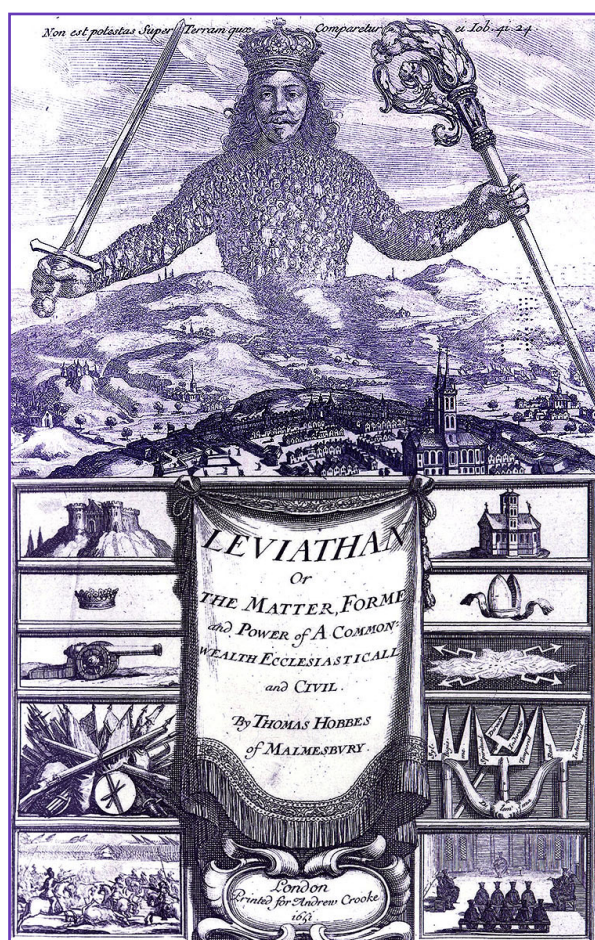


# The housing regime of Sweden: Concurrent challenges Part A: Aims, effects and interpretations

Christer Bengs





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Part A: Aims, effects and interpretations

**Christer Bengs**

Aalto University series  
SCIENCE + TECHNOLOGY 14/2015

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Kannen kuva Frontispiece of Leviathan  
by Abraham Bosse, with input from Hobbes

ISBN 978-952-60-6474-1 (pdf)  
ISSN-L 1799-4896  
ISSN 1799-4896 (printed)  
ISSN 1799-490X (pdf)  
[http://urn.fi/URN:ISBN: 978-952-60-6474-1](http://urn.fi/URN:ISBN:978-952-60-6474-1)

# Foreword

This report (Part A) is an interpretation of the statistical results (Part B) of this publication. The research project is called *The Housing Regime of Sweden: Concurrent Challenges*, and it has been funded by the Academy of Finland. The project was part of a research consortium called Finnish Housing Regime in Transition. Other partners of the consortium were the University of Turku (prof. Hannu Ruonavaara) and the University of Helsinki (prof. Anne Haila).

The project plan was written and the project was conducted by the author of these lines. Persons taking part in the project were MSc Ilona Akkila, MSc Jukka Hirvonen and MSc Aino Verkasalo. Some of the efforts of Mr Hirvonen and Ms Verkasalo are found in Part B. Each author is fully responsible for his or her contribution.

The need for elaborating a critical review of the Swedish housing regime has emerged from the fact that:

Swedish housing has for decades been made known in many countries, and it has often been used as an example of how the “housing question” could be successfully addressed.

Despite its fame, critical scrutinizing of Swedish housing is fairly rare, and it is increasingly doubtful whether the experiences of one country are applicable to the context of other countries.

Consequently, the analysis of housing has to be contextualised, which here is carried out by analysing the housing regime of Sweden.

Hopefully this report will generate some discussion and contribute to fruitful amendments of prevailing housing practices both in Sweden and in Finland. All the researchers of this project are open for questions and arguments, and look forward to contribute to further discussions on the issues of this report.

Espoo September 2015

Christer Bengs

Professor emeritus (SLU), Chief Researcher (Aalto)



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# Introduction

In economic research, two traditions may be distinguished. Mainstream economics adhere to the so-called *formalist* approach where the study of rational decision-making and the consideration of individuals is placed in focus. In this tradition, housing would typically be discussed in terms of consumers' choices. Alternatively, there is to be found a broader scope labelled the *substantivist* approach: economy is viewed in the context of relationships and material acts of making a living. In this latter school of thought, the society and its institutions are consequently placed in focus. Housing would accordingly be viewed in terms of institutions and traditions, in order to connect factual market mechanisms to the various ways they have emerged in history, and to how they reflect diverse interests and politics.<sup>1</sup>

The study at hand certainly reflects less a formalist than a substantivist approach. This is not to say that one way would be better or more fruitful than the other as any chosen approach depends on matter under scrutiny. Here, the subject of investigation is the *Swedish housing regime*, which of course is a broader concept than that of housing market. As a rule, housing is a phenomenon, which involves other societal institutions than markets only. It includes *reciprocity* across society as a general kind of helping and sharing, in particular among family members and relatives. In return for housing, remuneration would typically take the form of various services, which do not necessarily have to be instant or even be directed to the initial benefactor, but may rather constitute a general pattern of assistance and gratification. Another form of distribution of goods is *redistribution*, indicating a central authority who collects and redistributes resources. Housing policy has very much emerged from the need to allocate dwellings according to factual needs, not only responding to effective demand. Still, in most countries, housing is distributed as part of exchange, that is, calculated trade of the *marketplace*. Different combinations of these distributive modes have been found in all societies, but usually one is dominant at a time.<sup>2</sup> In modern societies, distribution based on exchange is prevalent.

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<sup>1</sup> Only in the historical development of the modern West did the two approaches get the same meaning, with the emergence of the marketplace and the flow of financial assets. "Economy" changed from being a matter for households to being a matter for states in 16th century Europe with the emergence of nation states. Kishtainy et al. 2012, 34–35

<sup>2</sup> Wilk & Cliggett 2007, 31-47

However, as we will learn later, Sweden is actually an exception, where a considerable part of the dwelling stock is not distributed through markets.

A *market* is created whenever potential sellers of a good or service are brought into contact with potential buyers and a means of exchange (money or barter) is available. A *free market* indicates that supply and demand are not subject to other regulation than normal competition policy, and that property rights are allocated and upheld so that trade can occur. However, this definition becomes blurred in cases where free trade and competition are incompatible.<sup>3</sup> In any particular case, the local housing market is exclusive as the supply of land is locally limited and property rights may not be equal to all categories of effective demand. Such conditions foster local oligopolies and monopolies in housing. Other categories of land use, such as agriculture and forestry, transport, energy supply, other utilities, are featured by natural monopolies as well. Land use is as a rule subjected to strong restrictions to competition and may enhance economic concentration on the local level. Accordingly, the *structure* of a housing market can be analysed in terms of restrictions to enter the market and to the degree of rivalry within that market. Furthermore, market analysis require an understanding of the *scope* of a market as to its extension. A local economy would thus be characterised by the match between local consumption and local production. In the perspective of globalisation, there is only one marketplace. The *composition* of any given marketplace would be a function of its structure and scope. The homes available would thus be explained in relation the nature and degree of occurring restrictions and rivalry as well as to the geographical extension of the marketplace.

Mainstream economists of a neoliberal moulding have strongly advocated a limited role of the state. Inspiration is drawn from classical authors who were writing towards the end of the era of feudal restrictions. Adam Smith examined three markets and their conditions, namely those of finance, labour and land (production). He started his academic career delivering lectures on rhetoric, and the eloquence employed in his economic writings was an age-old one, that of “naturalness”.<sup>4</sup> His panacea was to dismantle feudal restrictions and release economic activity to its *natural* state of free markets, and this emancipation was thought to be the obligation of the state, which had to minimise its own interference to a minimum. According to the substantivist tradition, the concept of free market is anything but natural. It is in fact established and maintained through public authority. When dealing with the classical topics of finance, labour and land, Karl Polanyi sought to show that those markets did not arise just from dismantling feudal restrictions, but needed an active interference by the public sector, both to be established and to be sustained.<sup>5</sup> This process has been very long indeed, spanning more or less over the whole urban history of Europe as Henri Pirenne and Max Weber have indicated.<sup>6</sup>

The large-scale application of competition policies in all developed economies testify to the need to counteract the inherently self-destructive tendencies of markets. The most successful market players are those in a position to manipulate supply and/or demand, and thereby the price level. What they do is not just to compete on equal terms with their rivals,

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<sup>3</sup> Bannock et al. 1998, 163

<sup>4</sup> Smith 1986 (1776)

<sup>5</sup> Polanyi 2001 (1944)

<sup>6</sup> Pirenne 2014 (1925); Weber 1978 (1922)

but to gain a position where they can set the rules of the game. *Monopoly* describes a market in which there is only one supplier, who is motivated by making profits and, in addition, stands alone and prevents new actors from entering the market. By restricting supply, the market price of its output is set at the point where marginal revenue of the monopolist is equated with marginal cost. Prices are higher and output lower than they would be under competition. *Oligopoly* indicates a market dominated by a few large suppliers, and mimics monopolistic conditions in case main actors are able to make collusive agreements with one another. *Monopsony* features a market with only one buyer of the item sold, thereby having an impact on the market price. Land use-related production, such as housing, easily predicated the occurrence of natural monopoly as limited local land sources often preclude the efficient existence of more than one producer. As we shall see below, the Swedish housing regime is served by a planning legislation that enhances the chances for monopolies to occur. Social or public housing is often characterised by oligopolies and monopsony, and it can be an example of the price driving effects of exclusive and non-rivalrous markets.

The structure and scope of housing markets in any particular country is a historical outcome of its initial creation and redemption. Markets mirror the factual interests of all the main categories of economic agents involved. These actors include land owners, producers of building material, the construction industry, the development sector, the financing sector, sales organisations, consultants and professional organisations connected to legal matters, planning, design, marketing, lobbying and mediation, etc. All these categories are supposed to operate within the overall rules, regulations and standards of public authority at various geographical levels. They are also dependent on the interpretations of public administrators that manage land use and housing. In addition, the political system delivers the general framework for housing in terms of laws and regulations, political aims, subsidies and income transfers, property rights, etc. Due to historical reasons, the setup of housing regimes in various countries are very different indeed. They reflect the amalgamation of all the different interests involved, but they may also be a token of more fundamental strategies that have to be uncovered. Such strategies may involve the *elite of the wealthiest* in particular, but also the *political elite of populist politics*. In this respect, strategies can take the form of hidden agendas as well as justifications, phrased as all the good things in life. The Swedish housing regime seems to include elements of both.

In trying to understand the housing regime of any particular country, one has to realise core determinants of that country in the context of political history. Sweden is a particular case in Europe as it is often referred to as being an example of a *corporatist* society, together with the Netherlands and Austria.<sup>7</sup> These countries actually have a long history of strong and consistent housing policies with strong emphasis on public housing. Corporatism can be defined as the socio-political organisation of a society by major interest groups. In the case of Sweden, it refers in particular to a situation where the major labour organisations, representing employers and employees together with representatives of the state, agree on issues related to labour supply, its pricing and quality. Negotiations may also relate to social and economic politics such as housing. Among adherents to parliamentary democracy, corporatism has been criticised for being an undemocratic form of government, which is accentuated by the parallel to Mussolini's Italy and Franco's Spain where labour

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<sup>7</sup> Held 1996, 284

organisations applied top-down policies. The Swedish corporatism has been modified over the years, but it is presumably still going strong.<sup>8</sup>

In this study, the composition of the Swedish housing market in terms of outputs is taken as a point of departure. The factual outcomes as to the production of new dwellings, and the distribution of dwelling types and housing standards, have been monitored according to available statistics for the post war period. To study the composition of the housing market, one should also include the various forms of tenure and associated property rights. The smaller the influence of market exchange, the more important become administrative and political mechanisms.

The factual evidences of the applied housing policy have been contrasted to outspoken policy aims and objectives. Despite the fact that policy aims in most countries as a rule differ from factual outcome, this way of contrasting outspoken wishes with results is pertinent in the Swedish case due to the persistency of the executed policy. If policy results in the long run deviate from policy aims, the cause of the applied policy must be sought for and be explained in the *structure and scope of the housing market*.

Being a strongly bipolar society, any policy implementation is likely to match the interests of the elite to the right as well as to the left. In the case of housing, this may have been reached by establishing a very complex system for the *redistribution* of dwelling services. As with historical accounts in general, such explanations are not of a strictly causal nature, but more in the direction of making prevailing structures intelligible. Elite strategies are of course “elite” precisely for the reason that they are deliberate, but not necessarily outspoken, and therefore mainly evident on a contextual level of understanding. They have to be interpreted.

The research utilises statistical data of Eurostat, OECD, Statistics Sweden (SCB) and Statistics Finland. Statistical data concerning Swedish households’ housing costs was ordered from SCB and drawn from “Households’ Economy Survey 2011” (HEK), as well as corresponding surveys in 2004–2010. These surveys have been collected annually from extensive nation-wide representative samples of Swedish households. For a summary of the statistical compilation, please see Part B of this research report.

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<sup>8</sup> Larsson & Bäck 2008, 73, 106–110

# 1 Housing stock and tenure

## The housing stock

In the European context, Sweden is a recently urbanised country. The share of homes located in multi-storey buildings has since 1960 been between 50 and 60 per cent of the housing stock. Now the share is 56 per cent while the corresponding figure in Finland is 46 per cent. The total number of dwellings amounted in 2013 to some 4.6 million in Sweden compared to 2.8 million dwellings in Finland. According to OECD statistics, available space per person was in Sweden 1.7 rooms and in Finland 1.9, which defies a commonly held notion that housing standards in Sweden would be considerably better than in Finland. According to Statistic Sweden (SCB), 43 per cent of the stock was located in detached or row houses. In Finland, the comparable share was 52 per cent (Table 1). The Swedish category called “particular” include student homes, dormitories, etc.

