Financialisation, inequalities and housing crisis

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Abstract –

Property markets are just as unstable as financial markets and are subject to cycles which could seriously damage assets. Such a statement runs counter to the general view that bricks and mortar are a safe investment. The current housing market crisis shows that these markets, as in every asset market, are subject to fluctuations linked to profound behavioural changes in French society. It is a widespread belief in France (as it is in many other countries) that speculative financial gain comes from owning property and this is because all of the main players of the property market support two apparently contradictory notions: the safety of bricks and mortar and the lever effect of debt. Banks profited from the drop in interest rates in financial markets, which led to easy credit, property developers built housing programmes by taking out bank loans, the government introduced tax exemption policies banking on the extra money generated by the construction boom, and individual buyers gained financially by getting into debt. History has shown us that French house prices have experienced long periods of depression and that the recent speculative bubble can be explained above all by the deepening inequalities in France since the dotcom crisis at the beginning of the 21st century.Wealthy people, with the help of tax exemption policies, invested in apartment buildings and increased their income through property ownership, while first-time buyers were able to acquire property only through debt, in a context of stagnant incomes. The housing crisis was an inevitable result of this imbalance.