This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Paper Series

No.154

The Role of the State in Financialised Systems of Provision: Social Compacting, Social Policy, and Privatisation

Kate Bayliss, Ben Fine, Mary Robertson

ISSN 2052-8035

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

The Role of the State in Financialised Systems of Provision: Social Compacting, Social Policy, and Privatisation

Author: Kate Bayliss, Ben Fine, Mary Robertson,

Affiliations of authors: School of Oriental and African Studies (Ben Fine, Kate Bayliss) Leeds University (Mary Robertson)

Abstract

This paper draws on a series of case studies to consider the *Role of the State*, using the systems of provision (SoP) approach where the state and market are not considered to be dichotomous entities (as in most orthodox literature). Rather, markets are organised by the state in ways that are continually evolving. Our coverage of this extensive topic has been delimited by focusing on three aspects of the role of the state. The first of these is social compacting which considers the ways in which economic, political and ideological interests relate to the state. This section considers the state's role in representing different social interests with a declining influence of labour. The second aspect addressed here is the state's role in social policy and the provision of basic services. The paper shows that this increasingly comes down to providing for the hard to serve while wider concerns of equity and redistribution are neglected. Finally the paper explores the role of the state in connection with privatisation. Using the empirical evidence of the case studies, the paper shows that implementation and outcomes have been diverse across sectors and countries but common strands are emerging. These sectors are far from competitive, and privatisation has created conditions for significant rent extraction in ways that were unintended at the time of privatisation.

Key words: role of the state, neoliberalism, social policy, privatisation, financialisation, housing, water.

Date of publication as FESSUD Working Paper: April 2016

Journal of Economic Literature classification: H4, L95, L33, R31, R38, P16, P1, P10

Contact details: bf@soas.ac.uk

Acknowledgement: The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800.

Website: www.fessud.eu

1 Introduction

This paper is one of three thematic papers based on the findings from a series of case study reports on the systems of provision (SoP) for water and housing in five countries - UK, Portugal, Turkey, South Africa and Poland – prepared for FESSUD deliverable D8.25. The thematic papers also draw on two synthesis papers covering water and housing.[i] This paper addresses the theme of *the role of the state* in the provision of water and housing, with implications for the delivery of basic services more generally. The study needs to be considered in conjunction with the two other thematic papers which cover *neoliberalism* (Bayliss, Fine, Robertson and Saad-Filho 2015) and *financialisation* (Bayliss, Fine and Robertson 2015) as these aspects are inseparably interrelated. Across each of the theme papers, we not only ask how these broad determinants – neoliberalism, financialisation and the state – impact upon housing and water in light of our case studies but how also, in turn, how the case studies offer lessons for how we understand the focus of our themes.

In orthodox literature, states and markets are presented as dichotomous entities. However, as the case studies indicate, markets are themselves created and organized by the state with a myriad of, often competing, institutions. State activities are diverse over time and across locations and sectors. The state is not monolithic and is constantly evolving. This paper expands on the SoP approach, adopted throughout our work on Work Package 8, and its application to the state and the provision of basic services.[ii] As such, the state is understood not as an independent entity but rather in terms of relations between agents, embedded in historically evolved structures and processes. While in some cases the state is the provider of services, in others the state is the regulator and, in the past, the state has had limited direct, and possibly indirect, involvement. However, even with little obvious state intervention, all SoPs incorporate some element of public sector involvement. Even totally private provision cannot exist in a totally disembodied market.

This paper considers how the findings from the case studies in housing and water shed light on the role of the state in the provision of services that, like housing and water, have a strong "welfare" element and so bear upon, whether acknowledged as such, social policy. Both shelter and water are recognised as human rights and are essential for human survival. As such, their provision has traditionally had strong state involvement across a range of parameters. Orthodoxy has tended, increasingly, to adopt a pro-market stance and interprets decisions as to the respective roles of the public and private sectors in terms of potential market and state failures and how to address them. So, for example, as long recognised, externalities may require state regulation or even provision.

As already indicated, the purpose of this paper is not simply to use the case studies to synthesise an overview of the role of the state in the provision of water and housing. Rather, it also offers the opportunity to draw more general lessons on the role of the state. This is, however, a vast topic commanding a (scholarly) literature that is equally wide-ranging in scope of subject matter and methods of enquiry. To delimit our coverage, we have chosen to focus upon three aspects of the role of the state, with three corresponding literatures. These are social compacting (allowing for consideration of how economic, political and ideological interests relate to the role of the state), social policy (for the role of the state in economic and social reproduction) and privatisation (for the role of the state in provision itself).[iii]

Each of these prisms for reflecting upon the role of the state offers its own peculiarities. In case of social compacting, for example, its decline and transformation in both theory and practice is indicative not simply of the greater weight of financial interests in the role of the state but also of the restructuring of how such, and other, interests are represented through the state. For social policy, there is a similar shift in the weight of interests and how they are represented. With water and housing, for example, the thrust of neoliberalism has been to redefine their provision as if they do not fall within the ambit of social policy. There has been a form of redefining of the scope of social policy to support residual provision where the market (or, as it were, the individual) fails as opposed to incorporating housing and water into collective and universal principles and practices of delivery. The reduction of housing and water policy in this context to providing for, however well, the needs of the hard to serve stands in sharp contrast to perceiving, and institutionalising, social policy as addressing issues of equity and redistribution (let alone the multiple and self-reinforcing sources of deprivation). In other words, placing housing and water policies in the context of social policy is one step that cannot be taken for granted and, even if that step is taken or stumbled upon, the scale and scope of provision remain to be determined. Accordingly, our own approach is to include housing and water within the orbit of social policy even if this is both contested and not taken as such by policymakers themselves who may wish both to compartmentalise and reduce social provision in deference to the market. Our reasons for doing so include the recognitions that housing and water are core elements in economic and social reproduction, in and of themselves, and in relation to other elements of provision. And, one of the peculiarities of privatisation in its various forms is that such issues tend to be crunched rather than finessed as the putative balance in the roles of the state and the market are shifted in favour of the latter. However, as will be seen, the social policy aspects of housing and water are unavoidable even if reconfigured in form and content by privatisation – and the illusion that they can be minimised, or even avoided, both in principle and in practice, has meant that both scholarship and policy has found itself lagging behind, or playing catch up with, the unanticipated consequences of privatisation although, as acutely revealed by the financial crisis, this is by no means confined to social aspects of provision alone.

This paper then falls into five parts. This section provides an introduction and overview of the state in each of water and housing. The following sections then cover each of the three perspectives on the state as above. Section 2 considers the position with social compacting in each of the sectors. Section 3 looks in more detail at social policy. Section 4 goes into analysis of privatisation before section 5 concludes.

1.1 Role of the state in water – overview

When it comes to the provision of water the state has many diverse roles and these vary over time and across location. The state is the provider of water, the regulator, the financier and also a consumer. The state intervenes extensively in water management, for example to control quality standards. Within different facets of state activity there can be conflict (for example with environmental and economic regulation). States themselves have to respond to supra-national agents. Most significant in the case studies, is the European Union (EU) which sets policies in the Water Framework Directive (WFD) which need to be adopted not just by governments of member states but also influence the policy agenda for countries which receive funding from the European Investment Bank (EIB). The reach of the EU, then, goes beyond the boundaries of Europe and has an impact as far afield as South Africa via EIB loans.

A number of publications in the last decade have increasingly emphasised that access to water is a political issue. Most cities produce enough drinking water to satisfy human health but the available water is often distributed in a highly unequal manner (Swyngedouw 2006, UNDP 2006). Access and affordability are political questions related to economic and political power rather than absolute scarcity. This is borne out in different ways in each of the case studies. States set the parameters which allow interest groups to access and use water resources in different ways with consequences for, and reflection of, the distribution of wealth and power.

The case studies show diversity in the institutional structures and functions of the state in the provision of water. In E&W, water companies operate independently of the state apart from regulation. In Poland, water is supposedly provided by independent companies although sometimes these are owned by the local municipality. Meanwhile, in South Africa, water is one of several basic services provided by municipalities, with water revenue incorporated into their overall revenue base. In Portugal, until recently water revenue has gone into the general municipal pool in most cases although the regulator is taking steps to ring-fence water payments. Only in E&W and Portugal are there independent sector regulators, and these are the countries where private sector involvement has been most widespread.

The case studies found considerable diversity both across and within the case studies regarding the capacity of state organisations. For example, in Portugal, the state bulk water provider, Aguas de Portugal (AdP), operating on a national scale, has been able to acquire financial skills and now accesses funds via domestic and foreign financial markets. In contrast, some small municipalities have considerable capacity constraints, for example in negotiations with private concessionaires and in monitoring contracts. In South Africa, some water boards responsible for the supply of bulk water have been heavily reliant on government subsidy while others issue bonds on the capital markets. Many (but not all) municipal water providers are not performing well. The result is a considerable discrepancy between the role of the state in policy and practice.

1.2 Role of the state in housing – overview

As with water, so with housing as the state plays diverse roles in provision. Indeed, states tend to intervene in one way or another in each of the major activities involved in providing housing, namely, the production of housing, the regulation of land use, and financing of both house-building and housing consumption. The form taken by these interventions, however, varies significantly across countries.

To take the example of production, the state may be a direct provider of housing, employing labour to build housing, as occurred in the UK and Poland prior to the 1980s and 1990s, respectively. Or the state may be an indirect provider of housing, either by overseeing development but contracting private building firms to carry out actual production, or by acting as financier and leaving the deployment of funds, oversight of development, and construction to the private or (non-state) social sector. These two arrangements were observed in relation to low-income housing in Turkey and South Africa, respectively. Alternatively, the state may play little active role in development, as occurs in Portugal and the UK today (notwithstanding a small sector of social housing). Even in these cases, however, the state influences production by shaping the legal and regulatory framework in which provision occurs, most notably with land use planning and regulation, but also labour and taxation.

In all countries, states determine what can be built where, whether by omission or commission, through regulations governing land use. These tend to include rules about building quality and type, and the spatial patterns of development. For example, in Portugal, the planning system was used to encourage development, helping to create a house-building boom, whereas in the UK the opposite occurred. In Poland a distinctive, low density "ribbon" pattern of development has emerged because the planning system favoured small projects and stipulated that new buildings must be in proximity to roads and other infrastructure services.

States also shape patterns of consumption by incentivising different tenures. For example, it is a distinctive feature of housing provision under neoliberalism that owner-occupation has been heavily subsidised, whether through capital (South Africa) or mortgage (the UK, Portugal, Poland and Turkey) subsidies. Financial (de- or re-)regulation has also been a crucial means through which states have encouraged owner-occupation by expanding mortgage markets.

Historically, state intervention in housing has at least in part reflected housing's role as a basic or necessary good. Thus, a major concern of state interventions in housing provision in early capitalist development has tended to be meeting basic housing needs of the working class, and dealing with poor sanitary conditions through slum clearance and similar programmes.[iv] In the era of neoliberalism, however, there has been a shift in emphasis in housing policy, with housing's role as an economic and financial asset overshadowing its role as a form of shelter. Maximising housing asset values is increasingly prioritised over ensuring adequate shelter, leading to access and affordability being undermined for some sections of the population.

One aspect of this has been an unwillingness to take policy measures that would lead house prices to fall (see discussion of privatised Keynesianism below). Another has been the reorganisation of land use according to the criterion of commercial value. Key here is the closing of rent gaps through processes of gentrification. Rent gaps are "the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use" Smith (1979, p. 545). They arise in response to the depreciation of capital invested on the land in question and economic development raising the value of land in the surrounding area. When present, they create an incentive for redevelopment, which leads to the displacement of existing communities. While early gentrification literature focused on private agents – that is, developers or individual house-buyers – as driving the process, states are playing a growing role in relocating inhabitants from potentially valuable land in order to make it available for more profitable uses, Watt (2009).

As regards institutional structures, a key feature of housing provision is the distribution of responsibilities across different branches of government. A common pattern is that the policy framework and direction are set at a national level, while many responsibilities regarding housing provision – including land planning and housing the market-excluded – lie with local/municipal branches of government, which often lack the resources to meet their responsibilities fully.