Sweden	Number	Share	Finland	Number	Share
Housing stock		%	Housing stock		%
Detached & row houses	1 999 964	43	Detached	1 046 214	38
Multi-storey	2 332 253	50	Chain or row h.	395 562	14
Other	79 127	2	Multi-storey	1 290 215	46
Particular	222 334	3	Other	55 180	2
Total	4 633 678	100	Total	2 787 171	100

**Table 1.** Number and share of dwellings according to type of building in Sweden and Finland. Statistical Data Base 2013

An important aspect of ownership is how widespread it is. To what extent do individuals own homes as compared to the portion owned by institutions and companies? In case of Sweden, *private persons* own some 45 per cent of the dwelling stock.<sup>9</sup> The corresponding figure for Finland would be some 80 per cent.<sup>10</sup> In Sweden the *private sector* (individuals plus private firms) altogether own some 57 per cent of the stock, but ownership is more

<sup>9</sup> Statistikdata 2013.

<sup>10</sup> Statistics on ownership is not available, only on tenure, but as the share of regulated rents is 14 per cent and the category “other” is 4 per cent, a reliable estimation would be that in Finland the rest is owned by private individuals as privately owned rental firms are insignificant.

concentrated than in Finland. In Sweden, home ownership concerns by definition only real estate, which means that in practice only detached houses and row houses are to be classified as ownership dwellings.<sup>11</sup> One implication of this is that owner-occupied dwellings are practically non-existing in multi-storey buildings, and that ownership correlates with house type. Accordingly, spatial segregation is directly connected to the type of house where the various categories of the population live. Areas with multi-storey buildings consist almost entirely of rentals and cooperatives, while areas composed of villas and row houses are owner-occupied.<sup>12</sup> In Sweden, the distribution of house types provides accordingly a good overview of tenure as well as spatial segregation.

It is important to realise the difference between ownership and tenure in different countries. In Sweden, ownership and tenure are closely related as practically only villas and row houses are owner-occupied and thereby eligible for letting. Possessors of rentals as well as of cooperatives cannot legally let their dwellings further with a profit.<sup>13</sup> In Finland, home ownership is not restricted according to building type and condominiums in multi-storey buildings can by their owners be used for letting to market price. Therefore different tenures are spatially mixed and the status of any particular area is not determined by prevailing building types, but according to the blend of its inhabitants.

## Tenure

The share of owner-occupied housing in Sweden has been stable (36–42 per cent) during the post war period (1945–2012). There has been a big increase in cooperatives, from 4 per cent in 1945 to 20 in 2012. During the same period, rentals have decreased from 57 to 43 per cent. In Finland, the share of rentals has dropped as well, being however on a lower level than in Sweden during the whole period.

A feature of the tenure structure in Sweden is the high share of rentals and cooperatives. The figures below (Table 2.) indicate the factual distribution of tenure among households in 2012. Rentals (*hyresrätt*) made up 40 per cent of the housing stock. The share of cooperatives (*boenderätt*) was 20 per cent and of owner-occupied (*äganderätt*) 37 per cent. The remaining 3 per cent was classified as “other”, which were probably mostly rentals.<sup>14</sup> As stated above, owner-occupied housing means detached and row-houses as this is the only tenure category implying full property rights, including the unrestricted right to let the whole property for rent. The share of owner-occupied dwellings is smaller

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<sup>11</sup> Since 2009 it is possible to have apartments in multi-storey buildings classified as owner-occupied in case the apartment is made a property by charted survey and listed in the cadastre. The share of such dwellings is negligible, i.e. some 0.01 per cent of the housing stock.

<sup>12</sup> The share of rentals and cooperatives located in villas and row houses are 5.5 per cent and 7.8 per cent respectively out of the total housing stock located in in this type of small buildings. Their share of the total housing stock is some 4 per cent

<sup>13</sup> Letting is strictly regulated and limited in time. Rents are supposed to be non-profitable and have to correspond to the rent paid by the initial possessor or, in case of cooperatives, match the monthly pay of the initial possessor.

<sup>14</sup> The figures are according to a survey called Households' Economy, which is carried out on a regular basis and reflects the factual distribution of tenure across the whole housing stock. According to Housing Stock Statistics, the corresponding figures are slightly different (owners 41, cooperatives 23, rentals 36) due to the fact that tenure is defined according to ownership, not according to the factual status among dwellers.

than the share of villas and row houses would indicate, because part of these are rentals (2 per cent) or cooperatives (1.8 per cent).

The peculiarities of Swedish housing become apparent when compared with the Finnish case. The share of households owning a house in Sweden (37 %) corresponds to the situation in Finland (36 %). In Finland, 30 % of households own the apartment (condominiums) where they live, and, in addition, may own additional apartments used as second homes or being let for rent. Consequently, the share of owner-occupied housing in Finland is considerably higher than that in Sweden.

Tenure status	Sweden, %	Finland, %
Owns the house	37	36
Owns the apartment		30
Co-operative flat	20	
Rental, regulated price	40	14
Rental, market price		16
Other / unknown	3	4
Total	100	100

**Table 2.** Households by tenure status in Sweden (2012) and in Finland (2011)

Most cooperatives are flats in multi-storey buildings, and cooperative housing is indeed a Swedish characteristic. Its historical roots are affiliated with the cooperative movement and labour unions. The cooperative sector is very centralised and large-scale indeed. For instance HSB (Hyresgästernas sparkasse- och byggnadsförening), which has got 445 000 members residing in cooperative dwellings (in addition to some 100 000 members taking part in saving programmes). These are organised in 31 regional HSB-associations and in some 3 900 local cooperatives. The two federative levels provide the local cooperatives with a range of services. A similar organisation is Riksbyggen, including some 1 600 local cooperatives, 33 interest alliances and 24 regional associations.<sup>15</sup> Management executed by the federative level of the cooperative sector is indirect but very influential, and it concerns administration and maintenance services as well as refurbishment and development issues.

Trading cooperative apartments is nowadays unrestricted, but letting them is only exceptionally allowed for a limited period of time and the rent is regulated to match the regular monthly charge for the particular dwelling being rented.<sup>16</sup> As a rule, cooperative dwellings can be used only by the possessor of the dwelling, and, lacking full property rights, they cannot be considered to match the common criteria of ownership, that is, to be utilised for profitable use. In international statistics, Swedish cooperative housing has been classified inconsistently. For example The United Nations Economic Commission for Europe (UNECE) categorizes cooperatives as rental housing whereas Eurostat Statistics of Income and Living Condition (SILC) categorize them as owner-occupied housing.

<sup>15</sup> <http://www.hsb-historien.se/snabbfakta/>; <https://sv.wikipedia.org/wiki/HSB>; <https://sv.wikipedia.org/wiki/Riksbyggen>; <https://www.youtube.com/watch?v=TgIz8JURig>; <http://www.riksbyggen.se/Om-Riksbyggen/Organisation/Vara-agare/#>

<sup>16</sup> Boverket 2014, Hyresnämnden 2014

In Sweden, public housing is not considered to be “social”, because eligibility is not based on socio-economic criteria, but in practice the residential composition in public housing features socioeconomic and ethnic segmentation as will be further discussed below.<sup>17</sup> Public rental housing and private rental housing make up approximately equal shares of the total rental stock in Sweden. The private part is owned by rental companies, not by individuals. Consequently, the ownership of rentals is very concentrated as well.

Swedish rental housing has misleadingly been classified in international statistics. Eurostat-SILC categorises the whole Swedish rental sector as “rent at market price” when in fact there is hardly any such thing as market rents in multi-storey buildings in the whole country! The tenet of Swedish housing as a citizens’ right, secured by public institutions, has in practice meant that extensive property rights cover less than 40 per cent of the total housing stock, consisting mostly of the owner-occupied homes. All rents are centrally negotiated above the head of single tenants and public housing has been seen as an important means in the pursuit of affordable housing.<sup>18</sup> It is, however, questionable as to what extent rent regulation has restricted rent rises. The effects of rent regulation may be the opposite, which will be discussed below in greater detail.

The restrictions to accrue legal profits on housing have boosted the rental black market in growth centres in particular.<sup>19</sup> The ban on letting rentals and cooperatives for second or third hand renting has caused illegal rents to surge and it has created an illegal submarket, exempted from taxation. The phenomenon has been little studied. Another mode of realising potential profits has been to convert municipally owned rental properties into cooperatives, and to get hold of the value increase by selling one’s cooperative share to prices that by far exceed their nominal values as defined at the time of conversion.<sup>20</sup> The transformation of rentals to cooperatives is particularly profitable in central locations, where policy makers often reside. The phenomenon of turning rentals into cooperatives has been extensive. During the period from 2000 to 2012, some 160 000 rentals were transferred into cooperatives in Sweden. More than two thirds of these transformations were made in the Stockholm region.

Rental housing is considerably smaller in Finland (30 per cent) than in Sweden (here estimated to a total of 43 per cent). Contrary to Sweden, the rental sector in Finland is divided into a regulated and an unregulated sector. Social housing with regulated rents and tenant selection is allocated according to income, wealth and need. The rents of the private sector are market based. In contrast to Sweden, private rental apartments are mostly owned by individual households, not by rental companies. These two sectors make up approximately equal shares of the rental housing stock. Also in Finland, the regulated sector seems to have a price-driving effect on the unregulated sector due to rent increase regardless business cycle.<sup>21</sup>

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<sup>17</sup> Large units of public housing have been a significant factor in strengthening ethnic and socio-economic segregation. Andersson et al. 2010, 31–32.

<sup>18</sup> Andersson & Magnusson Turner 2014; Christophers 2013, 898

<sup>19</sup> Boverket 2011 Mörthlund, 2013, SOU 2007

<sup>20</sup> A social democratic minister of housing had to leave office after she had criticised these kinds of actions in her public appearances while making a neat fortune by doing it herself. See Aftonbladet 13.1.2007

<sup>21</sup> Bengs 1989



## 2 Production and reduction

### Production

The post war production of dwellings in Sweden reflected the endeavour to establish a new kind of housing market. According to decisions made in the late 1940s, provision of housing (bostadsförsörjningen) became a municipal liability. The cabinet decided annually on the nationwide number of dwellings to be produced, and how to distribute the target number across the municipalities as well. The municipal housing programmes were designed according to the national quota and building permits were distributed among selected developers. Already in the 1960s, competition among developers was considered to be restricted by the way building land was allocated.<sup>22</sup> The municipal rental companies were promoted and the share of public rentals was on average some 40 per cent. The cooperative sector was offered about one third and the private sector one fourth of the quota.

The planning legislation (PBL) of 1987 secured the prerogatives of the development sector by explicitly denying municipalities to generate land banks with property rights, which was accomplished by requiring land use plans (detaljplan) always to be based on designated developers and prospective building projects. As a rule, most municipalities do not possess the capacity to deal with a big number of small developers, and therefore the big players have got the upper hand in this planning regime.<sup>23</sup> The practice has caused a constant deficit of building land for other than favoured developers, and firmly placed housing provision into the hands of the biggest producers.

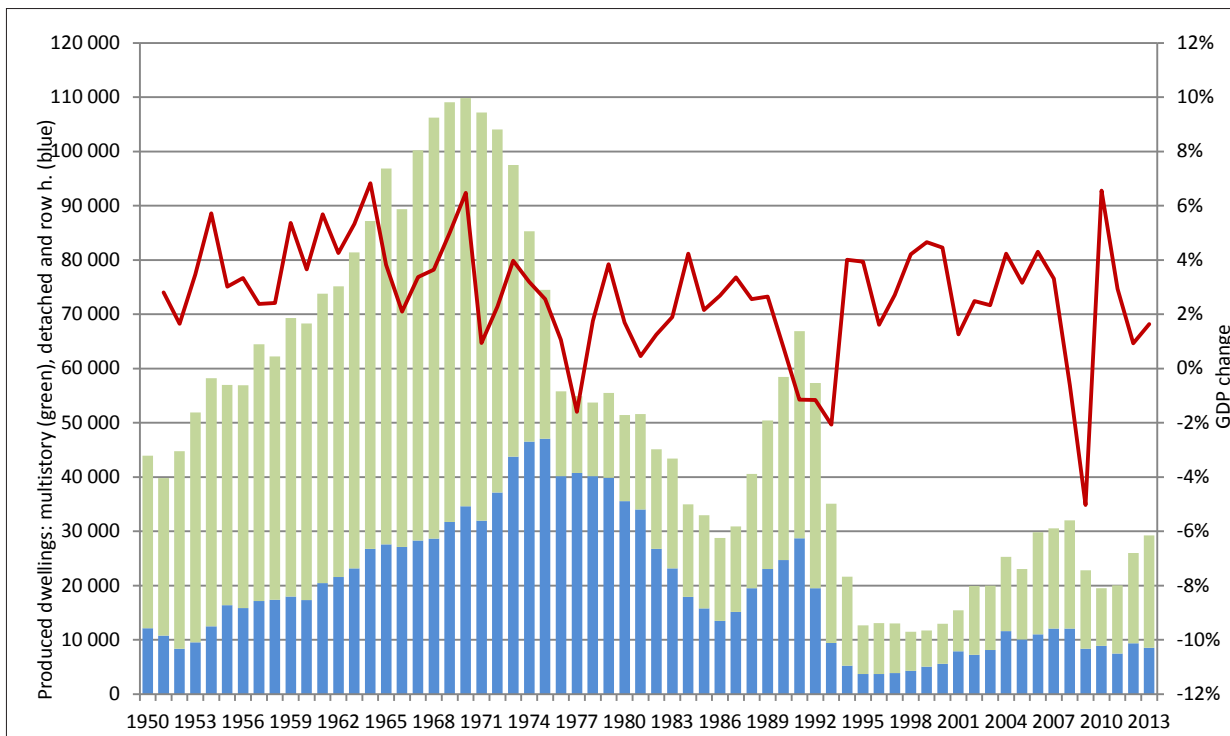
The period from 1950 to the mid-70s was featured by extensive production of multi-storey buildings, which in the Swedish case meant rentals and cooperatives (Figure 1). A peak was reached around 1970 when some 110 000 homes were produced. This reflected the policy aim of producing one million new dwellings during a ten year period from 1965 to 1974 (“The Million Programme”). In addition to the selected allocation of production quota, the concentration of housing production into a fewer hands was promoted during this period by the way state funding was designed. Since 1966, projects of more than 1 000 dwellings were promoted, which constituted a major part of the Million Programme. This mode of funding was justified by the alleged advantage of large scale production. Surely,

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<sup>22</sup> Samordning 1967

<sup>23</sup> Bengs 2010a; Bengs 2010b

production costs were reduced, but the lack of market mechanisms did not necessarily transform reduced production costs into lower consumer prices. One effect of the applied policy was that big developers and producers got the lion share of the new production – to the detriment of the traditional small-scale developers (byggmästare).



