a closer look. This subject does not just deserve attention from a political economy perspective but deserves a look from a political theory perspective as well.

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