Housing also interacts in important ways with wider macroeconomic policy. Increased capital flows arising from the removal of capital controls have aided mortgage lending and house price growth, while fiscal conservativism has limited the resources available for social housing programmes. Reliance on the housing sector for demand-led growth has also been pointed to as a feature of neoliberal macroeconomic policy. One such account is based on the importance of the construction sector to macroeconomic activity, particularly in the context, as both cause and effect, of deindustrialisation. Such factors are identified as important in the Turkish case study, which stresses the increased importance of the real estate sector to the economy following the end of import-substituting industrialisation, and notes that the construction industry was the fastest growing sector in the economy over the period 2004-7, at 12%.

Another version of the claim that the housing sector has been used to support macroeconomic activity is Crouch's (2009) description of neoliberalism as a form of "privatised Keynesiansism'" in which the instabilities to which capitalism is prone – particularly due to underconsumptionism – are tempered by ballooning private, and especially housing, debt. The idea here is booming house prices and mortgage lending give rise to wealth effects and mortgage equity withdrawal, which help to stabilise demand in the context of stagnant wages and declining state spending. The observation of a tendency to tolerate house price inflation in the UK and the USA, even as reducing general inflation remained a central goal, lends support to Crouch's view. However, as an account of the intentions underpinning housing policy, his story is farfetched. The mortgage lending and house price booms that preceded the financial crisis in the UK and USA were driven by expanding the scope of credit markets in the context of increased international liquidity and growing markets for derivatives. Supporting demand may have been acknowledged as a welcome side effect of these developments, but it was not their main purpose. Post-crisis, the intentional reading of Crouch's thesis has become much more plausible in some countries, where there has been a proliferation of demand-side housing measures that serve to keep house prices high. For example, in the UK, the government has sought to attract foreign buyers for top-end homes, continued to subsidise buy-to-let mortgages and introduced mortgage guarantees for some owner-occupier mortgages, all of which have served to keep house prices robust and create the impression of economic recovery.

2 Social Compacting

For reasons already covered, the role of the state is highly contingent upon what interests are represented both within and through it and how. Over the years different theoretical frameworks have been developed to conceptualise the way in which states are shaped by the underlying interests that they do, or do not, represent. One way of addressing these issues is through notions of social compacting or social corporatism, what we will term the social compacting paradigm, SCP, although this approach is not without limitations as we discuss below. There is a long and wide-ranging history to the SCP, especially if it is associated with social corporatism,[v] Molina and Rhodes (2002) on which we draw extensively. Nonetheless, the SCP derives primarily, if not initially, from an interest in the comparative performance of advanced capitalist economies, rather than on latecomer, catch up industrialisation associated with developmental states for example. In particular, the SCP has addressed the question: why were some developed countries more successful than others in terms of growth and stability during the post-war boom? This success is often attributed to the presence of the extent of tripartite social consensus across the state, capital and labour (rather than state-industry relations as is commonplace in developmental state analysis).

As suggested, the SCP has focused upon what interests are represented and/or how they are represented, especially through the state. Thus, for the thrust of the SCP from the 1980s onwards as "neo-corporatism", as Molina and Rhodes (2002, p. 308) describe it, "two conceptions of neo-corporatism … became 'official' with … [the] distinction between 'neo-corporatism 1' (a structure of interest representation) and 'neocorporatism 2' (a system of policy making)." Indeed, p. 309/10:

In the 1980s and 1990s, the study of corporatism followed two main paths. The first was the study of corporatism as a political phenomenon … as a system of representation and a process of policy making. The second, which was related but assumed a distinct place in the literature, focused on the systemic effects of corporatist institutions. This literature became methodologically separate from the first. Whereas the first path of study explored the varieties of corporatism across different countries (and sectors), the second concentrated on the links between systemic features and socioeconomic outcomes.

These characterisations can, however, be somewhat misleading in theory and practice unless it is added, as is explicit in most of SCP for the post-war boom, that the interests and processes being addressed are primarily focused on those concerning capital and labour. It is these that underpin the role of the state analytically in SCP (as opposed to a state-market dichotomy for the developmental state) as well as the state, in turn, mediating between these classes.

Further, analytically, the SCP relies upon some sort of market-imperfection, institutionally determining framework, with emphasis within the SCP on the positive sum consequences of cooperation between classes. For the SCP, the goal is to avoid the dysfunctions attached to the excessive pursuit of class interests through conflict. Agents have an interest in sharing the reasonable and negotiated, less excessive gains of collaboration and so avoid negative sum outcomes. For example, according to SCP, uncontrolled distributional struggles between capital and labour, in the absence of an incomes policy, are presumed to lead to inflation with negative consequences and no distributional gains for one except at the expense of others. More generally, a virtuous circle of success as opposed to a vicious circle of failure will arise out of mutually supportive commitment to investment, productivity gains, correspondingly moderate wage increases, full employment and increasing, broadening and universal health, education and welfare provision. However the outcomes are not unambiguous, for example, see Siegel (2005) and Brandl and Traxler (2005) for doubts over whether social compacts lead to positive outcomes for welfare state reform.

As is apparent, the SCP potentially ranges widely over economic and social outcomes. As a result, as described by Molina and Rhodes, (2002, p. 306):

Since it first entered the academic lexicon and debate, the term corporatism has been characterized by ambiguity, imprecision, and a liberal, rather undisciplined usage. This has been because of its initial ideological connotations (connected to twentieth-century fascism), its gradual (and at times fashion-driven) adoption to explain diverse phenomena, and its application to very different time periods and countries. Despite great attempts to clarify the term … corporatism became a multipurpose concept. Its elasticity has ensured its popularity; but simultaneously its power to explain or even characterize political systems and processes has been diluted.

In other words, evidence for or against the role of social corporatism tends to be both wide-ranging and simplistic – looking for positive or negative outcomes in light of strength or weakness of corporatist arrangements (in institutions or the policymaking process). In addition, as with all "middle-range" theory of which SCP is a part in taking deeper and other determinants as given in deference to its favoured focus, there is an issue of how causation and explanation are to be discerned. For Siegel (2005, p. 106):

Inevitably, under circumstances of complex causality, it is a risky undertaking to assess the real net effects of social pacts. Hence *careful* inferences to establish causal relations are a major challenge in the search for robust conclusions about the effects of social pacts on policy outcomes.

Subject to the vicious/virtuous circle syndrome, are social compacts the cause or the consequence of enhanced performance, in what domains of activity, by what mechanisms and over what time periods and circumstances?

Unsurprisingly, as indicated, the SCP comes of age with the post-war boom and the idea that, Molina and Rhodes (2002, p. 307) drawing on Shonfield (1965):

in order to attain a high level of macroeconomic performance within the Keynesian framework, modern economies had promoted processes, including state planning, in which the major interest groups are brought together and encouraged to conclude a series of bargains about their future behavior, which will have the effect of moving economic events along the desired path. The plan indicates the general direction in which the interest groups, including the state in its various guises, have agreed that they want to go.

But the collapse of the post-war boom initially signals attempts to sustain the SCP by reference to what had made Keynesian/welfarism successful. As a result, For Molina and Rhodes (2002, p. 307), "During the 1970s, corporatism acquired the status of a social science model", and in citing Wiarda (1997, p. 23), an "approach, an intellectual framework, a way of examining and analyzing corporatist political phenomena across countries and time periods". Indeed, "Corporatism, it seemed, would offer an overarching and coherent method for understanding the working of economies and societies. At the same time, there occurred a shift in the locus of corporatist literature from political theory to political economy."

However, as we now know in retrospect, such neo-corporatism in practice failed as it was presumed to have been overtaken or swamped by neo-liberalism and globalisation. It suffered a death, not least with developments within its generally acknowledged star performer, for "the demise of Swedish centralized wage bargaining in the 1980s [that] heralded the end of corporatism everywhere (if it could not survive post-industrial pressures in its 'homeland', how could it be feasible elsewhere?)", pp. 312/3.[vi] But neo-corporatism has since experienced something of a revival, with claims that its death has been exaggerated, Molina and Rhodes (2002, p. 306). However, its rebirth is marked by a substantial degree of change, not least in accommodating to neo-liberalism. For Molina and Rhodes, if not seeing it explicitly in these terms, point to shifts: away from a focus on redistribution to participation in macroeconomic and microeconomic management; away from incomes policy (wage restraint) in return for social wages to a commitment to fuller employment (as opposed to taking relatively full employment for granted); to pragmatism in policy that extinguishes differences in political programmes; to more or less decentralised forms of wage-bargaining that allow for labour market flexibility; to greater scope in the range of policies incorporated as bargaining ploys; and to more frequent renegotiation of compacts in light of greater volatility and uncertainty, pp. 317/8.

There is, then, a watershed in the SCP in the early 1990s as its energies in preserving presumed post-war models of success are eventually strangulated by neo-liberalism. As explicitly addressed in our paper on the theme of neoliberalism, much literature remains stuck in contrasting the neoliberal period with Keynesianism and the conditions of the post-war boom.[vii] Notwithstanding attempts to accommodate neo-liberal conditions, SCP faces a particular challenge in confronting financialisation,[viii] not least in terms of what would we mean by something such as "neo-liberal neo-corporatism", Rhodes (2001). Indeed, "corporatism" is probably now used more to express commercialisation and/or the influence of corporations than, to some extent, its previous opposite as the negotiated settlement between capital and labour, with and through the state. The shifting meanings attached to the SCP can be seen in two different, possibly overlapping, ways. One is to acknowledge that neo-liberalism has shifted the form and content of neo-corporatism but to examine the extent to which it retains some influence where it previously had a more significant presence. The second is to disaggregate and broaden the notion to discover social compacting in specific instances across a wider range of applications and constituencies (as opposed to

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

economy- or society-wide compacting primarily involving capital and labour). In a sense, this is the way in which it is acknowledged that financialisation (and neo-liberalism), especially in the wake of the global crisis, have hollowed out and fragmented the prospects for social compacting.

In short, it is apparent that the SCP has come to offer little more than a commitment to examine how interest groups are formed and represented in the policymaking process and with what consequences. Whatever the paradigm's purchase on the past, it inherits traditions that are marked by two sore deficiencies for the present (and future) – one is the tendency to neglect the presence, power and influence of finance (and financialisation), and the other is in addressing the heterogeneity of how interests are formed and represented across different countries and issues. Just as the usefulness of seeing neoliberalism as "not Keynesianism" is both limited and even misleading, as discussed in our neoliberalism theme paper, so the same applies in seeing the current period as departing from the SCP as point of reference.

Of course, the rise of neoliberalism does not, through the dismantling of elements of social compacting and the growing role and influence of financialisation, signal the end of the representation of the interest of labour and of other interest groups. But the forms and strengths through which they are represented is transformed, and in diverse and contingent ways, not least in correspondence with how, for example, states and markets, and economic and social reproduction, have been reconfigured in practice.

Our case studies show that the incidence and form of social compacting is highly specific across time, location and sector, to such a degree that the coherence of the SCP can be called into question. While the increasing influence of finance is apparent, this is far from uniform and the relative strengths and influences of the key players in such compacting emerge from their unique contexts. In contrast to the SCP, the SoP approach embraces this diversity. Our analysis provides a comparative snapshot of the constantly evolving powers and processes that underline the actions of the states and the relations that support them.

In the case of Poland, as more generally for the transition economies, there is a sense in which social compacting was extremely strong during the period of central planning although not usually included in case studies as such because of the differing socioeconomic nature of the countries concerned as part of the Soviet bloc. Corresponding institutions did not simply evaporate but, as revealed in papers by Ost (2000 and 2011) and Woolfson and Kallaste (2011), became attached to what is described as "illusory corporatism", whereby the scope of issues covered is narrowed and the role of such reduced corporatism is limited to soliciting support for neoliberal policy and policymaking, to control dissent, and is dispensed with to suit. For South Africa, the (historical) strength of corporatism is equally striking in view of the role of the partners, of what became the Triple Alliance of trade unions (COSATU), the ANC and the South African Communist Party, in bringing about the downfall of apartheid. But with the ANC in government, there has been the adoption of what are universally acknowledged to be neoliberal policies, with the Triple Alliance serving more to contain than to express dissent, with corresponding tripartheid formal institutions for making policy remaining weak and reduced in their coverage, Webster et al (2013). In the UK, the shock therapy of Thatcherism involved a total and wide-ranging break with longstanding tripartite institutions (ranging from denationalisation to abolition of metropolitan city governments, let alone tripartheid fora themselves) of the so-called post-war consensus, and the Third Way governments of Blair did little to restore as opposed to accept these changes.