**Figure 1:** Housing production in Sweden according to house type, GDP changes in real terms, 1950–2013 (SCB 1960, SCB 1970, SCB 1980, OECD 2014)

The funding arrangements were supported by the effort to unify construction technology and design by standardisation, which integrated big producers in particular. The preference for all-inclusive development contracts served the same purpose and was promoted by both the political right and left.<sup>24</sup> The all-inclusive development contracts concentrated development into the hands of the main contractor by subduing other contractors, which also reduced commissioners' possibility to overview price formation. A number of additional services such as project design and land use planning were included into all-inclusive contracts as well. The share of all-inclusive contracts was 15 per cent in 1966, but 40 per cent in the early 1970s.<sup>25</sup>

A peculiar feature of Swedish housing was the division of the market into two big blocks, the public rental and cooperative sector controlled and promoted by the social democrats on the one hand, and the private sector promoted by the political right on the other hand. Building producers owned by the Swedish building workers' union occurred already in the 1920s and they expanded successively. The single enterprises were fused into a national company called BPA Byggproduktion AB, which continued to expand by buying up construction companies. The trade union had expanded as a developer (Svenska Riksbyggen) of public rentals and housing cooperatives as well. In 1967, the cooperation

<sup>24</sup> Waldén 1971

<sup>25</sup> Grange 2005; Eriksson 1994

between Riksbyggen and BPA was intensified in order for BPA to take part in bidding for all-inclusive building contracts. BPA grew rapidly and at its heyday it was the biggest housing producer and the second biggest construction company in the country. Its success was secured by the national cabinet's housing policy as well as by benevolent political support in metropolitan regions in particular.

The obvious restrictions to competition were pointed out in a commission report of the early 1970s and Riksbyggen were accused of enjoying unfair competition by the fact that its employees were decision-makers in municipal rental companies and voted for contracts in the favour of Riksbyggen, their own employer. The company replied that this showed the company's particular commitment towards the rental companies.<sup>26</sup> On the national level, the network building is indicated by the then-chairman of the construction workers' trade union who was at one time a MP as well as chairman of both Riksbyggen and BPA. In his vision, the country could do well with two blocks only, the private sector for private housing and the trade union-controlled block for rentals and cooperatives. Competition was supposed to emerge between the blocks, not between single companies.

The promotion of large-scale production resulted in a unique vertical and horizontal concentration of the private sector and in the 1980s Sweden had the most concentrated construction industry in the OECD group, Finland being number two on the list.<sup>27</sup> In 1988, the 12 biggest construction companies in Sweden had a 70 per cent market share. In the 1990s during the recession, the biggest Swedish construction firms acquired the biggest Finnish firms, and since then only three firms (Skanska, NCC and PEAB) are supposed to run the main bulk of the business. Middle-size construction companies are not to be found in abundance, and a whole host of small subcontractors has occurred. This is accompanied by a strong concentration of material producers, who joined the construction market from the start of the Million Programme. Initially Skanska actually started off as a cement producer (Skånska Cement AB in 1871).

As the housing market got saturated, production decreased to one third in the mid-80s, then soared during the boom of the late 80s and early 90s, plunged again in the 90s and staying after that on a comparatively low level of 15 000 to 30 000 homes per year. The production of detached and row houses has followed the overall trend. Assisted by their extraordinary capability to prey on the Swedish housing regime, the biggest housing producers have long since gone international.

In Finland, the pattern of housing production is the same, except for a delay in the initial phase due to even later urbanisation than in Sweden. From the early 1970s on, the production of new dwellings as compared to population, has been bigger in Finland than in Sweden. Except for the 1970s, the share of production located in multi-storey buildings has been bigger in Sweden than in Finland. A comparison with the two countries is interesting in the respect that in both countries the effect of housing has been an extraordinary concentration of the building sector despite the large differences in applied housing policies. This seems to be a matter that reinforces the need to penetrate the surface of employed policies in order to grasp prevailing economic interests lingering behind.

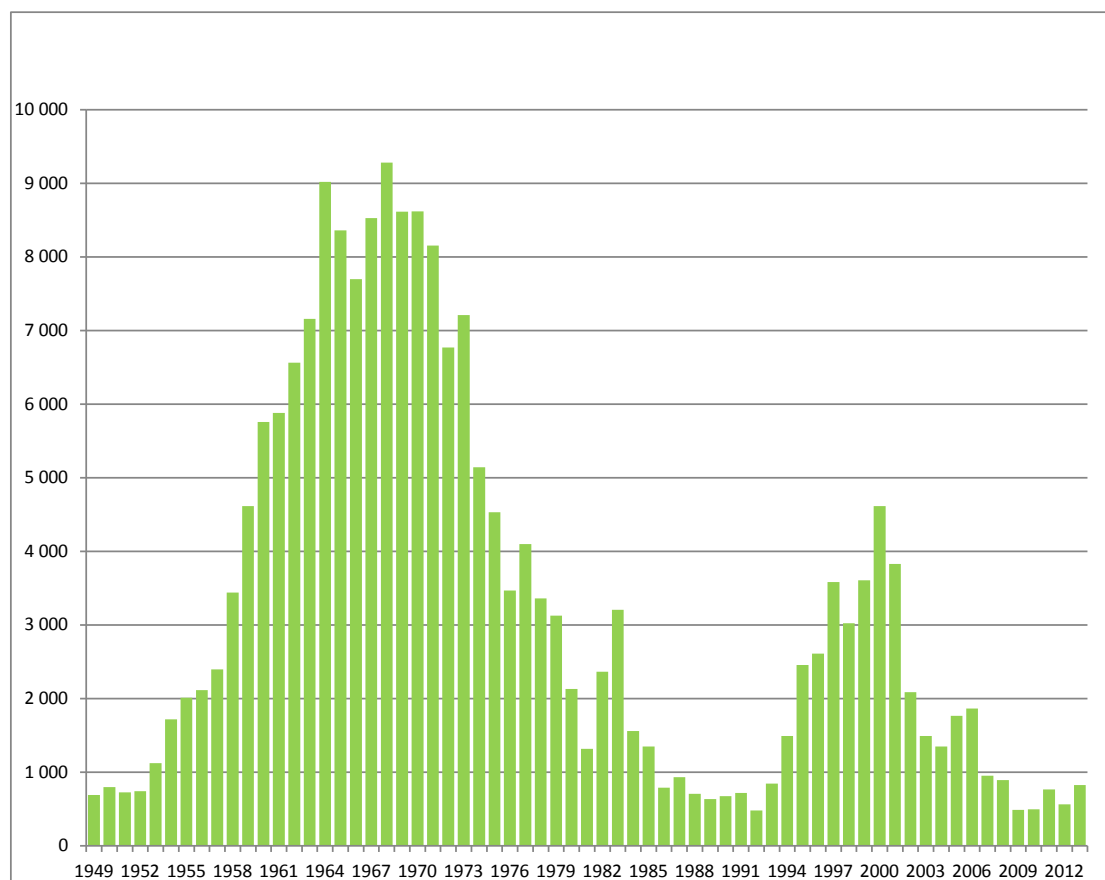
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<sup>26</sup> Gråbacke 2002, 112, footnote

<sup>27</sup> Pajakkala & Niemi 1987

## Reduction

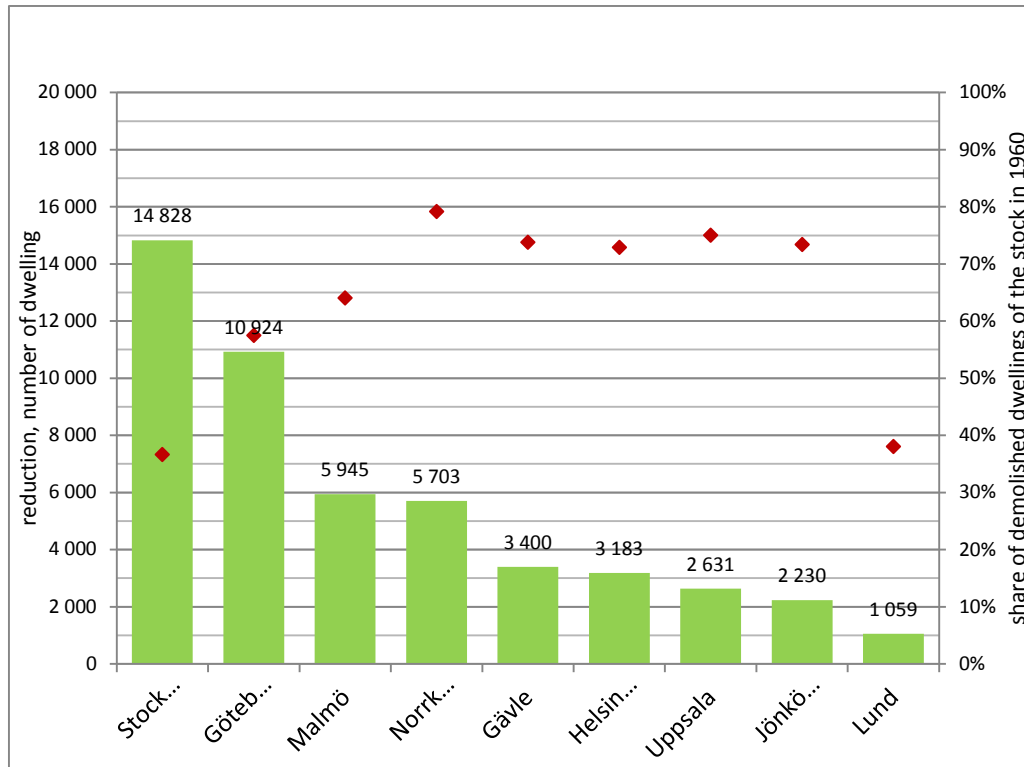
When the housing stock is reduced, it stimulates surplus demand and eventually causes house prices to rise. Managing the existing building stock is thus not only an issue for heritage protection, but a matter that affects the preconditions for new production and the founding of a new housing market. Despite its importance, statistical evidence of reductions in the housing stock in Sweden is incomplete. The number of dwellings has decreased mainly due to abandonment and to demolition. Only the demolition of homes in multi-storey buildings has been followed up, since 1989 in a systematic manner. Demolition increased steadily from c. 1950 to c. 1970, when it reached its peak, and then dropped steadily till the mid-90s. During the period 1959–1975, a total of 125 000 homes were lost. After a rapid growth during the late 90s and early 2000s, it has stabilised on a comparatively low level (Figure 2).



**Figure 2:** Demolished dwellings in multi-storey buildings in Sweden 1949–2013. SCB 2014f, SCB 1991

Dwellings were reduced not only by demolishing or abandoning, but by fusing smaller homes into bigger ones, by transforming them to work space or to weekend homes and holiday resorts. The total amount of deleted homes is considerable. From 1960 to 2013, some 31 per cent of the housing stock in multi-storey buildings (434 000 flats) in 1960, and 33 per cent of dwellings in villas and row houses (413 000 homes), have disappeared. This means that approximately one third of all dwellings of the housing stock in 1960 has been lost till present.

During the initial phase of the period, demolition concerned the central areas of historical town centres in particular. During one decade, during the 1960s, 42 per cent of the housing stock located in buildings, built before 1901, were demolished. In some towns, 80 per cent of the old stock disappeared. From 1960 to 1975, the overall figure for 19 historical town centres was a 56 per cent demolition of housing in old buildings (Figure 3). The columns of the figure indicate number of deleted homes, and the red dots their share of the historical housing stock.



**Figure 3:** The demolition (1960-75) of houses situated in buildings built before 1901 in 9 towns. Johansson 1997.

The reasons given for the demolition of the historical town centres was to get building land in central locations for new rentals as well as getting new department stores by the historical town squares.<sup>28</sup>

The demolition of the historical town centres was actually prepared for already in the early post war period. A major policy document of 1945 pursued the target to demolish 140 000 small dwellings in old buildings.<sup>29</sup> Those dwellings were the cheapest available on the market, and their liquidation meant a lift for new production: supply was decreased and the demand for new dwellings increased. Another preparatory measure of the same period was to make it legally feasible to demolish whole districts in historical town centres without having to present any concrete plan for the future.<sup>30</sup> This was promoted

<sup>28</sup> The new department stores were as a rule two in number, one for cooperative sector and one for the private sector, mimicking the political bipolarity in Swedish post war politics. Johansson 1997

<sup>29</sup> SOU 1945

<sup>30</sup> Johansson 1997

as “sanitation ideology” in order to get valuable land for the purpose of building rental dwellings in central locations.<sup>31</sup>

After the big building boom ended in the mid-70s, the targets of demolition have changed. Concurrently, a major target are the rentals built in the 60s and 70s. There is a strong correlation between population trends and demolition of dwellings in multi-story buildings.<sup>32</sup> In regions with shrinking population, rentals are left empty and it is often considered to be less costly to demolish them than to maintain the derelict buildings. Now, available statistics also provide information on the reason for demolition, and the major reason during the last 16 years has been vacancy of rental dwellings.<sup>33</sup>

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<sup>31</sup> Gråbacke 2002

<sup>32</sup> Part B, 30

<sup>33</sup> Part B, 29

## 3 Economy of housing

### Rents

In real terms, the average rents in Sweden doubled from 1969 to 2013 (Figure 4). Making a modest assumption about a productivity increase in housing of 1 per cent per year during the period, the average rent should have dropped to some 65 per cent of its initial value. Accordingly, the rent in real terms was in fact at the end of the period at least three times higher than it ought to have been compared to the economic development at large. This indicates that the effects of increased productivity did not have an impact on the rental level in Sweden. On the pretext of extensive urbanisation and the changing residential pattern, rents are supposed to rise by necessity. In regions where there has been a rapid population growth, the land prices have surged. This is, however, not a reliable explanation to the overall increase in the public sector, as land banks of the public rental companies were mostly allocated already before the period of soaring land values. In addition, land has not been levied according to its factual value increase. The rise of rent has to be explained in some other way, namely in terms of market analyses. Market corruption, is always inherent in land use: the bigger the land banks of developers, the more restricted is competition in housing and the less do improvements in productivity penetrate factual sales prices and rents.

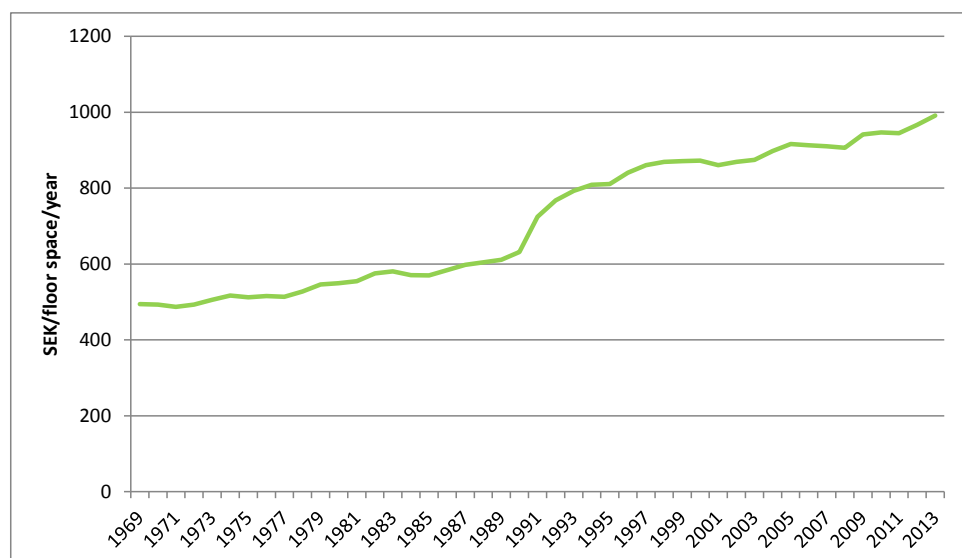
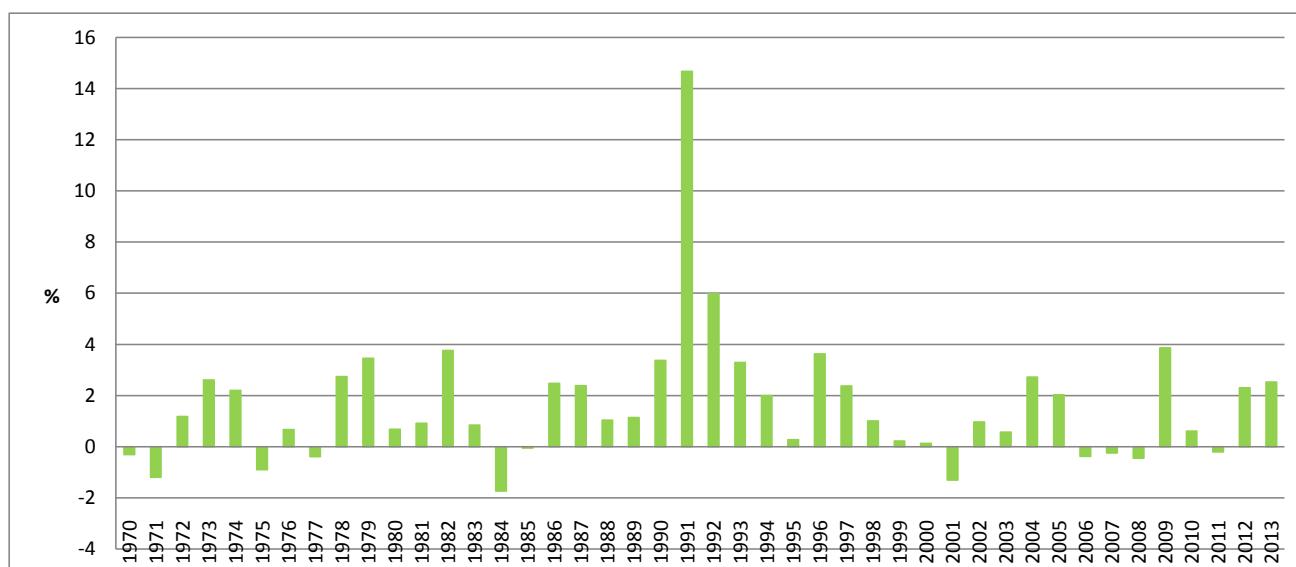


Figure 4. Average rents (SEK/m<sup>2</sup>/year) 1969-2013 in real terms (2013). SCB 2014d

When considering the change of rent in real terms for each year (1970–2013) compared to the previous year, one realises that for most years the average rent has been growing (Figure 5). During the 44 years under consideration, real rent growth occurred 35 times. In the early 90s during the recession, the rise in real rents was dramatic. In 1991 the rise in real terms was for instance 15 per cent and the next year it was 6 per cent. During the whole period, rent decrease occurred only in the case of 9 individual years, and in no case was it bigger than 2 per cent. This indicates that recessions and slumps did not have a price-reducing effect on rents, but rather the contrary. As the rents are stipulated for each year according to central agreements, the most valid explanation to the long term rise in rents seems to be the regulation itself. The rental level regulated by administrative/political decisions allowed for persistent rises year after year, regardless the economic situation of successive slumps or booms. As slumps seem to have initiated the highest rent increases in real terms, it indicates a mechanism contrary to the way open markets normally operate.



**Figure 5.** Change in average rents in Sweden 1970–2013 as compared to the previous year in %.

As rent regulation covers the rents of publicly as well as privately owned companies, the rents of these two categories follow the same pattern. From 2003 to 2013 the variations were almost identical, but the rents of the private companies were constantly on a slightly higher (6 per cent on average) level. This is explained by the fact that till 2011, the regulation of the rents of private companies was modelled according to the rents of the public companies. Since 2011, rents are allegedly set according to the factual value of the housing stock regardless ownership, which implies the use of pre-set standards for pricing.

As the privately owned stock of rentals has not been subjected to the influence of open markets, but mimicked the publicly owned sector, it seems likely that the public sector rentals have been the core factor causing the long-term rent rise in Sweden. This assessment is strengthened by comparison to Finland, where 16 per cent of the entire housing stock consists of unregulated rentals and only 14 per cent of regulated rentals. From 1969 to 2013, the rent in real terms increased in Finland only 39 per cent, which is a considerably lower figure than that in Sweden (100 per cent) during the corresponding period. In Finland, the effect of the more volatile unregulated rentals caused a situation



where the rental level in real terms was decreasing in the case of 15 out of totally 45 years (1970–2013). Also in Finland, public housing obviously has got a rise driving effect in the long run, but it has been more modest than in Sweden, presumably due to the existence of a free market rental sector that curbs the price rise of regulated rents.<sup>34</sup> During the last ten years of economic hardship, the public sector rents have increased more than the private sector rents.<sup>35</sup>

## House prices

The house prices (detached and row houses) in Sweden reflect market conditions as these houses are associated with full property rights. The price level of the other modes of tenure (rentals, cooperatives) may affect the overall price level of owner-occupied dwellings, but not necessarily the fluctuations of prices within that market. Markets modify house prices in two ways. On the one hand, the effects of the *business cycle* are obvious as prices in real terms soar during booms and plunge during slumps. During 32 years (1982–2013), the average house price in real terms was negative for 10 years and the maximum drop (14 per cent) in 1992 was actually bigger than any rise during the period. On the other hand, the *spatial* repercussions are obvious as well. During the boom of the late 80s, prices diverted as the price level of growing regions soared because of expanding demand. Diversion decreased during the recession of the early 90s and then again increased towards the end of that decade.

During the period 1981–2013, the rise of the average house price was 142 per cent in nominal terms.

## Prices of cooperatives

The average price rise of cooperatives has been very rapid. During a 10 years period (2003–2013) the price rise was 138 in nominal terms, being more rapid than the price rise of owner-occupied dwellings during the same period. As the growth of the number of cooperatives has been particularly strong in the biggest metropolitan regions of the country, the price rise may also indicate growing effective demand – despite curbed property rights of this mode of tenure. As much of the supply is new production, the price level may also reflect the operations of a handful of oligopolies in the metropolitan regions. Only in 2008 did prices turn negative in real terms.

## Housing costs

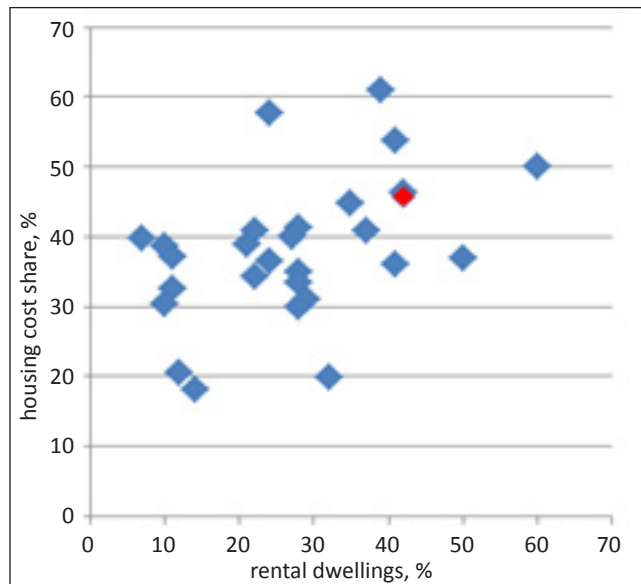
International comparisons usually point to a fairly strong correlation between the share of rentals and the level of housing costs in any given country: the higher the share of rentals, the higher housing costs (Figure 6). This fact defies a widespread notion of “affordable” as being synonymous with rental housing. In the light of comparable statistics it may be the other way around. Lower average housing costs would require an increase in owner-

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<sup>34</sup> The long-term price-rising effect of Finnish rent regulation is evident from statistics. Bengs 1989

<sup>35</sup> Part B, 41

occupation. Low income groups are, however, often out of reach of home ownership funding, and they are forced to cling to rentals and hope for cheap rent to occur and degraded environments to be upgraded. At the global arena, the deprived are subjected to the same logic with regard to food and nutrition as well as security and other everyday services, which cost them more than wealthier must pay for the same services.



**Figure 6.** The share of rental dwellings (%) and the share of housing cost (net housing cost, % of disposable income) in low-income households 2011, EU-countries, Sweden in red. Reijo 2013, Eurofound 2012

In Sweden, the average housing costs are 21.8 per cent of available household income for the whole population, and for the low income group it is as high as 45.8 per cent.<sup>36</sup> The corresponding figures for Finland are 17.5 and 33.4 per cent, and for the EU average 22.5 and 41.2. This means that for the low income group, housing costs in Sweden are higher than the EU average and it ranks among the highest in EU-27.<sup>37</sup> It is worth noting the high costs for the low income group despite the fact that Sweden maintains an image of egalitarianism.

The different housing costs, dependent on tenure, are in no way extreme. In absolute figures, housing costs are highest among home owners while households living in rentals pay 93 per cent as compared to average owner-occupiers, and those in cooperatives 91 per cent. The differences in *absolute figures* are thus fairly small. When considering the composition of households, one-person households living in rentals pay more in nominal terms than those of other tenure groups. For instance aged single men (65+) pay some 30 per cent more in absolute figures than corresponding owner-occupiers.

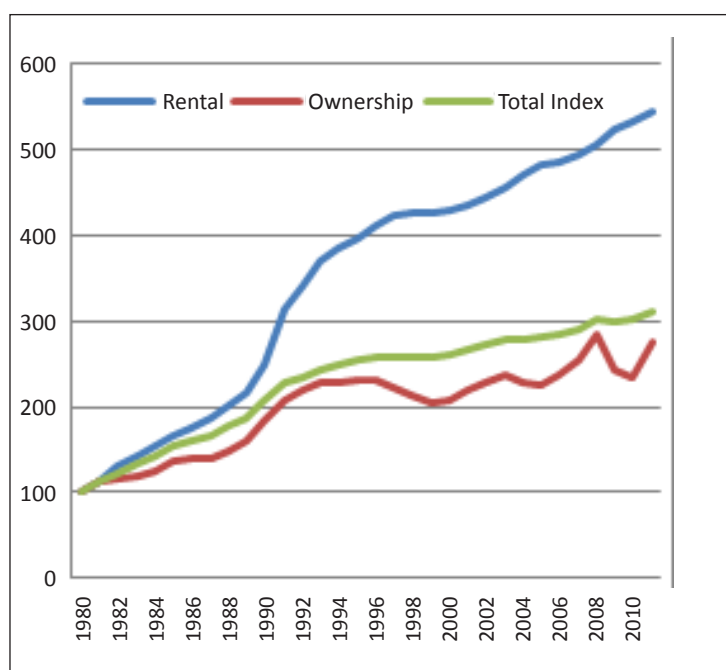
If we look at housing costs in *relation to available income* across the three tenure groups, the picture changes radically, and actually provides an explanation to the high costs for housing of low income groups. The income levels are different across the tenure modes,

<sup>36</sup> The low income group stands for the share of people whose income falls below the poverty line (half the median household income of the total population).