A number of inevitably general, if not generalisable, aspects can be identified as far as the consequences for economic and social reproduction are concerned. One is the increasing centralisation of control, to national government, but with corresponding assignment of responsibility to provide to lower levels, such and local government or other agencies and ultimately promoting individualisation at the expense of collectivity, but all without allowing for the necessary resources to deliver. This can also be justified on the grounds of democratisation by decentralisation/devolution and by appeal to both the freedom and responsibility of the individual (household). By the same token, one consequence is to lead not only to fragmented and uneven outcomes but also to equally fragmented conflicts, as is most apparent in the case of South Africa with an explosion of service delivery protests that often lead to further dysfunctions without resolution. This is also part and parcel of the nature of both neoliberal residualisation (who is marginalised in provision and how) and neoliberal policy response (how to respond to those who are hard to serve beyond the market). This is taken up in discussing the role of the state in social policy.

In water, all the case studies have seen a decline in the strength of organised labour at the point of production (with more general representation of labour away from production also weakened in most if not all cases). For E&W privatisation was part of a concerted effort to break the power of trade unions. The resulting fragmented structure of the industry has weakened union bargaining power. Substantial pay differentials have emerged in the sector and company directors have been major beneficiaries of privatisation with their remuneration accounting for a growing share of company income. Bonuses and share options are deliberately used to ensure that the interests of senior management are aligned with those of the shareholders.

In Istanbul trade union membership in the sector has declined as services have been outsourced. The conditions for workers in subcontracting firms is described as "precarious" (Yilmaz and Celik 2015). In Portugal, the public sector has seen reductions in labour costs – both through wage cuts and downsizing determined by the government in accordance with the financial bail-out conditionality. Furthermore, union power has been weakened by sector restructuring. The corporatisation processes have involved the proliferation of "individual labour contracts" that are not covered by collective agreements. In addition, the current restructuring of the bulk sector will involve lay-offs, according to the trade unions.

South Africa has seen the strongest of protest movements against commercialisation, privatisation and corresponding failures in basic service provision, with the labour movement at the forefront. The South African Municipal Workers Union (SAMWU) adopted a resolution in 2003 to campaign for the immediate outlawing of prepayment meters for water (Harvey 2005) and have been strong opponents of privatisation (Smith et al 2005).

In each of the case studies, although more prominently in some than others, falling terms and conditions for wage labour have coincided with a rise in the resources devoted to finance. In E&W, this takes the form of a remarkable rise in payments of loan interest since privatisation both in absolute terms and in the proportion of income devoted to financing costs. At the same time, the share of income paid in employment costs has fallen. Furthermore, labour is not considered as a stakeholder in the sector. While investors, private companies and consumers are consulted by the regulator as part of the five-yearly price-setting process, there is no formal consultation with labour.

Turning to housing, it is an indication of the marginalisation of labour that all of the case studies struggled to find literature on labour *per se*. What evidence is available all points to labour being in a weak position in the house-building industry –

something that is reflected in, and reinforced by, the growing prevalence of subcontracting, casualisation, and informalisation. In the UK, the privatisation of social housing was preceded by the abolition of Direct Labour Organisations, whereby local authorities directly employed workers to build and maintain social housing. As local authorities ceased building almost entirely, so labour relations in the house-building industry have come to be determined in the private sector. There, an extensive system of subcontracting prevails. In an increasingly concentrated industry, large house-building firms focus their in-house activities on acquiring land and overseeing development. Building work itself is carried out through a cascade of subcontracts that reaches right down to individual labourers, who are registered as self-employed and thus denied a number of rights attached to employment relationships, including sick and holiday pay.

A similar system of subcontracting exists in Portugal, where large house-building firms subcontract particular phases of work to smaller firms, which in turn rely on cheap, informal labour. It is also common for construction firms in Poland to rely on informal labour as a way of lowering labour costs, and cutting corners on labour legislation, for example, in relation to leave and health and safety conditions. Casualisation and informalisation have also characterised labour in the Turkish construction industry. Subcontracting tripled between 2002-7 and rose by 50% between 2007-11, and of the 1,709,000 employed in the construction sector, 775,000 are employed informally. Along with seasonal working, both are used to reduce labour costs and erode labour conditions in relation to job security, health and safety, and unionisation rights leading, among other things, to a rising number of deaths and accidents in the sector. And, finally, in South Africa, the case study found that approximately 70% of building projects are subcontracted out and that up to two-thirds of the workforce is informally employed. These arrangements have been very effective in holding down labour costs. For example, between 2006 and 2013, annual average labour productivity in value terms increased from R40,000 to R90,000 but average wages only increased from R20,000 to R40,000.

South Africa stands out in that the Congress of South African Trade Unions (COSATU) has significantly influenced housing policy in the direction of the state-led and market-assisted capital subsidy model. However, the case study finds that, although rhetorical tribute is paid to social compacting between politicians, government bureaucrats, developers and communities, in practice housing projects have tended to be developer, rather than community, driven.

Looking beyond labour, the favoured form of housing commodification – owner-occupation – has favoured finance by facilitating the expansion of mortgage markets and, with it, finance's claim on an increasing part of housing expenditure. Owner-occupation has in turn been bound up with treating housing as a financial and economic asset. This has pitted different housing groups against each other, as the interests homeowners have in maximising the value of their asset conflicts with the interests of non-asset owners in accessing affordable housing. This clash of interests has been manifest in multiple ways across the case studies. Crouch (2009) argues that, in the UK, policy-makers are enthralled to homeowners who have been encouraged to hold their wealth in housing, and that this prohibits governments from taking action that will lead house prices to fall with adverse consequences for the ability of non-owners to access housing. In South Africa, state-subsidised low-income housing has been confined to low value land because of the state's unwillingness to use the powers it has available to it to subvert the market and acquire better-located land. Consequently, housing built under the capital subsidy programme has been cut off from infrastructure and employment opportunities. In Turkey, the state has actively displaced low-income residents inhabiting valuable land, in order to make that land available for higher value uses.

As a result of the tensions that arise between housing as use and as exchange value, several of the case studies found protest movements to have emerged around housing. In UK, there has been a resurgence of activism around housing, with a range of targets, including lack of social housing, gentrification, and poor conditions in the private rented sector. In Turkey, state-led relocation of lower income inner-city communities has often met with violent resistance. Similarly in South Africa, state-led clearance or upgrading of slums has been fiercely resisted.

3 Social policy

The purpose of this section is to prepare the way for framing the role of the state in our case studies for housing and water through the prism of social policy. In general terms, the state is called upon to provide social policy in order to improve the welfare of the population and in particular to support those most disadvantaged. According to UNRISD (2006:1) (cited in Prasad 2007):

Social policy is a state intervention that directly affects social welfare, social institutions and social relations. It involves overarching concerns with redistribution, production, reproduction and protection and works in tandem with economic policy in pursuit of national social and economic goals.

Social policy is also associated with equity. To cite Prasad (2007, p. 3) again,, "Equity here implies a distributional principle, applied to services and benefits in order to achieve what is considered a just and fair allocation."

This section reviews social policy with respect to housing and water. The term itself has diverse interpretations across time and circumstance (Fine 2014). To the extent that shelter and water are essential basic needs (and regarded as human rights), the state plays a role, at least in principle, in ensuring that the whole of society has access to these. In addition, as key components of social reproduction, housing and water are integrally attached to other elements of social policy. Most obviously, as each is liable to involve household payments in some form, there are issues of how they relate to poverty and social security, quite apart from health, travel to work, and so on. There are different ways in which social coverage can be achieved, from decommodified state provision through to distribution via private providers with the state more attentive to the most marginalised and excluded.

The case studies show that there has been a shift in approaches to social policy with the onset of neoliberalism. Previous aspirations of universalism have been increasingly displaced by residualism whereby government involvement in social provision is a last resort. This more recent approach places greater responsibility on individuals for their own welfare, and service failures are seen as failings of the "market". Greater discrimination between "deserving" and "undeserving" poor calls for means-testing, often designed to restrict eligibility. More recently the climate of fiscal austerity has put welfare budgets under greater scrutiny.

Significantly, the welfare state, and its corresponding scholarly literature, has become used to dealing with the predicament of "crisis", although the extent and impact of the crisis in welfare is variegated as the case studies demonstrate. We place crisis in inverted commas because the nature of the crisis, or crises, of the welfare state are necessarily various in substance and interpretation, ranging from levels of provision, through forms of provision to ideational factors underpinning or at least accompanying provision. It is not, however, our purpose to deconstruct the understanding of the welfare state in crisis although this is possibly a long overdue exercise in and of itself and in relation to the material realities attached to social policies in practice. Rather, in the first instance, it is to observe that the current crisis, whether with an air of ennui or grim determination, has tended to provoke familiar knee-jerk reactions along the lines of "here we go again" with the crisis of the welfare state. We have all been here before so often given the incidence and incidents of austerity in the neoliberal period that we can roll out our favoured and well-tested frameworks to ascertain whether this time is different or not, possibly especially in light of this being a big and global crisis.

In short, thinking around social policy, despite or even because of the current crisis, has tended to remain within the box or, more exactly, the boxes. The corresponding perspectives on social policy are well-established for having primarily endured since the end of the post-war boom. In particular, we have boxes for convergence or divergence of welfare states, for their dismantling or not with privatisation, user charges and so on, or for path dependence in case of inertia obstructing change whether through institutional, interest groups or ideational factors, and so on. However, if overgeneralising, what these approaches tend to share in common (quite apart from their own path dependencies, convergences and divergences and, most important of all, inertias) are their deep roots within two points of reference. One is the idealised welfare state of the post-war boom itself and the other is contestation between such a (Keynesian) welfare state and neo-liberalism, with an inevitable lean towards the latter displacing or, at least, distorting the former.

One problem with this framing is that it is somewhat imbalanced towards the influence of the earlier welfarist period. After all, neo-liberalism has now been in place for at least as long as Keynesianism. Should we not start with the nature of neo-liberalism as it is today and reflect back rather than forward from its antecedents? This would, for example, turn our attention away from the crisis of the Keynesian welfare state, or states, under neo-liberalism to one of neo-liberal social policy itself albeit, no doubt, with path-dependent vestiges from the earlier period.[ix] In short, does inspection of "Keynesian" provision of housing and water best help us to understand its provision currently by way of comparison?

It follows that we need a better, fuller and more prominent understanding of neo-liberalism if we are to understand the current crisis of welfare provision. But, in this respect and in this context, we can hardly claim to be impoverished since analyses of neo-liberal social policy are abundant, possibly more than in any other field except for macroeconomics and the neoliberal displacement of Keynesianism by monetarism. There is, however, one exceptional absence within the social policy literature that is particularly germane with regard to the current crisis. While the role of finance has long been present in terms of consideration of the resources made available and their relationship to government expenditure, the idea of financialisation is notably absent from the discussion of social policy.[x] This absence of financialisation is a devastating weakness in terms of how it constrains understanding of what can be taken to be one of the key conundrums in addressing social policy, the diversity of outcomes across countries and sectors despite common underlying determinants of which, of course, financialisation is but one.[xi]

A striking illustration of these points is provided by de Haan (2013), who correctly identifies the complexity, diversity and contextual nature of social policy across a number of dimensions (for which we deem the SoP approach to be appropriate), p. 15:

Central to the argument in this article is that social policy is not merely about the redistribution of income or wealth generated by economic growth. Instead, social policy is integral to the way economic processes are structured, a role that changes but obtains heightened significance as economies open up. Like economic governance institutions, these social policies show a great deal of path dependence and are closely intertwined with national histories, ideologies and models of citizenship and inclusion. While globalisation plays a critical role in setting the parameters of social policies, history and path dependence continue to shape characteristic features of social policy.

Yet mention of financialisation is notably absent from this account!

Further, the absence of financialisation from the social policy literature is indicative of weakness in understanding the relationship between it and globalisation. For, whilst the "Global Social Policy school" has appropriately questioned the methodological nationalism of much social policy analysis (due to the role played by global factors and the increasingly global nature of social policy in light of migration for example), it is far from clear that it has done so with sufficient depth and breadth. Deacon (2011, p. 147) questions the UNRISD approach to poverty alleviation for ignoring:

(1) the continuing global contestation between agencies for the right to shape national social policy and for the content of that policy, which has come to a head in the context of the global economic crisis; (2) the unwillingness of national social policies to meet the social protection needs of an increasingly mobile global population, which will increase with the global climate change crisis inducing environmental migration; and (3) the consequential need to go beyond aid dependency not in the direction of reverting to only national funding but onwards in the direction of global public good funding.