<sup>37</sup> Part B, 53

indicating a phenomenon called *segmentation*. The average yearly income of households living in cooperatives exceeds that of those living in rentals by 39 per cent. The income of owner-occupiers exceed that of rentals by 111 per cent. This means of course that the differences in housing costs are very big indeed when related to available income. On average, households living in rentals pay 28 per cent of their available income for housing. In the cooperative sector the corresponding figure is 19 and among owners only 14 per cent. When the tenure groups are differentiated according to household categories, the variations are still bigger. For instance aged, single women (65+) living in rentals, pay on average more than 40 per cent of their available income for their dwelling. When considering room for consumption according to tenure and household category, the picture gets even more diverse. The lowest level of available spending is found among single, aged women.

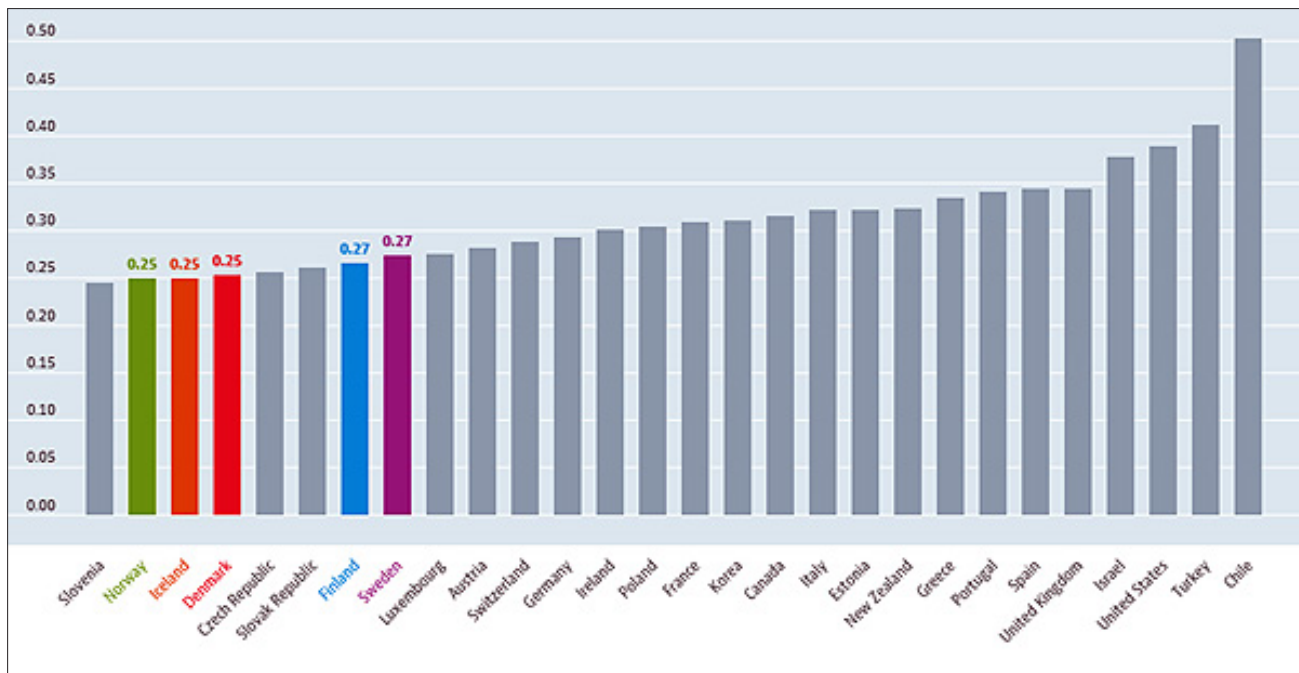
The rent rise (1980–2010) in Sweden has been more than twice as big as that of the consumer cost index while home owners' costs have been below that index (Figure 7). A valid explanation may be that the housing costs according to tenure seem to reflect the degree of market influence within the three modes of tenure. The regulated rental sector has simply been rather unaffected by market mechanisms. The price rise of rentals may be explained by their central locations compared to owner-occupied dwellings, and that they are in big demand due to extensive immigration. At the same time there have, however, occurred strong converse tendencies such as the social and sometimes physical degradation of rental areas relative to other kinds of neighbourhoods, which lowers the demand for rentals and should have a price-curbing effect. Concurrent consumer preferences, which favour cooperatives and owner-occupation, may have the same effect.



**Figure 7.** Sweden, consumer price index and housing expenditures by tenure type 1980=100. SCB, yearbook

## Wealth, indebtedness and poverty rate

Economic inequality is the difference in how assets, wealth, or income are distributed across populations. It is measured as the gap between rich and poor or income inequality, wealth disparity, wealth and income differences, or the wealth gap. According to a scale of 6 categories, the distribution of *income* links Sweden (GINI-coefficient 0.30) with the second most equal group of countries, together with Finland (0.29) and nine other countries.<sup>38</sup> Despite the comparatively even distribution of income in Sweden, it is less equal than Finland, Denmark and Norway (Figure 8).



**Figure 8.** Income inequality, 2011. OECD

Income is different from *wealth*.<sup>39</sup> They are related in the sense that for average households, surplus income is normally accumulated into wealth. Consequently, it is commonly thought that countries with an egalitarian distribution of income would feature a similar distribution of wealth. This is not always the case, however, and Sweden is in fact an exception to this rule. The GINI-coefficient of wealth distribution is a testimony of this. In the 2000s, Sweden was one of the countries with the most unequal wealth distribution in the entire world (6th in global rank in 2010) with a GINI-coefficient of 0.85 (Table 3). For the sake of comparison, the corresponding figure that year for the USA was 0.81 and for Finland 0.58, which was the second lowest in Europe at the time. In the case of Sweden, there seems to have been a reduction of inequality while the trend is the opposite

<sup>38</sup> The GINI-coefficient indicates the pattern of equal distribution. Value close to 1.0 would indicate totally unequal distribution, value close to 0.0 would indicate totally equal distribution. The most equal group encompasses 6 European countries (the Netherlands, Austria, Slovakia, Norway, Czech Republic and Slovenia as the most equal). Therborn 2013, 131–138

<sup>39</sup> Picketty 2014

in Finland. As wealth distribution is a phenomenon of considerable stability, save wars etc., it is probable that the swings in the figures below are an effect of unreliable or missing data, or swings in currency rates. One explanation to the changing figures on Sweden may be a recent lack of data as taxation of wealth was abolished in 2007. Taxation used to be the main source of information with regard to wealth and its distribution.<sup>40</sup>

	2010	2012	2013	2014
Sweden	0.85	0.81	0.80	0.79
Finland	0.58	0.66	0.66	0.71

**Table 3.** Wealth distribution in Sweden and Finland 2010–2014, GINI-coefficient. Credit Suisse Research Institute, Global Wealth Databook 2010, 2012, 2013, 2014)

The assumption of unequal wealth distribution is in Sweden supported by a number of research reports on national conditions.<sup>41</sup> According to Credit Suisse, the wealthiest 1 per cent of the population possessed 24 per cent of the total wealth of the country.<sup>42</sup> If the ownership of family-owned companies and investments overseas are included, the wealthiest 1 per cent of the population was actually supposed to possess more than 40 percent of the total sum of wealth, which is an amazingly high share.<sup>43</sup> Despite the uncertainty of available information, it is sufficiently safe to assume that fairly equal income distribution in combination with very unequal wealth distribution is a peculiar characteristic of the Swedish society. This matter should obviously be taken into consideration when trying to interpret the Swedish housing regime and the possibilities for households to accumulate wealth.

The composition of wealth in Sweden may provide a picture of the effects of (and reasons for) the pursued housing policy. Here, Finland is taken as a point of reference. In both countries, the accumulation of household wealth is mainly to be found in real estate and property such as regular dwelling, second home, investment dwellings and land. Wealth is also composed of financial assets such as deposits, shares and bonds.

When considering the total amount of wealth per capita, the situation is almost equal in Sweden and Finland.<sup>44</sup> When considering indebtedness, the picture changes as indebtedness per capita in Sweden is 47 per cent higher than that in Finland. In Sweden, the indebtedness constitutes 28 per cent of the total wealth per capita, in Finland the corresponding figure is 19 per cent.

When regarding the composition of wealth in Sweden and Finland, a clear difference is the share of property versus financial assets. In Sweden, 72 per cent of the wealth is in the form of property and 28 per cent in financial assets. The corresponding figures in Finland are 81 and 19 per cent. One explanation is to be found in housing policy. In Sweden,

<sup>40</sup> In Finland, taxation of wealth has been abolished as well, but the outcome concerning reliable data may be different compared to Sweden as company-structure is different, and owners live overseas is smaller in Finland than in Sweden.

<sup>41</sup> Roine & Waldenström 2007; Roine & Waldenström 2008; Waldenström 2010

<sup>42</sup> Credit Suisse Global Wealth Databook 2013. The corresponding figure for the USA was 34 per cent.

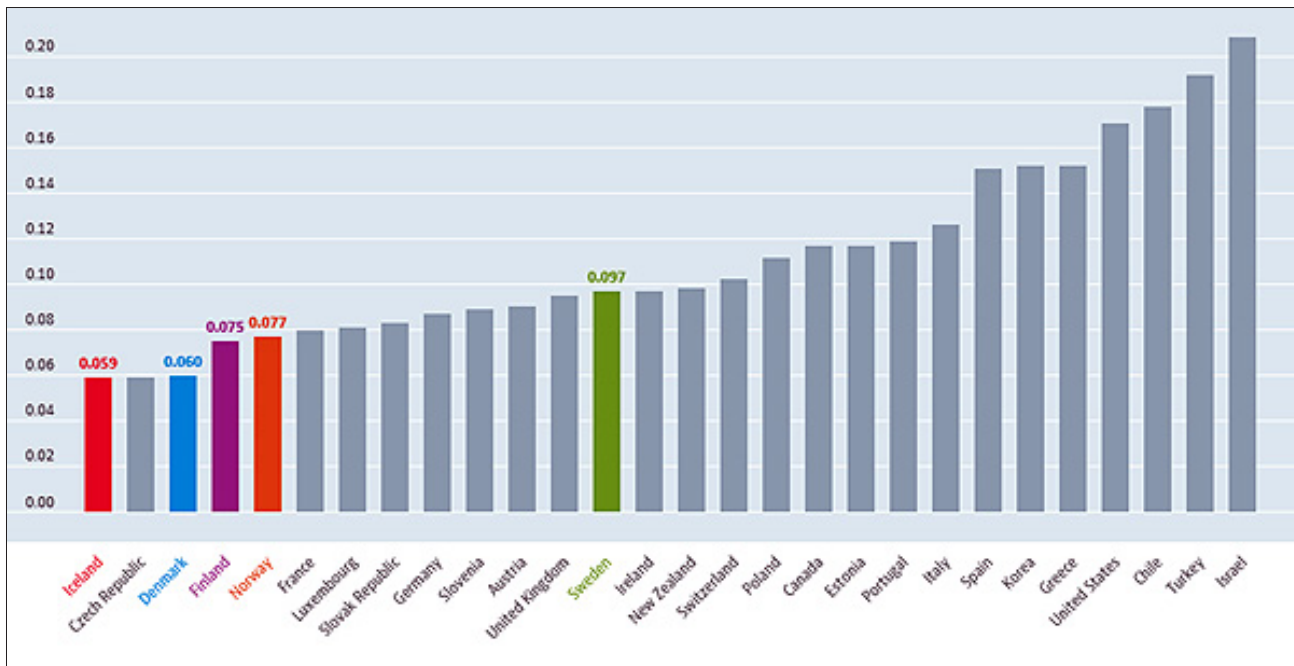
<sup>43</sup> Waldenström 2010

<sup>44</sup> Part B, 58

dwelling is hardly a lucrative investment due to prevailing rules. Such restrictions are not present in Finland, and therefore one tenth of the household wealth is directly deployed in investments in speculative housing. Swedes are left with the possibilities offered by the financial market and therefore their investments in financial assets exceed those of Finland.

The indebtedness (share of yearly income) of Swedish households has grown from 40 per cent in 2001 to 125 in 2010. Loans for housing constituted the lion part of the debts. In 2010, housing debts constituted a sum that corresponded to 80 per cent of the GDP. This was the fifth highest figure in Europe, only next to The Netherlands, Denmark, Ireland and UK. One reason for the indebtedness is the prevailing policy among Swedish financial institutions, which provides a zero-amortisation scheme for housing loans. In 2011, Sweden had the highest rate (66 per cent) of people living in households with house loans among all OECD countries and the lowest share of not-indebted households (4 per cent).<sup>45</sup>

Inequality in terms of wealth fosters polarisation of the extremes. In Sweden, the concentration of wealth presupposes poverty, which is defined as the ratio of the number of people in a given group whose income falls below the poverty line, equalling half the median household income of the total population. Thus two countries with the same poverty rate may differ in real terms with regard to the income-level of the poor. As to poverty, Sweden is close to the European average while the rest of the Nordic countries are characterised by some of the lowest poverty rates – and less concentrated wealth (Figure 9).



**Figure 9.** Poverty rate. Total, per cent in same age group, 2011. OECD

<sup>45</sup> Part B, 61–62

In Sweden, public spending for social purposes is on a high level, but a bit lower than in Denmark and Finland (Figure 10).<sup>46</sup> The higher level of unemployment spending in Denmark (2.2 per cent of GDP) and Finland (1.7 per cent) explains to a great part the differences to Sweden, which spends only 0.4 per cent of GDP on unemployment. The high social spending of Sweden can be taken as an indicator of a society in need of large income transfers in order to keep poverty on an acceptable level. This could also be expressed differently: Sweden is obviously featured by a comparatively strong structural inequality as a decent poverty level requires extensive public social spending. Alleged inadequacy of the public sector in Sweden may of course also be an explaining factor.

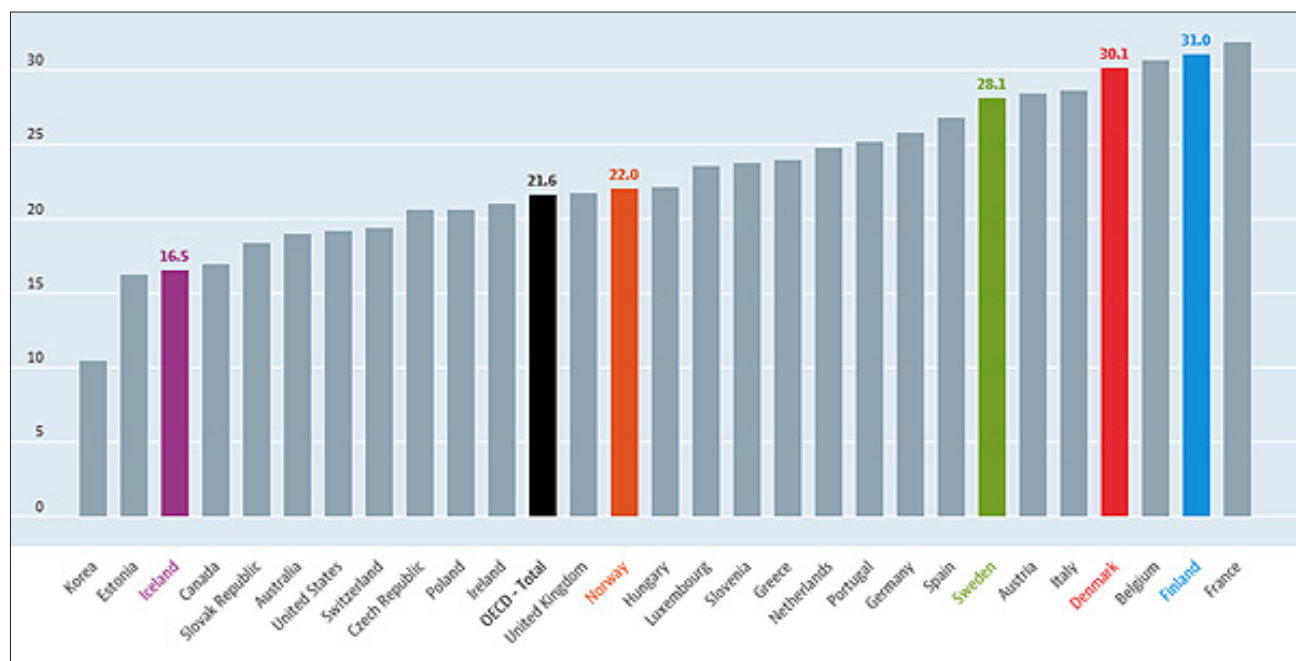
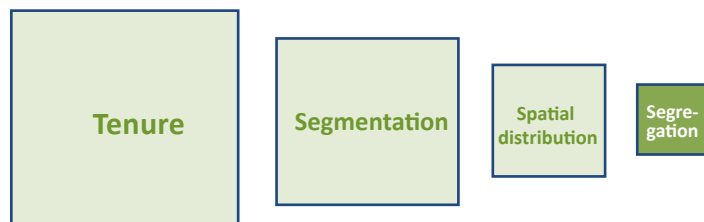


Figure 10. Social spending. Public, per cent of GDP, 2014. OECD

<sup>46</sup> Social protection is a measure of the extent to which countries assume responsibility for supporting the standard of living of disadvantaged or vulnerable groups. Benefits may be targeted at low-income households, the elderly, disabled, sick, unemployed, or young persons. To be considered “social”, programmes have to involve either redistribution of resources across households or compulsory participation. Social expenditure comprises cash benefits, direct in-kind provision of goods and services, and tax breaks with social purposes. Social benefits are classified as public when general government (that is central state and local governments, including social security funds) controls the relevant financial flows.

## 4 Spatial segregation

The existence of distinct population categories and their unequal spatial distribution is a sufficient condition for spatial segregation.<sup>47</sup> These requirements are necessary to consider when studying the mechanisms of spatial segregation. In order to be able to categorise the population in a way that is relevant for studying their spatial distribution, we have to investigate the correlation between tenure forms in housing and the population setup. Segmentation occurs when distinct population categories are unequally distributed across tenure forms. From the point of view of spatial segregation, segmentation is not an issue in case the various tenure forms are spread evenly across the area under scrutiny. It is *segmentation according to tenure in combination with uneven spatial distribution of tenure that results in spatial segregation*.



**Figure 11.** Interaction between social and spatial differentiation

As was made clear in the previous chapter, relative housing costs in Sweden vary for different categories of households and modes of tender. A main factor producing segmentation of the population across different tenures is the variation of economic means across various kinds of households. Age, gender and household composition are important factors. Another matter to consider is to what extent ethnicity in terms of appearance and/or habits and cultural codes result in self-induced spatial segregation, or alternatively, cause segregation by attitudes and actions manifest in the majority population. In the case of Sweden, it has been suggested that one cause of segregation is racialization. This conclusion is derived from the empirical observation that the more immigrants look like ethnic Swedes, the more likely they are to live in the same living quarters or neighbourhoods as the ethnic Swedes.<sup>48</sup>

<sup>47</sup> The composition of the population of any delineated area (nation, region or locality) can be compared with the composition of the population within parts of that area. The concept of spatial segregation thus indicates two matters, (1) that we categorise people and that (2) the areal distribution of chosen categories differs from what is would be according to referred average.

<sup>48</sup> Molina 1997



## Immigrants according to tenure

In 2013, more than 1.5 million people, or 16 per cent of the population in Sweden, were born abroad. In addition, 5 per cent were born in Sweden by parents born abroad, and still 7 per cent had one parent who was born abroad. This means 72 per cent of the total population were born in Sweden by parents born in Sweden as well.<sup>49</sup> The distribution of the various population groups according to tenure shows that those living in owner-occupied dwellings counted 56 per cent out of the population born in Sweden. For people coming from other Nordic countries the figure was 45 per cent, for people from EU/Efta 37 per cent and for people from other countries 19 per cent. With regards to rentals the situation is reverse: 26, 29, 40 and 61 per cent respectively. These figures indicate a strong tenure segmentation based on country of origin, which of course indicates variations in assets such as economic means as well as social and cultural capital.

Over time, the range of choices seems to increase, which may indicate improved economical means and other assets for immigrants over time. The share of people living in rentals among the newly arrived (less than 2 years) is 65 per cent while dropping to 43 per cent for those who have lived in the country for more than 10 years. In analogy, the share of owner-occupiers rose from 17 to 33 per cent during the same time span.<sup>50</sup>

Compared to the situation in the capital regions of four Nordic countries, segmentation according to index of dissimilarity by tenure is in Stockholm actually the lowest (20) for all immigrants while Helsinki represents the highest score (34). The corresponding figures for non-western immigrants is for Stockholm 32 and for Helsinki 42. For non-westerns Oslo scored still lower than Stockholm (30).<sup>51</sup>

## Segregation in the capital regions

When comprehending *segregation*, indicating spatial distribution of inequality, the situation in four Nordic capital regions seems different. Spatial distribution of tenures across neighbourhoods was studied in terms of deviation from city average (per cent: above or below). It turned out that the position of Stockholm (21 per cent) was the second most unequal, second only to Copenhagen (33), while Helsinki had the greatest mix of tenures (-40). When viewed in the light of the dissimilarity index, Stockholm turned out to be the most segregated region both for all immigrants (0.33) and for non-Europeans (0.48). In Helsinki the corresponding figures (0.21 and 0.27) were considerably lower despite higher tenure segmentation. The high dissimilarity ratio of Stockholm for non-Europeans may be considered a confirmation of the existence of mechanisms that enforce racialization. The dissimilarity index in the county of Stockholm varies considerably according to the nationality of immigrants. Within the intra-European group, the dissimilarity index varies from 0.16 (Norwegians) to 0.37 (Russians). Among non-Europeans the variation is from 0.42 (Iranians) to 0.78 (Somalians).<sup>52</sup> This may be taken as a further confirmation

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<sup>49</sup> Part B, 66

<sup>50</sup> Part B, 67

<sup>51</sup> Skifter Andersen et al., 2013

<sup>52</sup> Ibid.

of racialisation, but contingently also as an indication of the economic dissimilarities between different immigrant groups.

In the regions of both Stockholm and Helsinki, the overall share of rentals was almost the same (44 and 47 per cent). If two thirds or more of a district's dwellings are rentals, the district could be labelled primarily rental. In Stockholm, 29 per cent of all rentals are located in primarily rental districts, in Helsinki, the corresponding share is only 7 per cent.<sup>53</sup> Despite the relatively low rate of segmentation across the different tenures, the strong concentration of tenures in the region of Stockholm reduced the spatial mix of tenures – for the non-European population in particular. This is in stark contrast to the situation in Helsinki where an active policy of tenure blending has smoothed an originally high level of segmentation, which indicates the importance of urban policy and urban planning in mitigating segregation.

Spatial segregation in Sweden has from time to time been explained as an effect of voluminous immigration.<sup>54</sup> It is thought that the sheer size of immigration by necessity causes spatial segregation. In Europe, Sweden is however not unique in receiving high numbers of immigrants. In the Netherlands, the share of foreign-born inhabitants is 11 per cent, and, in absolute terms, the immigrants are more numerous in the Netherlands than in Sweden. Despite the high share of immigrants in the Netherlands, spatial segregation is in fact shrinking, not growing, which may indicate the power of political will and resoluteness. The Netherland case shows that spatial segregation can be addressed despite a big inflow of immigrants.

All the different modes of tenure may in their own ways contribute to spatial segregation. In the owner-occupied sector, the main excluding factor is of course the lack of economic means among immigrants, and among Non-Europeans in particular. In the cooperative sector, the ban to unconditionally let one's dwelling for rent causes segmentation as cooperatives cannot house renters. In addition, the purchasers of cooperatives have to be accepted by the local cooperative association before moving in, which has resulted in alleged discrimination. Immigrants may not have got permission to move in despite closed bargain.<sup>55</sup> In the rental sector, many of the big landlords apply quota in the name of suppressing segregation, but such measures may in fact deepen segregation.<sup>56</sup> In addition, the rental sector is not uniform. For instance in the Stockholm region, rentals are not immediately available, and the time span from the date of signing up to the date of receiving a dwelling may stretch over a decade. This of course excludes immigrants, who must get accommodation immediately. As a result, in rentals in central parts of cities, ethnic Swedes are well represented for the simple reason of the queueing system. These are also the rentals that have been most attractive for being reshaped into cooperatives, and apt to speculation.<sup>57</sup>

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<sup>53</sup> Statistics Stockholm, Statistics Helsinki

<sup>54</sup> Interviews in Uppsala 2013

<sup>55</sup> Journalisten.se, 2008

<sup>56</sup> Popoola 2001

<sup>57</sup> Bengs 2010

## 5 Housing policy

### The aims

Housing policy has got an impressive history in Sweden. From 1912 to 1918, the Housing Commission was acting and accomplished the first census.<sup>58</sup> From 1933 to 1947 the social implications of housing were investigated by a governmental committee.<sup>59</sup> As part of this work, the overall aims of Swedish housing were formulated in the 1940s, and they still seem to be a viable legacy.<sup>60</sup> A governmental proposition of 1967 summarised a longstanding discussion by stating that “*the whole population is entitled to sound, spacious, well designed and appropriately equipped dwellings of good quality to reasonable prices*”.<sup>61</sup>

In the Swedish Constitution (Instrument of Government), the public institutions shall secure the right to “employment, housing and education”.<sup>62</sup> In a governmental guideline document of 1974, the idea of housing as a *social right* was stated as well as the aim of *tenure neutrality*.<sup>63</sup> This formulation supposedly indicated that all modes of tenure are equally valid and that housing policy should not favour any particular tenure. Regardless tenure, quality standards were mandatory, and high-quality housing was supposed to be equally available for all in need.<sup>64</sup> Preferences were thought to materialise regardless of economic means.<sup>65</sup> In pursuing the principle of tenure neutrality, taxation measures and housing allowances have been employed.