At most, this only implicitly and indirectly addresses, for example, the role of financialisation (and its interactions with international and national agencies and the levels and forms taken by aid and global public funding), not least in generating instability in labour, energy and food markets, so significant for social policy. Indeed, it might be argued that treating the global in this way is worse than subordinating it exclusively to national considerations!

This is not, though, to suggest that financialisation has been absent from analyses of social policy, particularly of housing and especially pensions. The role of mortgage finance and of the privatisation of pensions (and of household credit as a means of access to consumption) as aspects of financialisation have, understandably, been particularly prominent. However, the emphasis has been on the financialisation as such rather than what has been provided as a result as an aspect of social policy. This has reflected a narrowing down of how such provision has been seen as part and parcel of economic and social reproduction.

Undoubtedly, one of the reasons for this has been the near, if not absolute, monopoly of the welfare regime approach, WRA, to social policy - one based, at least initially, on the interpretation of welfare provision through the prism of three ideal types, see below. Evidence for this monopoly of WRA has been laid out in great detail in Fine (2014 and 2016) but, more recently, in the introduction to a symposium celebrating the 25th anniversary of Esping-Andersen's (1990) founding text, The Three Worlds of Welfare Capitalism, Emmenegger et al (2015, p. 11) see it not only as a classic and paradigmatic in the Kuhnian sense, but also look forward "to 25 more years of strong engagement with *Three Worlds*". Even so, in another contribution to the symposium, van Kersbergen and Vis (2015, p. 112) advise:[xii]

Scholars solve solvable puzzles, possibly with increasingly sophisticated approaches that most likely produce novel empirical insights (that strengthen the paradigm). In the process, however, they may lose sight of theoretical substance. This would mean that the three worlds' typology is at risk of becoming an, what we might call, unproductive intellectual straightjacket standing in the way of, rather than being helpful for, asking theoretically interesting questions about the welfare state.

Such a conclusion is pinned down more strongly and specifically by Fine (2014) in arguing that the WRA is long past its use-by date, not least for being a product of post-war boom conditions that had already been superseded two decades previously!

The reasons for this rejection are not just WRA's failure to take account of financialisation and its increasing lack of theory in deference to empirical analysis but also because of: the inability to fit diverse forms of provision even into an expanding set of typologies (that began with a European-focused triple of the social democratic, the liberal and the corporate and extended to the Mediterranean, the East Asian, the Latin American, the Middle Eastern and so on); and the differences within countries of regime types for different elements of social policy (regime for social security may be very different than for education). To be blunt, it is not clear how our five countries could be categorised as welfare regimes (other than of their own unique type) and whether provision of housing and water would each be allocated to the same within country regime if this were able to be identified.[xiii]

Unsurprisingly, in view of our framing of housing and water in general, our approach to them as social policy is through the SoP approach. In particular, unlike the WRA, which more or less confines the role of the state, and corresponding policy, to its assigned regime, the SoP approach allows for the nature of provision (as social policy), and for the role of the state within it, to be constructed and construed on a case-by-case, country-by-country basis. This leads to a number of common but also distinct issues for housing and water in particular as elements of social policy. Social policy always raises issues of equity, basic provision, relative contribution of public and private sectors, levels and modes of charging regulation and policymaking, etc. Water always involves both domestic and commercial supplies, the environment, large fixed costs and networks, etc.

The role of the state in the supply of water is affected by its material properties. Delivery of water is fixed-capital intensive and relies on networks of pipes and pumps that are not easily moveable so investments are long-term. Water is heavy to transport (relative to value) and so it is typically used close to source. However, in water-stressed areas of consumption in the case studies (Johannesburg and Istanbul) an extensive infrastructure has been constructed to divert water to where it is most used.

Water has very high fixed costs and usually an extremely low, constant, marginal cost. To enter such an industry ab initio requires enormous initial investment – laying down pipes and installing pumps – but the cost of connecting an additional customer is usually very low (unless they are located far from the network). The high sunk costs are a barrier to entry. There are considerable scale economies and delivery is usually monopolistic. Water production also has a low rate of technological change.

Water is an essential component of virtually all aspects of life, not just in its own right but as an input into industry, agriculture and energy. The availability of water is unpredictable due to variability in rainfall and is also affected by pollution and climate change. The state has a custodial role in preserving water quality and eco systems. There is a strong public health element attached to the provision of water. We all benefit from our community having access to safe water and sanitation as we are all at risk in the event of an outbreak of water-borne disease. The essential nature of water is recognised in the United Nations human right to water (UN

Resolution 64/292) which acknowledges that clean drinking water and sanitation are essential to the realisation of all human rights. Explicitly this means that everyone has the right to a supply of water that is sufficient (set at between 50-100 l/c/d), safe, acceptable (of colour odour and taste), physically accessible (within 1,000 metres of the home with collection time less than 30 minutes) and affordable (not exceeding 3% of household income).[xiv]

Given these properties, there has been a significant role for the state in the provision of water, although this has varied over time. Prasad (2007) provides an account of early private water networks in England, Germany and France which were fragmented piecemeal and localised systems. These were abandoned in favour of centralised and integrated water supply systems in the 1800s. The state has played a significant role in investment in water infrastructure in much of the twentieth century in most OECD countries (Bakker 2005). Particularly significant in the shift to public sector's taking over of water were scientific advances that established the links between clean water and sanitation and public health. Cholera epidemics were instrumental in initiating the development of water infrastructure owned by the public sector, funded by taxation and government borrowing. Public ownership of water systems was, therefore, an important element of social policy for most of the last century.

The last thirty years have seen a major shift away from the public provider paradigm with the advance of neoliberal policies in the provision of water (see *neoliberalism* thematic paper for D8.26). This was associated with an emphasis on the inefficient nature of public provision and led to a greater focus on corporatisation, commercialisation and, in some cases, privatisation (see next section). In the case studies, these neoliberal policies have been adopted to varying degrees. However, given the properties of water outlined above (essential for life, monopolistic, etc), the state still needs to play a strong role in the provision of water.

In E&W the state no longer takes any direct part in the provision of water and instead is the sector regulator. In Portugal there is also a separate sector regulator, and services have been privatised to some degree but state-owned companies play a significant role in water production. Social policy in its broadest sense implicitly becomes the responsibility of the regulator which, in these two countries, is required to protect the interests of consumers by making sure that water companies carry out their functions properly. The regulator also has to ensure that companies are able to finance their operations. So this perspective effectively seeks to merge the interests of consumers with those of the private investors. If water companies are not able to finance their operations then this is not in the interests of consumers. However, in practice, the interests of consumers and private companies are contested as shown in more detail in the water synthesis paper (D8.26).

The undue analytical weight that scholarship on social policy gives to the Keynesian welfare state and its neoliberal contestation resurfaces in the domain of housing, specifically through one school of thought within comparative housing studies, collectively known as "convergence" hypotheses. These posit that housing passes through Keynesian welfare and market phases of provision. For example, Castells (1977) proposed that capitalist housing systems would see expanding state intervention as the result of capitalism's inability to build decent working class housing at a profit. Harloe (1995) argued that, because profitability conditions in housing change over time, housing provision would undergo a process of commodification, decommodification, and recommodification in the course of capitalist economic development. The problem with these accounts is that, of the case studies, it is only the UK that underwent a period of Keynesian welfarism in relation to housing. Elsewhere we see that state involvement in housing provision took different forms in different countries during both the Keynesian and neoliberal periods. Accordingly, posing the issue of housing provision in terms of the convergence hypothesis creates both theoretical and empirical dissonances that cannot be readily accommodated.

Another prominent approach to social housing policy is the welfare regime paradigm, which has been adapted and developed for housing. Balchin (1996), for example, argues that social-democratic regimes are associated with social and cooperative rentals, corporatist regimes with state promotion of both social and private rentals, and liberal regimes with owner-occupation. Similarly, Arbaci (2007) argues that types of housing regime are correlated with types of welfare regime. For example, housing in liberal regimes is more likely to be speculatively built and owner-occupied. However, the same problems beset these categorisations as afflict the WRA in general; namely, the inability to deal with diversity other than through a proliferation of ideal types. We prefer, as elsewhere, to grasp the nature of social policy in relation to housing through a detailed study of the historically situated development of housing policy in different countries and within different housing structures.

The importance of housing in social policy has waxed and waned over time and across the different case study countries, as has the form housing policy has taken. It is because housing is a basic good, and one associated with large fixed costs relative to incomes, that housing has been viewed as an area of social policy at all. These features make access difficult for lower-income groups, which has, in turn, meant that the state has tended to intervene more at the lower end of the market across the case studies. Consequently, in all of the case studies, with the exception of socialist Poland, large subsections of the housing system are treated as outside the domain of social policy and substantially left to the market. This discussion of housing and social policy therefore focuses on low-income housing provision.

The first point to note is that being a basic consumption good with high fixed costs does not make housing's explicit inclusion in social policy inevitable. Many of the case study countries had long periods in which the state was absented, even from low-income housing. For example, in the UK and Portugal, slums appeared as an informal solution to housing low-income populations. Slums began to emerge in significant number in the UK with the industrial revolution. They tended to be in inner-city areas, near sites of employment, and persisted until the state-led slum clearance programmes that began in the interwar period and lasted until the 1960s. In Portugal, slums also arose out of internal migration in response to employment opportunities, but tended to be on urban peripheries and persisted until the 1990s. In Turkey until the 1970s, the role of housing low-income households was played by the gecekondu. In what amounted to an implicit recognition of the need for low-income housing in the absence of state intervention, the state did grant periodic amnesties on squatted land, and provide some loans for the improvement of squatted dwellings. But beyond this the state's role was limited to the minimal provision of infrastructure.

When states have subsequently taken a role in low-income housing, they have done so in a range of ways and for different reasons, reflecting the various contexts in which interventions occurred. Following the 1980s coup d'état, the Turkish state's tacit support for gecekondu was undermined by a shift towards mass housing development, though the state would initially play the role of financier rather than provider. In the UK, social housing was introduced in the interwar period in response to working class pressure in the form of rents strikes, and concerns about the adverse consequences of poor housing conditions. It later became explicitly linked to slum clearance, but was never restricted to catering only for the most needy. On the contrary, before the onset of privatisation in the 1980s, 30% of the population were housed by the state, including many from the more affluent, skilled working class. In contrast, when slum clearance began in Portugal in the 1990s, it was not explicitly linked to a policy of inclusive housing provision, but was rather an emergency response to dire housing need. The state sought to assist former slum dwellers in obtaining a mortgage and entering private housing markets, with social housing provided only to those who continued to be excluded from the market. The authors of the Portuguese case study interpret the lack of a comprehensive social housing programme to accompany slum clearance as an indication that the process was driven in part by the desire among policy-makers, under pressure from urban capital, to remove visible poverty from city centres.

The origins of state intervention in housing in South Africa provide a stronger point of contrast with these other examples because intervention was initially shaped by the imperatives of racial segregation under the apartheid regime. From the 1910s to the 1940s, the apartheid state sought to deny the black population access to land and to restrict their accommodation to state- or business-provided hostels, planned peripheral "locations", or (formal and informal) townships. However, limited capacity of local governments to enforce these rules in the context of rapid urbanisation meant that informal settlements and urban squatter communities sprang up in inner-city areas. Finding the relative integration that this implied unacceptable, from the 1950s the state centralised housing policy, which came to be dominated by the provision of formal native townships on urban peripheries. Poland also stands out from the other case studies in that state intervention in housing initially took the form of extensive decommodification under socialism. From the start of the socialist period in 1945, private property rights were eroded by nationalisation and the introduction of cooperatives, and the state played a dominant administrative role across the different aspects of housing provision.

From these different beginnings, the forms taken by state intervention in low-income housing have changed over time and across countries. It is possible to discern, among these changes, some common trends. These include: a reliance on owner-occupation for the overwhelming majority of housing provision, with access secured through the incorporation of households into mortgage markets; encouraging owner-occupiers to treat their housing as a financial and economic asset, while facilitating the creation of financial assets out of mortgage debt; and residual provision of social housing to provide a safety net for the market-excluded. While these are signs that financialisation is leading to some convergence in the objectives of social housing policy, the SoP approach deployed in the case studies reminds us not to lose sight of the different ways in which these policy goals have been pursued, nor of the different structures underpinning provision in each country.