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<sup>58</sup> Bostadskommissionen 1912–1918

<sup>59</sup> Bostadssociala utredningen 1933–1948

<sup>60</sup> SOU (1945:63)

<sup>61</sup> Proposition 1967:100. “Hela befolkningen skall beredas sunda, rymliga, välplanerade och ändamålsenliga bostäder av god kvalitet till skäliga kostnader”

<sup>62</sup> The Instrument of Government of Sweden, Chapter 1, Article 2 states: “Public power shall be exercised with respect for the equal worth of all and the liberty and dignity of the individual. The personal, economic and cultural welfare of the individual shall be fundamental aims of public activity. In particular, the public institutions shall secure the right to employment, housing and education, and shall promote social care and social security, as well as favourable conditions for good health.” <http://www.riksdagen.se/en/Documents-and-laws/Laws/The-Constitution/>

<sup>63</sup> Riktlinjer för bostadspolitiken; Bengtsson 2001, 273

<sup>64</sup> Christophers 2013, 894

<sup>65</sup> Holmqvist & Magnusson Turner 2013, 122

The Swedish housing policy has been aimed at *non-selectivity*, which indicates that the target group comprises the whole population and not just particular segments. Swedish public housing policy has thus pursued universality, offering rental housing to all households regardless of income level and the concept “social housing” has been banned because of its allegedly stigmatising effect.<sup>66</sup> The expansion of public housing was supposed to harness speculation, and to stabilise the rental level as well as to promote housing production and moderate the fluctuations of the business cycle.<sup>67</sup> Particularly the extensive rent bans are supposed to have restricted speculation in housing.<sup>68</sup> In this mode of thinking, “speculation” was associated with individuals, but not with firms, because privately as well as publicly owned rental companies were allowed to operate. Firms were obliged to be sound, i.e. to make a surplus, but individuals were deprived of this very same right on moral grounds. Housing, defined as a right and a necessity of living, was excluded as a target for speculative actions emerging from individuals. The logic behind the notion that profit seeking is morally acceptable for firms, but not for individuals, remains a brainteaser.

In a governmental proposition of 1997, housing was still considered a social right, which must be addressed by policy measures. According to a proposition of 2008, the aim of the housing market (sic!) was to facilitate for the match of supply and demand. In 2010, a governmental proposition omitted the idea of reasonable costs from the aims. The law for municipal housing companies changed in 2011 and the requirement for applying *commercial principles* was included, but combined with the old tenet of public interest. The law does not, however, define the meaning of “commercial”. Tenants’ union has come up with an interpretation according to which it is a question of attitude, and not that public landlords should seek profits like private ones. In a governmental proposition of 2012, the buzzword of sustainable urban structures was omitted.

## The outcome

Despite the high-flown tenets of Swedish housing policy, the results have been modest. Spatial standards are not exceptionally high, housing is not very affordable, most of the environmental heritage is gone forever while its last vestige is now highly appreciated, but still under threat of demolition. Moreover, spatial segregation and racialisation of space is deeply rooted. The mismatch between aims and outcome may not be a great surprise in the light of international experience. The whole idea of policy aims is of course to indicate all the good things to come rather than to elaborate forecasts. Aims are meant for mobilising political support and for justifying chosen solutions. Policy aims are part of justification, seldom the cause of events. Accordingly, it seems unfair to ridicule Swedish housing policy on the ground that it has not been very successful in delivering all that was promised. In its shortcomings, it resembles the housing policy of almost any country. But is this really the point? No, the point is that despite dubious results, the chosen policy has been prolonged for 70 years or more, and it is still going strong! It has been sustained during left- and

<sup>66</sup> Boverket 2007, 13; Bengtsson 2006, 101–102

<sup>67</sup> Bengtsson 2006, 112–114; Bengtsson 2001; Niva 1989, 152; Franzen & Sandstedt 1993, 201–202).

<sup>68</sup> Under way is a small step liberalization of the market for renting cooperatives, but they are still heavily restricted. See Hyresnamnden 2014; Regeringskansliet 2014

right-wing governments and proved remarkably stable. This is certainly manifest in the concurrent discussion on Swedish housing policy.

Researchers seem to focus on public management and housing policy in the alleged context of liberalised market forces, but little is said about the particular structural properties of Swedish housing and the peculiarities of the society at large. Lately, a number of researchers seem to have captured the insight that housing needs are related to economic means.<sup>69</sup> The meaning of “reasonable costs” is not defined in policy documents and even state agencies seem to realise that “reasonable” is relative to available means.<sup>70</sup> A recent and politically easy solution is found by simply dropping the claim for reasonable costs.<sup>71</sup> This has been considered an indication of a shift from regulations and restrictions to a market based housing policy, attributed to global neoliberal trends.<sup>72</sup> Such assessments are fairly hazardous in the face of the Swedish housing regime, still largely founded on other principles than open markets. A more moderate view of an external observer states that the dismantling and retaining of market restrictions still coincide.<sup>73</sup>

Public housing has lost some of its previous advantages and thereby its operational conditions started to resemble those of the privately owned rental firms.<sup>74</sup> One stated reason for implemented reforms was public savings while another reason was to provide for a larger set of consumer choices.<sup>75</sup> Despite changes, the negotiation system of the rental sector has been retained.<sup>76</sup> The need to comply with EU directives has also forced alterations for determining rents, which was changed in 2011.<sup>77</sup> The idea of a universal, non-selective housing policy has been cast in doubt, but this doubt has remained fairly unformulated on the level of discourse. The question arises whether the principle of universality should be replaced for a legislation in support of those most in need of housing.

The changes that occurred after reforms of the 1990s seem to have caused increased spatial segregation and segmentation according to tenure, declined housing production and the change of municipal housing companies toward more commercial approaches as well as weakened commitments to public housing. With reduced public support, investors, municipalities and households are supposed to face bigger risks.<sup>78</sup> The change has been interpreted as follows: “long-standing formulations including ambitious goals of equality, social responsibility, high standards, reasonable cost and good living conditions were erased”.<sup>79</sup> Such concerns may indicate reluctance to accept inherent market dynamics, but also misconception and overrating of factual achievements.

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<sup>69</sup> Hedin et al. 2011; Holmqvist & Magnusson Turner 2013; Christophers 2013

<sup>70</sup> Boverket 2007, 7

<sup>71</sup> Prop. 2010/11:1

<sup>72</sup> Andersson & Magnusson Turner 2014, 2; Hedin et al. 2011; Holmqvist & Magnusson Turner 2013

<sup>73</sup> Christophers 2013

<sup>74</sup> Boverket 2008, 20)

<sup>75</sup> Bolinder 2009,3; Boverket 2007, 25;

<sup>76</sup> Hedin et al. 2011, 444–445

<sup>77</sup> Boverket 2012; Christophers 2013, 393

<sup>78</sup> Clark & Johnson 2009, 184–185; Hedin et al. 2011, 446; Boverket 2008, 20

<sup>79</sup> Clark & Johnson 2009

All rents are still centrally negotiated above the head of single tenants and public housing is still seen as an important means for pursuing affordable housing.<sup>80</sup> In market economies, market rents tend to increase during booms, but decrease during slumps. As proposed in this study, the regulated rents in Sweden seem to operate the other way around, reaching their peaks during slumps. In general, regulated rents tend to rise modestly, but in the long run they face the risk of increasing the overall rental level and housing costs in general.<sup>81</sup> This is actually what seems to happen in Sweden, and it is one of the factors behind the introduction of tenure neutrality. In practice, regulation of rents seems to be related to the creation of prolific markets for commercial and public firms, and, in the light of available data, the rationale is evidently to secure the profitability of rental companies.

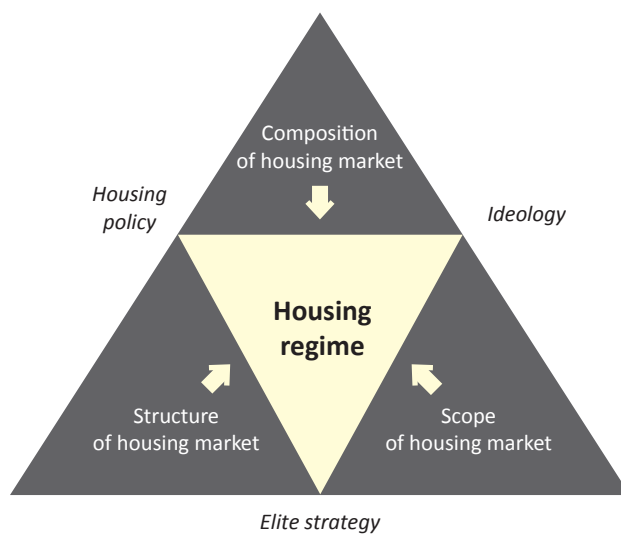
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80 Andersson & Magnusson Turner 2014; Christophers 2013, 898

81 Bengs 1989; Bengs & Rönkä 1994

## 6 An interpretation

In the introduction, the connection between the housing regime and the particular features of the housing market were shortly presented. The market has here been conceptualised in terms of its composition, structure and scope, and all these matters are thought to be decisive for the particular features of the Swedish housing regime. In a broader context, the prevailing elites, the ideologies they profess, and the applied housing policies, all together maintain the stability of the housing regime (Figure 12).



**Figure 12.** A model for interpreting the housing regime of Sweden

One reason for attempting to interpret the Swedish housing regime is its high international profile. For years it has been standing out as a unique way of dealing with the kind of housing issues that have been considered problematic in many countries. The assumed excellence of the Swedish regime have since long been fading away, but the prevailing housing policy has been maintained for decades and amended with mostly minor adjustments. The mediocre results thus call for investigating the reasons to the uniquely long-standing housing policy of the country. If the dwellers do not overtly benefit from the cemented housing regime, somebody probably does.

## The composition of the housing market

The composition of the Swedish housing market is peculiar indeed with a share of owner-occupied dwellings that amount to less than 40 per cent of the national stock. This is the only part of all the dwellings that are affiliated with extensive property right: they can be freely sold and bought on the market, and they can be freely rented further by their owners as well. The cooperatives (some 20 per cent) can be freely sold and bought on the market, but cannot as a rule be rented further. The rents of the rental sector are regulated all through, and rentals cannot legally be rented out by the initial renter for an indefinite period. If renting is temporally allowed for acceptable reasons by the rental company, or the local cooperative in case of cooperatives, rents are not supposed to generate profits for the ordinary possessor of the dwelling. These restrictions have generated a black market for second and third hand renting – in the metropolitan regions in particular where demand constantly exceeds supply. The existence of black rental markets is institutionalised due to the queueing practice. Getting a rental legally in expanding regions, implies queueing for years, which excludes those in need of instant housing such as immigrants and temporal work force.

## The structure of the housing market

A repercussion of the composition of the housing market is concentrated ownership. The private rentals are owned by private companies, the public ones by public companies. Most of the cooperative sector is associated to a few national unions of cooperatives (HSB, Riksbyggen). Only the ownership of owner-occupied houses is dispersed as the owners are mostly individuals. One dramatic effect of the concentrated institutional ownership is reduced competition among suppliers, which is reinforced by rent regulation. Lack of competition and the non-existence of market rents have caused a long-term increase in the overall rental level of the country, which exceeds overall price-rises of owner-occupied and cooperative dwellings.

The monopolist tendencies due to concentrated ownership of the housing stock is mirrored in increasingly concentrated production and a land and planning policy in favour of the biggest developers. On the national level, a handful oligopolies are in charge and on the local level the situation turns very often monopolistic. The big boost for big players took place during the Million Dwelling Programme (1965–74). Production was concentrated by applying and selectively allocating national production quota as well as by favouring big projects and all-inclusive contracts. Quality stipulations and standardisation suited the biggest producers (e.g. restricting use of timber). A new market for newly produced dwellings was also promoted by extensive demolition and reduction of the older housing stock.<sup>82</sup>

## The scope of the housing market

In the traditional urban context of Sweden, towns were built according to traditional town plans, characterised by a network of public areas (streets, squares, technical infrastructure,

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<sup>82</sup> Bengs 2010b



parks, etc.) and blocks of plots, which were exploited one by one. This formed the frame for small scale building and the use of local entrepreneurs and craftsmanship. The traditional way of building towns has got its roots already in Greek and Roman Antiquity and was maintained during centuries until the advent of large scale industrialism towards the end of the 19<sup>th</sup> century. In the old-fashioned way of housing, dwellings were as a rule erected by their future users. The housing market emerged as a result of housing being commercialised.<sup>83</sup>

The planning and buildings code of 1987 is a token of shaping the legal framework for a new building market, founded on large scale projects and big entrepreneurs. It has had the effect of producing a constant under-supply of building land in favour of the biggest producers, possessing extensive land banks. Small local entrepreneurs have been knocked out and the biggest firms operate nation-wide and internationally as well. In this way, the changing structure of the housing market has altered the scope of the market.

## Housing policy

The most fundamental effect of the applied housing policy should perhaps not be assessed in terms of aims and results, despite the fact that there is a mismatch between the two. Policies are not necessarily meant to be realised, but rather to mobilise political support. Besides its political implications, the Swedish housing policy has had a distinct effect by shaping the housing market described above. By promoting market restrictions in terms of assumed tenure neutrality, by enforcing rent regulation and neglecting the occurrence of black markets, by defining quantitative goals and making them operational to the benefit of the few, a new kind of housing market has emerged. The main credit to be attributed to the executed housing policy is not the visible novelties, but the foundation and maintenance of a housing market with dramatic repercussions for ordinary citizens.

The Swedish housing policy possesses another feature as well, which has come to resemble a general template for policy making: Particular solutions (i.e. “the new housing market”) are advocated by associating them with all good things in life. The spectrum of aims to be achieved has been kept very wide, and it includes ethical as well as aesthetical matters. In short, the corollaries of housing policy can be found in a number of other fields of life, not just in planning and design, but in the most fundamental ways citizens organise their lives.

## Ideology

The new housing market required of course the idea of progress, which was essential for the destruction of urban heritage and demolition of cheap housing. The newly emerging architecture (“functionalism”) had to be promoted by making industrialism a virtue compared to handicraft. Sweden is surely fairly unique in terms of comprehensiveness and systematised action for implementing modernism – not just modernisation. It has even got nationalistic overtones: “The Swedish style”. Do not mock Swedish housing, because then you mock the deepest sentiments of the generations that have been brought up in these neighbourhoods!

<sup>83</sup> Bengs 2010a

If functionalism and modernistic design could be said to constitute the aesthetical dimension of the prevailing housing ideology, then the idea of housing as a “right” may be seen as a prerogative of common man. If housing is considered a right of every individual, someone else has to satisfy that individual, if required. This constitutes the ideological fundament of the implemented massive housing policy. The “right” could of course have been accomplished in radically different ways than the factually implemented ones, which includes strong concentration of ownership and production, and restricted markets. Everyone could for instance have been given the “right” to build his/her own house and to use it as profitable investment. The “right” to a home, is in fact reduced to the right to a quite specified home, determined by the housing regime.

## Concentration of political power

In many respects, the Swedish society is characterised by centralised, large-scale solutions, matching a concentrated corporate sector. This is mirrored in the concentration of political power as well. In the following some peculiarities are mentioned:

The Swedish constitution does not demand majority government as long as the cabinet gains the support of the parliament. Consequently, a minority government has to secure support for every voting in parliament by making bargains, which most of the time remain unknown to the public. Thus parliamentary proceedings remain largely obscure to outsiders.

In ballots for parliament, votes are not cast for individual candidates but for parties or party coalitions, and the success of single candidates depends on their respective position on the party list of candidates.<sup>84</sup> In practice, the party headquarters thus strongly influence who gets elected. Party leaders are the main figures in Swedish politics, which of course centralises and cements political power and makes deals between leaders of parties more easy to make.

Organisations across the country avoid balloting representatives for leading posts. The leadership of the Social Democrats (SAP) seems to have been too important as to be put at stake: Till this day, the chairman has never been elected by ballot.

The cabinet takes all decisions unanimously, which for outsiders obscures the understanding of decision-making as diversity of opinions among cabinet ministers never become manifest.

The celebrated “Swedish model” is commonly associated with a smooth running society that avoids conflicts. Consensus is found in public committees and commissions, where professionals and interest groups can meet, discuss, form opinions and phrase legislation to be formalised in the parliament. The core of the model, however, consists of the smooth collaboration between employers and employees. In 1938, the government forced the confederation of trade unions (LO) to make a deal with the confederation of employers (SAF), which included restrictions on employed measures in case of conflict,

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<sup>84</sup> This is still a valid description, despite some recent modifications of the system.

and a total denial of conflicts that could jeopardise society.<sup>85</sup> The agreement is called the *Saltsjöbadenavtalet*. The prime minister at the time was Per Albin Hansson of SAP. With regard to the centralisation and concentration of power in Sweden, the effects of the agreement were dramatic for the trade unions. The practice of LO was changed from a bottom-up to a top-down ordinance, which had to be implemented by change of by-laws of the LO and its member unions.

The deal between the trade unions and the employers' associations, resulted in a standing form of negotiations, which included not only matters related to labour costs or safety, but to a variety of matters affecting the price and quality of labour. The idea of social engineering, so typical to Sweden, emerged from this practice. The implications are wide-ranging. A good many things that in distinctly parliamentary countries would be subjected to the scrutiny of MPs, are in Sweden processed by the corporatist system. This is often carried out in commissions and committees formed by the cabinet. Deals are reached in negotiations among a very limited number of elite representatives, which then "anchor" them in their respective organisations and bring the agreements down the ladder to all the subordinates. The employers' organisations do not have to maintain a façade of egalitarianism since output in their world is relative to input, and they do not have to bother all that much about justification as deals can be marketed by using rational arguments according to foreseen returns. Trade unions have to consider the ideological repercussions of deals as well. The unions have to present the top-down process as a bottom-up movement, traditionally labelled "people's movement" (*folkrörelse*). For the public, agreements are neutrally labelled "reforms" (or "victories" for political activists). The formation of housing costs could be mentioned as an example of the top-down model.

## Elite strategy

The features of any national elite reflect concentration of political, economic and ideological power. The Swedish society could be labelled bipolar. Two-block politics (Left and Right) has been prevailing since the early decades of the 20<sup>th</sup> century, and, despite changing coalitions, it is still a reality. The Left has nourished something that could be called *statism*,<sup>86</sup> with the sedate consent of the Right.<sup>87</sup> This kind of bipolarity is by no way unique for the Swedish society. It can be found in most countries with representative

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<sup>85</sup> The trade unions of the employees were in 1898 organised into a federation called Landsorganisationen i Sverige (Swedish Trade Union Confederation). The employers organised themselves into a federation in 1902, called Sveriges arbetsgivarförening SAF (now approximately Svenskt näringsliv or Confederation of Swedish Enterprise).

<sup>86</sup> A peculiar rhetoric of the social democrats has been to speak about "the strong society" (*det starka samhället*) when they actually mean the strong state.

<sup>87</sup> At the end of the 19th and early 20th century, Sweden had a liberal party of some significance, which joined force with the social democrats (SAP) in the political struggle for suffrage. The liberal party gradually lost support while SAP grew stronger and formed cabinets four times already during the 20s. The SAP was founded in 1898 and rejected Marxism from the outset in the favour of something that has been labelled "democratic revisionism". Socialism was not considered an aim, but equalled the politics of the party. Throughout its history, the party has been very pragmatic and appropriated the nationalistic agenda of the right already in the 20s. Part of its ideology goes back to the ideas of Rudolf Kjellén (1864–1922) and some of the buzzwords of SAP came to inspire the Nazis of Germany: Peoples home (*Volksgemeinschaft*), national socialism (*Nazionalsozialismus*), geopolitics (*Lebensraum, Blut und Boden*) and eugenics (*Rassenhygiene*). Berman 2007; Sabine & Thorson 1981; Bengs 2010

democracy and parliamentary system.<sup>88</sup> The peculiarity of the Swedish model may not lie in its bipolarity, but in the systematic way both groupings have promoted concentration of economic and political power. The extraordinary concentration of wealth discussed above is both a token of, and a prerequisite for prevailing elite strategies developed over decades. During a 74 year period (1932–2006) the social democrats headed cabinets for altogether 65 years, much of it as a minority government, which may indicate the silent support of the political right.

For the social democrats of the SAP, the political significance of the Swedish model was of course crucial as the trade unions provided the political left with power that by far exceeded their parliamentary strength. The political success of the social democrats may be explained by the fact that they already in pre-war times deliberately sought to feature themselves as tracking a “third road” apart from existing socialism overseas, or the disasters of unrestricted commerce. Their broad marking of the political centre was of course a precondition for gaining wide support, which at its best covered half of the voters. The “genuine” left remained a threat to the hegemony of SAP, but much of the rhetoric of the party had to mimic the rhetoric of the radicals. In combination with a very large organisation for intelligence, which targeted leftists on the factory floor, these two measures (rhetoric and spying) contributed to the party’s influence.<sup>89</sup>

The social democrats of Sweden have had a crucial influence on the Swedish housing regime. The main policy documents referred to above are directly associated with the party already for the simple reason of the party’s hegemonic position in post war politics. The party has actively sought the image of being the warrantor of decent and affordable housing. That does not include housing only, but a multitude of services and income transfers provided by the welfare state. The sustainability of the welfare state is rhetorically connected to the party’s rationale. The more everyday living is dependent on politics, the easier it is to get support for those parties that are associated with the tenets of the welfare state. The less people in common have economic buffers of their own, such as home ownership, the more they are dependent on the income transfers of the welfare state. That is enhanced in the concurrent situation with the international trend of dismantling welfare.

What about the Right elite and its possible gains with regard to the implemented housing regime? Private rental companies, owning about half of the rental stock, have gained from sustained and secured increase of rents, hooking on the public sector’s perpetual rise of rents. In terms of its own living costs and living environment, the Right has been favoured by advantageous owner-occupation and segmentation by inhabiting some of the most segregated areas (purely ethnic Swedes!) itself. If someone holds historical environment

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<sup>88</sup> Its root can be traced back to Antique times and the emergence of democracy in ancient Greece. Fustel de Coullanges 1980

<sup>89</sup> The SAP controlled an undercover network of 20 000 informers (arbetsplatsombud), which was unveiled in the early 70s. The activity was eventually fused to the espionage of the army of Sweden. The poor journalists, Jan Guillou and Peter Bratt, who uncovered the espionage of the SAP, were thrown into jail. The parallel to the concurrent cases of Assange and Snowden are obvious. The keen connection between labour organisation and the party is manifest in the practice of LO trade unions, according to which trade union membership automatically meant SAP-membership as well. This was ended only in 1991. The youth organisation of the party still operates as the youth organisation of the LO as well. Since 2008, membership in a populist right-wing party called Sweden Democrats (Sverigedemokraterna) is an impediment to any position of trust in the LO.

in high esteem, it can still be bought. With regard to the elites, all these matters may however be of marginal importance compared to the overall benefit of the way production of housing is organised.

The bipolar elite of Sweden has in concerted action unanimously supported big enterprise. Concentration of housing production and development was in fact sought after by both elites. Suitable conditions for the growth of monopolies were provided by the post-war housing policy. The elite of the Right, representing developers, investors and finance, promoted concentration in the private sector and got a big boost by the centralised housing policy in general and by the Million Programme of 1965–74 in particular. The social democratic dream of having only two blocks of developers/producers of houses, the cooperative and the private ones, was eventually scuppered by the saturated housing market of the late 1970s. The private sector subsequently occurred as the victor of that particular battle, and the trade union-led production lost ground. The symbiosis between the two blocks was however not been jeopardised as ownership and operation of public rentals and cooperatives still remains within the auspices of the Left. The resentment of the Left to expanding property rights in the rental and cooperative sectors seems to reflect the need to keep track of the flows of assets of those sectors. The big institutional owners of public rentals and cooperatives do not want to lose their business.

As shown above, the lacking opportunity for individuals to profit on renting has directed individuals to invest in financial assets, to the advantage of listed firms. For the Right, this means excessively available capital to listed firms and financial institutions. For the common population, it means increased dependence on the welfare system due to lack of secure personal assets, and therefore a necessity to bond with the Left in order to secure public services in the future.

## 7 Epilogue

Maybe the scrutiny of the Swedish housing regime in this report is truthful and pertinent. All the same, this does not indicate an assessment of the executed policy or an evaluation of the quality of the Swedish housing regime. In order to do that, we should apply standards with regard to how it could have been (in the best of worlds). That would however mean to apply a counterfactual type of argumentation, and then we would apart ourselves from scientific research. We only know (some of) what happened, not how it could have been made in a better way. What we can criticise, however, is how housing issues have been studied.

It is both absurd and sad that those researchers who have delivered critique against the alleged liberalisation of housing in Sweden, in fact attend to the neoliberal notion of markets as a force of nature to be tamed, and not as an outcome of more or less conscious acts, a societal construct – by the elite and for the elite – over a considerable period of time. The notion of beneficial public regulation in the face of the haunting market is underpinned by a Hobbesian view on the nature of society and legitimate government.<sup>90</sup> In the Swedish discourse on housing, markets are as a rule viewed as the monstrous Leviathan by the proponents of the existing system. The Hobbesian view implies a legitimate government based on civil society, placed under the auspices of a sovereign authority and framed by a social contract and total submission to authority. The subjects themselves are claimed to be the common authority as they are the ones who have rendered submission possible by giving up their personal authority. Without a contract, the monster is set free:

*In such condition, there is no place for industry; because the fruit thereof is uncertain: and consequently no culture of the earth; no navigation, nor use of the commodities that may be imported by sea; no commodious building; no instruments of moving, and removing, such things as require much force; no knowledge of the face of the earth; no account of time; no arts; no letters; no society; and which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish, and short.<sup>91</sup>*

In a simulacrum of the Hobbesian approach, the relation between state and housing market has been defined, and the Swedish housing model is said to imply the modification

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<sup>90</sup> Hobbes wrote that civil war and the brute situation of a state of nature (“the war of all against all”) could only be avoided by strong and undivided government.

<sup>91</sup> Hobbes 2005, Chapter XIII.: Of the Natural Condition of Mankind As Concerning Their Felicity, and Misery.

of markets by the state, allegedly to the benefit of all subjects.<sup>92</sup> In this kind of approach, markets have potentially always been there, but in order to master their assumed dysfunctions, the state has to step in. In the study at hand on the contrary, housing in Sweden is considered to be a continued process of establishing very particular conditions, favours for the biggest, and maintaining them to the best of elite knowledge and interest. This means that the *substantivist* approach to economy is applied. The concept of housing market, and all it stands for, is comprehended as a deliberately constructed and maintained way of safeguarding particular economic and political interests.

The abject conditions of housing research in Sweden may be understandable against the backdrop of institutionalised research. At an early stage, the production of ideology was organised to frame politics under the direct auspices of the government. The State Board for Housing Research (*Statens nämnd för byggnadsforskning*) was founded in 1942, and in 1960 it was split in two, one part was called the State Council for Building Research (*Statens råd för byggnadsforskning*) and the other part was called The State Institute for Building Research (*Statens institut för byggnadsforskning, SIB*). These governmental institutions were part of a broad network that was supervised by the national cabinet. State institutes would as a rule get their funding, guidelines and commissions from national government. Concurrently most of research is integrated into universities, but the state control is still executed by public research funds, which get their policy guidelines on an annual basis from the national government. A further enforcement of political control has taken place in the way universities are managed. The social democratic hegemony in 2005, just before their defeat in the parliamentary election that year, was impressive. In the board of directors of *all* universities in the country, they had a qualified majority as well as in the case of 22 colleges. The same year, more than 80 per cent of the chairpersons of cultural institutions were social democrats.<sup>93</sup>

In the long run, the quality of research is more dependent on critically operating institutions than on smart and skillful researchers. Critique thrives in independence. Commissioned research always reflects the aspirations of the commissioner, and the distinction between critical scrutiny and justification gets easily blurred.

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<sup>92</sup> Bengtsson 1995

<sup>93</sup> Bengs 2010b, 74. The wanting critical research may be a major explanation to missing overall perspective. Sadly enough, the Danish fairy tale of H.C. Andersen called “The Emperor’s New Clothes” is still topical. Andersen 1980

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ISBN 978-952-60-6474-1 (pdf)  
ISSN-L 1799-4896  
ISSN 1799-4896 (printed)  
ISSN 1799-490X (pdf)

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