For example, the UK and Poland underwent similar stages of decommodifying low-income housing, privatising state-built housing, incorporating it into housing markets, and establishing a residual form of subsidised socially rented housing. However, in the UK, privatised housing tended to be of a decent quality and location, which enabled it to enter the well-established secondary housing market, often through speculative purchase by buy-to-let landlords. In Poland, the old socialist housing stock was of a lower quality, and housing markets were in their infancy, which impeded the extent to which privatised housing was able to function as an economic or financial asset. Both countries have residual provision of housing for social rent but, in the UK, consumption subsidies in the form of housing benefits to low-income households residing in the private rented sector are another significant plank of social housing policy. In Poland, the minimal provisions for social housing are supported by the remnants of the cooperative sector. In Portugal, there was no large-scale public housing stock to privatise and social housing provision was residualised from birth. Rent controls on older properties have also played a role in social housing policy, leading to a two-tier private rented sector.

Policy drift under financialisation was pursued differently still in South Africa and Turkey. In both counties, the state has been an active player in the mass building of dwelling for low-income homeownership, though, again, its precise role is distinct in each. In South Africa, post-apartheid housing policy developed in part out of attempts to redress the legacy of inequality and segregation. As a result, the state has been centrally involved in subsidising and overseeing the delivery of low-income housing. However, its chosen method for doing so – the capital subsidy model – has been heavily shaped by the aim of providing low-income households with a housing asset that will allow them to enter "normal" housing markets. As elsewhere, state-subsidised socially rented housing has been marginal. Turkey has gone from the state having been relatively hands-off in the beginning of the period considered, to having centralised land use powers since the early 2000s, which have been utilised under the state's revenue-sharing arrangement with private developers. As a result, state intervention in low-income housing is tied up with attempts to clear gecekondu from prime urban land and facilitate the closing of rent gaps. Again, however, the goal of expanding low-income homeownership is prominent. Unlike the other case study countries, Turkey has no provision of housing for social rent, even for the market-excluded. Instead, the new low-income housing that has been provided by the state as part of the relocation process, has been for purchase with the aid of a state-provided or state-subsidised mortgages.

To sum up, it is somewhat surprising, given the wildly different housing systems in the countries considered, that social housing policy in all of the case studies has coalesced around these twin ideas of homeownership and housing serving as a social and economic asset. That such common trends are discernible is testament to the veracity of forces of financialisation and the potency of the pressures it applies across the housing SoPs. It is important to emphasise, however, that this apparent convergence is tempered by the array of housing provision structures that underpin owner-occupation in the different countries considered, as well as by the range of state policies and forms of support for owner-occupation. Diversity also arises from the different arrangements put in place for those excluded from the tenure, all of which serves to emphasise that the manifestations of financialisation are always and necessarily variegated.

Two final, related points are worth making on the link between owner-occupation and broader social and macroeconomic policy. The first is the aforementioned idea that part of the impetus behind the promotion of owner-occupation is that homeownership and the acquisition of housing wealth can serve as a means of boosting demand-led GDP growth. We said above that this idea has some bearing on policy formulation in some countries, especially the UK since the crisis. But its efficacy and wisdom are open to question. Not only does feeding mortgage debt and house price bubbles leave economies prone to speculative collapse and debt default, it also increases the housing costs of those who do not own their own home. The second is that homeownership has been viewed as the lynchpin of a housing asset-based welfare system. The idea here is that housing wealth is used to meet other welfare needs, such as pension and elderly care costs, and even, through housing equity withdrawal, health and education costs, allowing for the drawing down of state forms of provision. This is an idea that has received considerable scholarly attention (van Gent, 2010) but its accuracy as a description of how people actually use their housing wealth has been questioned (Robertson, 2014).

3.1 Water: social policy in practice

If we consider, then, that social policy aims to ensure that the basic needs of society are met, there are two elements to the supply of water that need to be addressed – connection and consumption. Investment in infrastructure to connect households to the water network is typically beyond the capacity of the individual (except in dire circumstances where self-provision is required) and is usually a function of the state (due to high investment costs and economies of scale in water provision). In the case studies there has been expansion of access to water financed by the state. In Poland, Portugal and South Africa this was in the early 1990s while in E&W this took place in the first half of the last century. In South Africa, central government grants continue to be disbursed to finance infrastructure and connect low-income communities to infrastructure networks. In addition to government finance, countries have benefitted from external grant funding. Both Portugal and Poland have received substantial investment finance from the EU, and such support continues.

Social policy for water consumption in the case studies comes down to providing access at a lower (or zero) water tariff for those that meet specific criteria. The two main targeting methods used in the case studies were means testing and increasing block tariff (IBT), a form of targeting whereby those that consume less water pay a lower tariff. Blocks of consumption are charged at an increasingly higher tariff. This form of quantity-based targeting supposedly allows households to choose their level of consumption and keep their costs down. It is also a form of "self-targeting" where households themselves can in theory decide which tariff they pay albeit subject to varying constraints and needs.

These two targeting methods were used to varying degrees in the case studies where social provision was addressed (ie E&W, Portugal and South Africa). In E&W, around 95,000 customers are on the WaterSure tariff which allows certain customers to have their bills capped at the annual average bill for their water company. To qualify, the household has already to be in receipt of qualifying means-tested benefits. Other criteria are that the household needs to have three or more children living at home under the age of nineteen or somebody in the household with a medical condition which necessitates a high use of water (Bayliss 2014). The WaterSure tariff only provides support to those that meet these narrow criteria. More recently, measures have been introduced to allow water companies to establish their own social tariff to support disadvantaged households, discussed below. Some companies are now introducing a "social tariff" in their tariff structure. The government takes the view that this is better managed by the water companies themselves because they can take account of local circumstances and the needs and views of their customers. There are, however, restrictions on this imposed by the regulator. First, the tariff has to be "cost-neutral" so that the revenue lost in the reduction of the tariff is not greater than the fall in debt recovery costs that will be gained. There is no cross-subsidy or rebalancing of costs allowed. Second, the social tariff also has to be acceptable by the consumers who will be financing it, and this is assessed via the company's consumer representative group.[xv] Social policy, then, has a commercial rather than a social rationale in E&W. In Portugal, for most water providers, there is also a social tariff based on proof of low household income. However, its scope is very limited – reaching around 4% of consumers while the poverty rate in the country is 18%. Furthermore, the average subsidy is small at just 2.2 euros per household per month.[xvi] The regulator, ERSAR, expects to impose social tariffs on all water providers in 2016 (Teles 2015).

In South Africa there is a combination of means testing and IBT to provide basic services to the poorest. Municipalities are required to have an "indigent policy". The term "indigent" is defined as "lacking the necessities of life."[xvii] The indigent policy is designed to target the delivery of essential services to the most disadvantaged. The Government's Department for Provincial and Local Government sets out (DPLG 2005, p.15) what they term the "essential household services package" which comes down to the provision of sanitation, refuse removal, energy, support for housing and access to a supply of 10-15kl of water per month. However, the process of registering as indigent can be out of reach for the most marginalised group who may not know how to register and therefore fail to qualify. Claimants need to provide information on their income with an ID number and an address. The homeless do not qualify.

Alongside means tested targeting, both Portugal and South Africa operate an IBT where higher volumes of consumption are charged at higher tariffs. There are some concerns with the IBT approach to targeting and its effectiveness in reaching the most disadvantaged. The IBT structure requires metering and so does not work for the poorest households who may lack a connection (more of a problem in South Africa than Portugal). Furthermore, large household size can quickly push a household to higher levels of consumption, and this is more common in low-income families. Burger and Jansen (2014) empirically assess the effectiveness of the subsidy element of the IBT structure in South Africa. They show that even with a cross-subsidisation structure built into the IBT, where water access is low, the subsidy will not reach the intended beneficiaries. Their research also shows that, while the wealthiest consumers contribute more with the IBT structure, in terms of a premium paid on water consumption, mostly this is captured by households in the middle of the income distribution rather than the poorest households.

A major policy challenge arises when end users do not pay their water bills. With most other commodities, supply and consumption would, after greater or lesser time, cease with non-payment. However given the essential nature of water, disconnection of water supplies carries significant public health risks as well as social costs. This is addressed differently in the countries covered by the case studies. Since 1997 it has been illegal to disconnect water supplies for non-payment in E&W. This has been associated with a rise in household water-related debts. Water debts are considerably higher than energy-related debts, even though average water bills are only about a third of average energy bills. Ofwat, the regulator in a review of how the sector can best respond to debt problems, called for further work to investigate the use of installing pre-payment meters and reduced-flow devices to limit the flow of water to a property. These provide enough for basic hygiene but "pose a significant inconvenience and a strong deterrent to non-payment" (Ofwat 2010b p.16). The regulator in E&W also encourages water companies to help customers in debt, for example providing advice on how end users might be able to access more benefits and income support.

In Poland, a water and sewage enterprise can cut the supply of water or close a sewage terminal if the recipient of the services has failed to settle the payment due for two complete accounting periods (usually two months), or if there has been illegal consumption of water or illegal discharge of sewage. If the supply is disconnected, the water enterprise is obliged to provide a supplementary point for drinking water. This is usually located outside the house but within the town. But there is no data on how many have been disconnected from the water supply systems for non-payment. In Istanbul, water supplies are disconnected for non-payment, and the water meter is removed if the debt is not paid within six months.

In South Africa, disconnection for non-payment is routine and this can wipe out the social benefits of access to FBW supply. Bond and Dugard (2008) cite World Bank advice to the first post-apartheid water minister, Kader Asmal, that there needed to be a "credible threat" of cutting the service if the country was going to attract private investment in municipal water provision. To avoid public health risks, in South Africa, instead of disconnecting households, their connection can be fitted with a "flow limiter". Some municipalities have introduced prepayment meters. This is intended to solve the problem of debt collection for the municipality. An increased policy focus on revenue management has led in some cases to the contradictory situation where, on the one hand, government-funded infrastructure is rolled out to connect low-income areas while, on the other, these are then disconnected for non-payment.

While these measures may have been useful in curtailing the activities of consumers who choose not to pay, despite the capacity to do so, the next section shows that water is unaffordable for many households. The targeting measures of social policy above may not be adequate for dealing with the widespread affordability concerns in E&W and South Africa. In Portugal, although the prices were kept low, the municipalities were not raising enough funds to pay for bulk water. In each case, rising indebtedness has been the result. The studies suggest that, while social policy allows for access for some households (subject to the various limitations of the targeting measures outlined above), the widespread adoption of cost recovery pricing has generated tariffs that are widely unaffordable.

In E&W average household water bills have increased by more than 40% in real terms since privatisation in 1989. It was reported that 23% of households (5.4 million household) spent more than 3% of their disposable income on water and sewerage bills in 2009. This is considerably more than the 95,000 that qualify for the Water Sure tariff described above. Affordability continues to decline as real incomes are falling and prices have plateaued. Those households that have problems paying their water bills are on low incomes, are more likely to be in debt, to be receiving benefits and living in rented accommodation (Ofwat 2010a). In E&W, the proportion of household water bills unpaid has been increasing and, bad debts are estimated to add about £15 to each household's annual water bill on average. Over the past decade, calls to National Debtline, related to difficulties paying water bills, increased from 597 in 2003 to 22, 870 in 2013 (Bayliss 2014).[xviii]

In South Africa the case study cites evidence that water is not affordable for over 60% of households in the country. A high percentage therefore is going to be unable to pay for water. As a result the revenue collected by almost all municipalities is insufficient to cover operating and maintenance costs. Municipalities are heavily reliant on operating subsidies, and the ability of municipalities to pay the water board for bulk water is limited. Water boards have amassed substantial debts. Municipalities owed US$320m for bulk water at the end of June 2014.

In Portugal, the percentage of household expenses devoted to water supply and water waste represents just 1% of the total on average but prices are rising and national averages disguise differences across quintiles and regions with diversity in prices. Water is more affordable for households in Portugal than other countries in part because municipalities have often refused to adopt cost recovery principles despite pressure from the regulator, ERSAR. They have not increased tariffs and some do not charge for wastewater at all. This has led to mounting debts owed to bulk water providers. These debts have escalated with rising bulk tariffs and deterioration of municipalities' budgets with the new financial rules imposed by the troika memorandum. From 2007 to 2011, their debt almost doubled reaching 400m euros in 2011. Since 2014, ERSAR has had the capacity to increase water tariffs to enforce the cost recovery principle but this will have to be done in a gradual way to avoid sudden price hikes (Teles 2015)

These three case studies all raise concerns regarding increasing indebtedness. In E&W and South Africa, more households are struggling to pay their bills while, in Portugal, municipalities have kept prices low for households but are amassing debts to bulk water providers. Despite different structures and contexts, the financing of water in each of these SoPs is generating significant increases in indebtedness at different stages of the production chain. This suggests that the approach to pricing and social policy needs to be reviewed if water is to be affordable for all households without creating a build up of debt that threatens the financial sustainability of the sector.

The increasing indebtedness across these three different case studies suggests that the cost recovery price may be too high for households to afford. The cost recovery approach to pricing has a number of further limitations as shown in the water synthesis paper. The approach is not as scientific/rigorous as proponents suggest, and there are no fixed rules regarding what costs should be included or how they should be treated. Typically cost recovery methodology does not incorporate historically incurred costs and the procedures for accounting for capital expenditure are extremely malleable. This can mean that households are paying to support particular social and financial structures of which they are unaware and from which they accrue no benefit as the example of E&W demonstrates in the discussion below.

In E&W, the price of water includes an element of financing costs to cover dividends and interest payments. The level of borrowing in the sector has increased dramatically since privatisation. The interest charged in the annual accounts of England's nine water and sewerage companies increased from £288m in 1993 to more than £2,000m in 2012 (in 2012 prices). While this has in part been associated with increased investment, there have also been high returns to shareholders both in the form of dividends and interest payments on inter-group transfers at high rates of interest. Financing costs accounted for about 28% of the average water bill. This form of cost recovery is effectively a direct transfer from households – almost one quarter of which are struggling to pay their bills – to investors, many of whom are among the world's richest.

Social policy, then, is based on providing water at a discounted tariff to those that meet strict criteria but the case studies suggest that this is not sufficient to address wider affordability concerns or to rectify the systemic inequality in pricing structures. Furthermore, the case studies suggest that neoliberal administrative and financing structures are often based around vertical and horizontal segregation and decentralisation. This reduces the scope for redistribution of funds via the pooling of financial resources and this risks entrenching inequality. Decentralisation means that water services are largely reliant on the socio-economic well-being of the "community" which they serve. In Portugal, the bulk water companies operating in areas that are more remote and sparsely populated, and those with more recent investments, have suffered losses as a result of the financial crisis due to high operating and financial costs. In South Africa there is considerable diversity in the economic health of the regional water boards and municipal water providers, in part reflecting their location. In Poland there is extensive horizontal segregation and great diversity in pricing.

Water charges in South Africa are also based on the notion of "user pays" as well as "cost recovery" so that the costs of infrastructure are allocated just to the users of that service. In practice, this has meant that there are two categories of bulk water consumers – those that are economically viable (and can repay private loan finance) and those that are not (and have to rely on government funding for infrastructure investment. For the former, private infrastructure finance is raised via a government organisation, the Trans Caledon Tunnel Authority (TCTA), on the basis of repayment from the water customers who can afford to pay back private loan finance, such as industries, mines and power generation and domestic users receiving high levels of water services. Other bulk water users have to rely on government finance and services. They also have the option of paying a premium to be in the bracket of "high assurance user" to ensure a more reliable water supply.

The result is a form of "cream-skimming". The bulk raw water infrastructure has been planned for the needs of a specific sector "to the exclusion of other water users" (DWA 2013, p. 12) so that the planning of bulk water infrastructure has not taken account of the water needs of communities and rural households. This has led to the construction of infrastructure and distribution networks that bypass these communities. Wealthy mineral production sits next to shack housing where residents lack basic services. Privatisation can also result in the hiving off of more lucrative elements of service provision. This has been the case in Portugal for example, where the private contracts for retail water are (primarily) confined to the densely populated urban and coastal areas leaving the state with the hardest to serve.

Finally, it is important to note that the efficacy of social policy is diminished in practice by weak state capacity. In South Africa services are severely compromised in the management of water supply and sanitation provision. Central government grants have been underspent in part because local municipalities have not been able to disburse the funds made available. This can mean that grant funding is reduced in the following year. Weak municipalities are less able to monitor private contractors, and this increases the risk of corruption and mal-administration. The municipalities that most need the funds are the least able to spend them. According to a Water Resources Commission study in South Africa, "municipalities are continuously in a crisis management mode with limited management information and poor decision-making processes, financial and technical management" (McKenzie et al 2012 p x).

When it comes to water consumption, neoliberal policies have emerged across the case studies which reflect more of a residual approach to social policy, with the state stepping into social provision for the hardest to serve. This is in keeping with developments in many Western post-industrial nations (MacLeavy 2010). Overall, the evidence suggests that the social impact has been limited. The review of the case studies suggests that cost recovery pricing has led to high tariffs in some locations which are not affordable for a significant proportion of the population, with household and municipal debts rising as a result. Policies to support those on low incomes have ameliorated the situation to some degree but they have not always been sufficient to support the high number that struggle to pay their bills in South Africa and E&W. Given that cost recovery is supposed to be beneficial for financial sustainability, the results from the case studies in this regard are disappointing. This highlights a major gap in the cost recovery approach to financing. If households cannot afford the cost recovery price then sector finances will suffer regardless of what costs are covered.

This pricing structure is based on a particular notion of equity where the users of a service pay the cost of consumption (however such costs may be defined). Support for low-income households is treated as a separate add-on, external to the price setting process. Such an approach is supposed to align costs more closely with tariffs and therefore with demand. However, everyone has to have water. In this regard the consumption of water can be considered similar to paying a tax. Financing infrastructure investment from household bills is likely to be regressive with such payments constituting a higher proportion of income for the less wealthy (NAO 2013). Alternative financing methods could lead to more equitable outcomes, for example financing infrastructure investment out of progressive income tax or water bills based on rateable property values. Such alternatives, however, cannot be considered with the neoliberal ethos of cost recovery enshrined in the EU WFD which sets policy, not just in EU countries but beyond where the EIB and other donors provide financial support for the sector.

3.2 Housing – Social Policy and Basic Needs

As noted above, housing is not necessarily perceived to be a part of social policy because, although a basic good, in many cases housing can be provided privately. Indeed, all of the case studies have large sections of the population that are housed through private market provision. Although not devoid of state intervention, these sections of the housing system are outside of overt social policy. However, all of the case studies have sections of the population that are excluded from the housing market. In these cases housing gets incorporated into social policy, usually, though not exclusively, through some sort of social housing provision.

In the UK, following the privatisation of state-owned council housing since the 1980s, social housing has been residualised, serving only those who are the most needy and are excluded by the market. Responsibility for meeting the needs of such groups are assigned to local government units, but restrictions on their ability to build mean that the bulk of social housing is now provided and managed by third sector non-profit organisations known as housing associations. Housing associations are financed through a combination of state subsidy, in the form of capital grants, and private finance. However, the portion of costs covered by capital grants has been reduced over time, from 75% in the late 1980s to 5% today, as consecutive governments have sought to make housing associations self-sufficient. The effect has been to increase housing associations' dependence on private finance, with them even beginning to issue their own bonds, and yet undermining their ability to fulfil their social function. Financial compensation for cutting the capital grant to 5% came in the form of a lifting of the cap on rents that housing associations are allowed to charge – from 40% of market rates to 60-80% of market rents. The result has been reduced affordability of housing association housing, leading to either increased poverty among housing association tenants or to a shift in the social profile of those housed by housing associations, with the severely disadvantaged displaced by lower income professionals. Housing associations are also moving towards cross subsidisation, that is, entering for-profit housing provision as a way of funding their social activities. This is another indication that financial pressures, particularly a lack of state support, is undermining housing associations' ability to provide a social safety net.

The other main aspect of social housing policy in the UK is housing benefit, which is a consumption subsidy paid to qualifying households to cover part of their housing rent costs. In the context of an accumulated shortage of affordable housing, the housing benefit bill has grown by £2.4 billion since 2010 and is expected to reach £25 billion in 2015. Almost 40% of this goes to tenants in the private rented sector, leading to criticisms that the benefit transfers to private landlords cash that could be invested in expanding the social housing stock. The rest of the benefit goes to tenants in housing associations but, even here, there are concerns that recent reforms are compounding the lack of stability of housing association finances. The two most important changes are a cap on the total amount of benefits to which a household is entitled, and a shift towards paying the benefit to tenants rather than directly to landlords. Both are expected to impede tenants' ability to pay their rent, eroding the rent intake of housing associations and undermining their ability to borrow. In sum, then, social housing policy in the UK is characterised by a retreat of state support, which is squeezing the availability and affordability of housing for low-income households.

Poland parallels the UK in that the mass privatisation of the decommodified housing sector has led to a system dominated by private provision in which social housing serves only residual needs, that is, the needs of those unable to access housing through the market. Again as in the UK, responsibility for meeting these needs was assigned to local government units, known as gminas. The gminas' ability to meet social housing need is limited by resource constraints, arising not least from the large discounts that accompanied privatisation. However, unlike in the UK, gminas do receive financial support – of between 30-50% of their costs – to build social housing units directly. Consequently, gminas construction of new dwellings increased by 57% between 2009-11. They also employ other methods of supplying dwellings for low-income households, including purchasing or leasing units from other owners, adapting non-residential properties into residential ones, and cooperating with other organisations such as Associations of Social Housing (TBS) and housing cooperatives.

TBSs were established in 1995 in order to strengthen provision of socially rented housing. TBSs receive approximately 50-60% (and no more than 70%) of their funding from subsidised loans provided out of the Domestic Housing Fund through the National Economy Bank (Bank Gospodarstwa Krajowego). The excess is made up through a combination of payments by tenants (restricted to a maximum of 30% of costs), contributions of resources including land, utilities and funds by partners such as gminas, and through other economic activities. Eligibility to rent TBS housing depends on income and lack of alternative residence, both of which are subject to ongoing assessment. Rent levels are fixed by maintenance and replacement costs, with the absolute constraint that rents cannot be higher than 4% of the annual replacement value of the premises.

TBS housing increased from 0.6% to 1% between 2002 and 2011. This has not been enough to raise annual investment in social housing to match annual need. Furthermore, in response to growing pressure from TBS tenants, the possibility to purchase TBS dwellings was introduced in 2011. This option is subject to a number of restrictions – unlike the privatisation of the socialist housing stock, for example, it

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

cannot be sold at less than market value and the right to purchase is not always granted. Consequently, only 7% of surveyed tenants said they would actually purchase their dwelling and most sales occur in the larger cities. Nonetheless, some tenants continue to lobby for the extension of privatisation of TBS housing.

As in the UK and Poland, social housing policy in Portugal is focused on those excluded from mortgage and private housing markets, and responsibility for meeting the needs of these groups has been transferred to local governments, though without the requisite powers and resources to fulfil this responsibility. However, social housing provision in Portugal has been given added impetus, on the one hand, by subsidies provided through EU structural funds and, on the other, by the Special Re-Housing Programme (PER) for the eradication of shanty towns. The PER, which was established in 1993, was Portugal's most significant public housing programme during the case study period. Co-funded by the central government and EU subsidies, and delivered in cooperation with the municipal governments of Lisbon and Oporto, the programme sought to replace shanty towns with rent-controlled formal housing fully-serviced by infrastructure.

The PER was successful in quantity terms, delivering over 31,000 dwellings between 1994 and 2005. However, both its objectives and its implementation proved controversial. In terms of objectives, the programme represented an emergency response to extreme housing need in the shanty towns, rather than a generalised commitment to an inclusive housing policy. One issue with implementation was the aforementioned transfer of responsibilities to municipalities. Another was the design and quality of the housing delivered. Reflecting the core objective of emergency relocation, the housing tended to be isolated on the periphery of urban centres, and to lack social and collective facilities and access to infrastructure, despite intentions otherwise. The case study views this feature as indicative of the over-riding goal of the policy to be the removal of visible poverty from city centres. In part due to the piecemeal nature of the policy, social housing shortages persist.

Post-apartheid South Africa has taken a more systematic approach to social housing policy, but one that has been dominated by attempts to incorporate low-income households into the "normal" housing and mortgage market. Calls for a policy of state-built socially rented housing by the umbrella organisation of anti-apartheid groups - the Mass Democratic Movement, or MDM – were side-lined early on in policy negotiations for the post-apartheid era. Social housing policy instead settled on the capital subsidy model, in which the state financed private building of housing units for low-income owner-occupation. This model has dominated low-income housing provision in the period considered. However, it has suffered a number of limitations. Resource constraints, along with a commitment to relying on private construction and land markets, meant that the housing provided tended to be of poor quality and on poorly-located land. As in the other countries, responsibility for delivering South Africa's low-income housing policy was gradually devolved to municipal governments who lacked the power and resources to deliver the programme effectively. The limitations of the model led to a gradual recognition of a need to diversify tenure forms. Consequently, support for socially rented housing was introduced in 1999, but this has not led to mass provision.

Socially rented housing for low-income (earning below R7,500 per month) households is provided by Social Housing Institutions, which include both private and non-profit organisations, with the aid of state subsidies covering approximately 64% of costs. The remainder is provided through a combination of loans and donor funds. While social housing projects are supposed to ensure that at least 30% of units are targeted at the lowest income group (those earning R500-1200 a month), they have so far prioritised units for the highest eligible income group (those earning R3,500-

7,000 a month). Social housing has therefore failed to serve the most needy. Delivery has also failed to meet volume targets. In 2005, the Social Housing Programme set a target of 22,500 units in the first three years and 50,000 in five years, but between 2006-10 only 4,991 units were delivered. Socially rented housing has also suffered from many of the same problems that beset the capital subsidy for low-income owner-occupation model, namely, lack of access to well-located land and infrastructure and rising construction costs.

Turkey differs from the other case study countries in being characterised by a complete absence of public renting. There, social housing refers to housing that is built and sold to low-income households without the immediate motive of profitmaking. This housing is provided through the Mass Housing Administration (TOKI) through its profit-sharing model. Under this model, TOKI collaborates with the private sector to provide luxury housing and uses its share of the proceeds to build affordable housing. Since 2002, TOKI has built approximately 500,000 units, of which 17% was luxury housing built as part of the revenue-sharing arrangement, 15% was for rehousing squatter communities, and the remainder was for poor, low- and middle income groups, though with an emphasis on the latter two groups. In addition to the relative neglect of the lowest-income households, the model of social housing provision in operation in Turkey has proved controversial because it has relied on the displacement of squatting communities (gecekondu) from valuable land to make way for luxury developments. The case study suggests that the centralisation of planning powers in the hands of TOKI was driven by private developers' need to utilise state power to accomplish this displacement in the face of often militant resistance by the affected communities. This serves to highlight another difference between Turkey and the other case study countries – that, in contrast with the devolution to local government of responsibilities with insufficient resources seen elsewhere, in Turkey power with respect to delivering social housing has been concentrated in the hands of a single state body.

3.3 Inequality

The previous section illustrated the different arrangements in place for social policy provision in the case study countries. What unites them across this diversity is that, over the period considered, the attempt to extend homeownership and mortgage markets has been accompanied by residualised provision for social housing. The realisation that a social housing safety net is needed to deal with the fall-out from the market bias of overall housing policy has not translated into a redistributive housing policy. Social housing is residualised in the sense that it is treated as the exception not the norm, and is not part of a broader commitment to collective housing provision. On the contrary, its provision is couched in a narrative of personal responsibility, which takes material form in under-resourcing of social housing. The result is that social housing tends to be of poor quality and in short supply, and hence does not reduce inequality beyond ensuring a minimum standard.

The inequality arising from social housing policy is compounded by the stratifying effects of homeownership. For homeownership has been promoted not merely as a way of accessing housing services but also as an asset, which, with the aid of mortgage products, can be used to acquire, accumulate and draw on wealth. The increased availability of mortgage credit has in turn driven up land and housing prices in all of the countries, making homeownership more lucrative. Of course, there is a speculative element to these gains, and they are unevenly geographically distributed, but all countries reported that capital gains have become an important source of wealth for homeowners. The associated inequality is compounded by the effect on housing costs for those who do not own. For example, the Portugal case study found that 7% of homeowners were spending over 40% of their income on housing, compared to 36% of renters. Housing is therefore implicated in increasing inequality in overall wealth as well as in housing provision itself.

3.4 Social Policy Housing – Conclusion

Across the case studies, housing's already ambivalent role in social policy is being compounded by an agenda that seeks to make housing a "normal" commodity with private ownership and provision mediated by mortgage finance. However, the fall-out from this approach has been a section of the population that is excluded from mortgage and private housing markets and unable to access adequate housing. Against this backdrop, social housing policy has been driven by two related imperatives – incorporating excluded households into mortgage and housing markets where possible, and providing a social safety net where necessary.

While the need for some sort of safety net has been recognised by the state in all of the case study countries, nowhere did this extend to an inclusive and redistributive housing policy. On the contrary, state support is presented as the exception, and couched in a discourse of personal responsibility rather than collective provision. Furthermore, in all countries, social housing provision suffers from a lack of capacity and resources. Responsibility to address housing need has been assigned to local governments which lack the capacity to deliver effectively. The exception is Turkey, where the body responsible for social housing - TOKI – has extensive powers over land use and house-building. But, even here, TOKI is embroiled in market production of high-end housing and has used its powers to displace needy populations and facilitate high-end development. As for resources, the nature of state subsidies for investment in social housing range from basic dwelling costs (South Africa) to a small proportion of costs (the UK), but in all lack of funding is leading to poor quality and shortages. As a result of all this, social housing policy is giving rise to growing inequality, which is compounded by the differentiated access to the wealth accumulation associated with homeownership.

4 From state provision to privatisation in practice

According to orthodoxy, privatisation offers the opportunity for a change in the conditions of competition and regulation that govern provision. For the SoP approach, the shift in the role of the state is seen in part in terms of corresponding shifts in relations between agents. The state is representative of political as well as of economic power relations, and privatisation evolves around shifts in the structures and processes that underpin delivery systems, and these vary across sector and location.

4.1 Privatisation theory/background

It is now well-recognised that the privatisation programme that was initiated in the UK with the Thatcher governments, and was globally exported, was stumbled upon by accident, albeit an accident waiting to happen in the context of the transition to neoliberalism. The success of the privatisation of UK council housing, "the right to buy" (and to be subsidised to do so), led to the wish to build upon its momentum as well as dovetailing with a political strategy of undermining the trade union strength, and political support for the opposition Labour Party, of the workforces of nationalised industries (ultimately also leading to the year-long miners' strike of 1984/85 which, it is important to recall was to some degree fought over the issue of "who governs Britain"). This is all indicative not only of a shift in the balance of power between capital and labour but also in the nature and form taken by the role of the state, not least in terms of the demise of "social compacting", see above. And, in retrospect and in parallel, the programmes of privatisation have been heavily associated with financialisation, both as cause and consequence.

However, despite these common origins, as emphasised throughout our programme of work and as will be seen below, the (transformed) role of the state in general and through (financialised) privatisation in particular is highly variegated, across both countries and sectors. Privatised housing in the UK is very different from its privatised water let alone for these sectors in other countries. In addition, especially in retrospect, what was anticipated by privatisation has turned out, at least in some major respects, to be very different from outcomes. This is most obvious in case of housing given the dramatic role of mortgage finance in the global crisis. But, equally, it was hardly Mrs Thatcher's vision that the major UK utilities should be both owned by global international companies and integrated into speculative financial activity as opposed to being subject to some amorphous notions of competitiveness through market forces and democratic participation through wider share ownership. Further, for example, one of the largest UK energy companies, EDF energy is majority owned (84%) by the French Government. In the water sector stakes are held by foreign state-owned sovereign wealth funds. And the 2008 bailout of the financial sector, and nationalisation of some UK banks, shows that the state has no hesitation about intervention to support private capital, while elsewhere state ownership is deemed to be inefficient. Thus, privatisation in practice is hardly evidence of an efficient and effective financial system smoothly facilitating investment and competition in the provision of public services, as is equally the case with the crises of mortgage finance and its corresponding derivatives.

Such outcomes are indicative of what might be termed a process of catch up being played across ideology, scholarship and policy in practice in the wake of the privatisation programmes. As discussed in the accompanying theme paper, neoliberalism has been characterised by two phases (of shock therapy followed by some attention to corresponding dysfunctions whilst sustaining financialisation) as well as by contradictory and shifting relationships across ideology, scholarship and policy in practice, with these differing over time, sector and country. For ideology, for example, the privatisation of housing and support to financialisation has been heavily associated with the ethos of owner-occupation as the preferred tenancy, with corresponding need to handle those who are residualised by this core thrust. To a large extent, the latter cannot be rendered invisible with a resulting potential pathology of failure on their part reinforced by and justifying the squeeze on resources to fund alternative forms of tenancy. On the other hand, in the case of water in the extreme case of the UK, the consequences of privatisation are, to a large degree, rendered invisible as the expanding incorporation of financialised costs into water prices simply become part of the bill to customers.

For scholarship, as covered in earlier work, we have argued that the privatisation programme essentially left (mainstream) economics high and dry in terms of analytical response, at least initially.[xix] Unavoidable were two key issues – the role of the state and the role of ownership. For each of these, the discipline was poorly equipped to respond as, traditionally the state had been seen as either Pareto-benign on behalf of society or rent-seeking and distorting in pursuit of self-interest; and ownership was merely understood as a residual claim to profit. With privatisation involving a shifting role for both the state and ownership, it is hardly surprising that the standard response to privatisation was that ownership as such does not matter as opposed to the conditions of competition and regulation. This almost inevitably followed as a result of the impoverished notions of the state and ownership within mainstream economic theory. The latter contrasts with the more applied and inductive traditions of public sector economics that, until then, had nestled between microeconomics and macroeconomics like other practical and policy fields for which the irrelevance result was a consequence.[xx]

This position of agnosticism over the relevance of ownership, interestingly of relatively little comfort to proponents of privatisation, whose response was to ignore scholarship for the shock dictum of "just do it", was part and parcel of what Fine (1990a and b) dubbed the "new synthesis" for which ownership irrelevance was the key conclusion together with the imperative to get competition policy and regulation correct.[xxi] But the new synthesis was also seen to incorporate six additional or supportive elements which it is worth rehearsing.

First is that the rationale for competition policy and regulation (assigned, respectively, to artificial as opposed to natural monopoly) derives from the idea of market imperfections. These can take a variety of forms from asymmetric information through externalities to economies of scale and scope. But, despite much mainstream theoretical and empirical analysis to the contrary, the presumption remained that the more firms, the more the competition, and the more the competition, the better the outcome.

Second, as is apparent, such postures irrespective of their merits, are grounded in the microeconomic behaviour of the firm as opposed to more systemic approaches related to institutional economics, corporate behaviour and so on. As with the previous issue, and indeed all of those covered here, such general and abstract considerations, around the optimising behaviour of the firm in the context of market imperfections of whatever sort, are ill-suited to address the evolving and structured differences across very different sectors, not least housing and water given the differences in cultures involved, let alone the material nature and organisation of provision itself and how these are struggled over and determined in practice.

This is itself indicative of a third feature of the synthesis, the separation of the economic analysis from broader social determinants and interactions. The privatisation of nuclear power raises very different issues than those of housing or water, not least in terms of forms of control as well as the issues variously understood in terms of merit goods, capabilities, basic needs, fairness and so on. These are themselves part and parcel of the questions of equity and redistribution which tended to be ignored by the synthesis or seen as orthogonal to privatisation as such, and best addressed through social policy as opposed to market-distorting cross-subsidies or the like, with a studied blind eye to the non-market processes by which these might be determined (as opposed to being benevolently and efficiently adopted). And the same issues apply in very different ways for privatisation in the UK as opposed to South Africa. In short, it is not just how the non-market, the institutional, the social and political, etc, are to be incorporated into analysis but to recognise that their incorporation will be country and sector specific.

Fourth, despite the general disposition to disregard ownership, the synthesis did give rise to empirical assessments of the relative performance of public and private sectors and, not quite the same thing, the public and privatised sectors, tending to support, if not universally, the conclusion of superior private sector performance. But, given the narrowness of the synthesis' analytical take on the issue of privatisation, it is hardly surprising that such assessments should favour the private over the public, quite apart from overlooking historically that the public has both developed because of the failure of the private sector and has itself provided the productive capacity that makes privatisation a possibility.

Reasons for bias in assessment include the use of private sector criteria (such as profitability) even though the public sector has other criteria and suffers imposed policy constraints, sample selection bias (of what is, better-performing, privatised but neglect of the, possibly disappeared, private sector failures) and state support to the private sector.[xxii] Even so, despite such biases, the empirical case for private (privatised) over public sector performance is far from compelling and, inevitably, country differences across performance (for both public and private enterprise) are liable to be far more important than differences between public and private sectors within countries. Further, such privatisation theory provides no insights into the how, when or why privatisation might occur, offering little bearing on privatisation in practice, particularly in Europe (Parker 2004), and presuming the public and private sector reflect the pendulum swing of otherwise unspecified political and ideological factors. This is demonstrated in the case of the UK where privatisation is far more advanced than the others in the case study.

Fifth, the synthesis is primarily concerned with microeconomic static (in)efficiencies as opposed to the dynamic, evolving and systemic aspects of (public sector) provision both within corresponding sectors and in the relationships amongst them. Here, there are major issues of employment generation and skills, work and conditions, mutually expanding markets, choice and development of technologies, and so on (neatly if ideologically captured in terms of the notion of the commanding heights of the economy which offers a sense of the sum being greater than the individual parts). Tellingly, the commanding heights of the economy, not least in part through privatisation, have increasingly fallen under the spell of financialisation, even if portrayed as reliance upon market forces.

Last, as already indicated, the synthesis addressed policy in terms of competition and regulation. For competition, adopted was an unduly restrictive notion of what it is and what effects it has – more or less firms, ease of exit and entry, and investigation of monopolistic collusion does not get to grips with the issues of the dynamic sources of competitive success over time. By the same token, regulation can be characterised as the making of (industrial) policy without the necessary targets and instruments, and hence powers (slightly caricaturing, can policy be reduced to RPI-X?), and without democratic participation (ditto). And there is an issue not only of the costs of making competition and regulation policy, and who should bear it, but whether it can be made without the capacities to control more directly and fully.

As already indicated, the synthesis was taken by surprise by privatisation, responded as best it could on the basis of existing perspectives and has been playing catch up ever since in its attempts to pin down the nature of ownership, the roles of the state and the highly varied forms taken by privatisation as well as the equally varied country and sector contexts in which it has occurred. This tagging of realities by orthodoxy has, though, once again, been primarily dependent upon the basis of its own analytical tools generated, however appropriately, for other purposes, not least with game theory and principal-agent approaches to the fore. As experience with privatisation has come to fruition, not least with the problems of regulation, on the one hand, and, in the extreme, conflicts over performance and reprivatisation, on the other hand, so the mainstream has sought to address the issues involved by bringing back in on a piecemeal and partial basis the issues that it has previously, even necessarily, excluded albeit seeking to bring back in on an inappropriate if evolving framing of analysis. Clearly, regulation needs to move beyond price-setting to cover other, as previously observed, major issues in access and quality but what of employment generation, technical upgrading, creation of skills, spillover effects, and so on, let alone the role of financialisation in corporate performance. As a result, the mainstream has progressed little in addressing the switch in emphasis from shock therapy to the second phase of neoliberalism in which privatisation has been in part substituted for by public private partnerships, with the resources of the state not so much to be abandoned to the private sector as used to allow the latter to prosper on terrain where full privatisation cannot or has not been accomplished. However, from its synthetic starting point, the mainstream literature has readily evolved along the lines of either fully favouring privatisation or mildly resisting it. For the first, often inconsistently dovetailing with neo-Austrian perspectives, according to public choice theory, public provision leads to inefficient outcomes resulting from self-interested bureaucrats operating in the pursuit of personal gain.[xxiii] Property rights and principal-agent theories can lead to the conclusion that shareholders will pay greater attention to enterprise performance than public sector managers because of their right to the residual, plus they have a clear objective of profit maximisation rather than vague and possibly illegitimate 'social' objectives that might, in any case, be better pursued by other means. Privatisation also is intended to set enterprises at arms' length from government thereby bringing 'hard' rather than 'soft' budget constraints to bear and which are considered to be sharp drivers of efficiency.

On the other hand, there have been those who are more sceptical of the virtues of absolute dependence on idealised market forces, with a residual commitment to a continuing role for the state, even including ownership. Thus, for example Sappington and Stiglitz (1987) suggest through their fundamental privatisation theorem that, for an ideal state, government could do better running an enterprise itself rather than relying upon one that has been privatised. This then explains and justifies continued government intervention in terms of privatisation failures and failures to privatise (with potential for inefficiencies in risk-sharing and duplication of transactions costs) as well as different options being appropriate for the state such as regulation and outsourcing.

Aside from concerns about the wider neoliberal framing of a world occupied only by self-interested rational individuals, there are a number of failings with this theoretical basis for studying privatisation. First, the economy is seen in terms of deviations from an ideal state with perfectly working economic legal and institutional environment. This bears no relation to reality and fails to capture the importance of context. Second, the supposed advantages of privatisation stem from competition rather than private ownership. The theoretical outcomes from competition apply only under highly restrictive assumptions (Fine 2008). This is addressed either by creating contestable markets (as with water concessions) and/or with regulatory structures that are "market mimetic" and these are discussed below. Third, there are numerous contradictions in the theory which do not stand up to scrutiny. For example, if principal-agent theory is applied then the privatised enterprise, if providing socially necessary basic services, is the agent of the state so all the principal-agent issues of public ownership are far from removed. Privatisation objectives are contradictory such as raising efficiency bringing in investment and meeting social objectives. To put it bluntly, rent-seeking is as likely in a large MNC as in public ownership.

Significantly, though, the issue of financialisation has simply been notable for its absence from the mainstream literature on privatisation. In part this is because, within mainstream economics, it does not figure at all! But it is notable that one of the most important empirical aspects of privatisation should be subject to neglect, and not merely in the orthodoxy although heterodox literature, especially in the wake of the crisis, has critically pointed to the role of financialisation in public sector provision.[xxiv] However, for both water and housing, the intimate, if variegated connections between financialisation and privatisation tends to remain unobserved despite the experience of the crisis in which, at least for housing, the connections should be unavoidable not least in the promotion of speculative mortgage finance. In addition, for water, privatisation is instrumental in moving water provision into the portfolio of financial investors (Bayliss 2013).

Without wishing to implicate scholarship, (indeed, causation tends to run in the opposite direction), policy around privatisation has also been playing catch up. Precisely, the issues absented from the synthesis have forced themselves onto the policy agenda as the results of privatisation have materialised although these tend to appear only if they can be accommodated as an issue for regulation. Nonetheless, and, once again, despite the financial crisis, the role of financialisation in public sector provision has at most only been momentarily questioned for both its sectoral and systemic effects. This is surely indicative of the rise and consolidation of financial interests in the structures, processes, relations and agencies of public sector provision, with corresponding implications for both the policies adopted and the policymaking process. For the latter in particular, this has entailed both the marginalisation of the emergence of alternative policies and their chances of success should they emerge, Fine and Hall (2012).

4.2 Privatisation triggers – water

In all of the case study countries the state has been important for the provision of water (and other basic services) for most of the last century. In all cases, the extension of access has been funded by the state (or the supra-state EU). Each of the countries has now brought in some element of privatisation and this varies in form, content and origins. Privatisation does not spontaneously emerge but has had specific triggers and the case studies show that these are diverse across locations. In the case studies, privatisation is most advanced in E&W, followed by Portugal, with considerably less taking place in Poland, South Africa and Turkey.

As mentioned above, privatisation emerged in the UK on an ad hoc basis with a putative rationale of reducing public borrowing, reducing the power of trade unions and creating a share-owning, Conservative-voting nation, although Mrs Thatcher ultimately claimed her greatest triumph was to have reformed the Labour Party, not least to rejecting renationalisation. Water privatisation was part of this wave although notably it was only applied to England and Wales, while water in neighbouring Scotland and Northern Ireland remains in the public sector. Elsewhere in the world, privatisation has been promoted by International Financial Institutions

(IFIs). The World Bank has been an important supporter and has been behind privatisation policy. A review of the origins of Bank support for privatisation indicates that it stems from frustrated attempts at public sector reform in developing countries, although there was little theoretical or empirical basis for the policy. Coming on the back of the collapse of Soviet-style economic planning, privatisation was pushed through in part because as Stiglitz judged, reflecting a mixed stance on the issue to say the least, "no-one knew how long the reform window would stay open" (Stiglitz 1998, p. 35). Although expectations, and postures have been modified to expect less from privatisation and more from public sector support to the private sector in lieu, the Bank continues to support privatisation through the International Financial Corporation (IFC) and the Public-Private Infrastructure Advisory Facility (PPIAF). Pro-privatisation rhetoric is replicated in other IFIs, including the EBRD, the EU and many governments, although implementation in extent and form of practice varies.

The EU does not have a formal policy that favours privatisation (Hall and Lobina 2007) and provides funding to both public and private sectors. However, some key elements of EU policy have shaped privatisation outcomes. This was important in Portugal. The water directive 91/271/EEC required huge investments in infrastructure across the member states. And the water framework directive 2000/60/EC required the principle of total cost recovery in investments and the user-pays principle. This rules out other forms of financing such as government subsidy.

In addition, the Maastricht Treaty requires budgetary limits to spending in general. The EU convergence criteria, agreed in 1992, require that members and prospective members of the EU must reduce their general government financial deficit to 3% of GDP. This affects public services encouraging restructuring and the introduction of PPPs and private concession contracts such as the Private Finance Initiative in UK as infrastructure financed this way does not appear to generate government debt in the public accounts.

The combination of restricting government borrowing, requiring extensive investment as well as the requirement for cost recovery pricing policies, in an international climate of support for privatisation, led the Portuguese government to take steps to introduce privatisation in 1993. In South Africa, water privatisation came to the fore in the mid-1990s as the neoliberal policy package known as Growth, Employment & Redistribution (GEAR) led to a greater emphasis on cost recovery while central government grants and subsidies to local government were cut. This combined with heavy lobbying from private water companies led local governments to turn to private delivery options (McKinley 2014). However, privatisation was vociferously opposed by civil society in South Africa.

Water privatisation has not been widespread in Poland with just one major water privatisation contract emerging in Gdansk. This was approved in 1991, soon after municipalisation of the sector in 1990. There was initially resistance but the poor state of infrastructure and water quality led to support for private investment. Gdansk became the first major city in Poland with drinking water that met EU standards. De La Motte (2007) compares this with the city of Lodz where water provision has followed similar pattern to Gdansk but privatisation was rejected and water remains under municipal control.

4.3 Consolidation and current structures

Since privatisation, there has been considerable reconfiguration of the ownership of the sector at the global level, as ownership stakes change hands. Across the case studies, there has been consolidation of ownership of water with the emergence of Asian conglomerates and financial investors. Water investments, which were once under local control along with other basic services, have been institutionally separated from the geographical area which they serve so that they now form part of global investment portfolios.

In Portugal, some of the major players in water privatisation were domestic construction firms. More recently the last couple of years have seen the entry of Asian investors in the sector with the Japanese conglomerate, Marubeni, taking over AGS in 2014 and Beijing Enterprises Water Group buying a group of water companies from Veolia in 2013.[xxv] In South Africa, many initial attempts at privatisation were short-lived and only two long-term contracts remain. These have been consolidated and since 2012 have been owned by the Singapore-based Sembcorp (which is also the owner of an English water-only company in Bournemouth).

In E&W, firms were privatised with a stock exchange listing in 1989 but the majority of firms are no longer publicly listed. Two are owned by Asian conglomerates and four by special purpose vehicles set up by financial companies. The process of de-listing reduces the level of public scrutiny of the company as at least the share price provides an external signal of perceived worth of the firm. This is far from the broad-based shareownership that was apparently envisaged at the time of privatisation. The sector has continued to evolve in the decades since the stock exchange listing in 1989. The structure of the water industry today in E&W, with most of the sector owned by foreign conglomerates and financial companies, is far removed from what was anticipated at privatisation twenty five years ago when companies were listed on the stock exchange. Advances in globalisation and financialisation mean that some water companies are now part of global investment portfolios. As these processes evolve, so too does the role of the state as it continues to mediate between competing agents, some of which were not even in existence at the time of privatisation. This case suggests that privatisation is not best understood, as a one-off transaction with a simple bimodal shift in ownership so much as a stage in on-going relations between agents.

4.4 Competition and regulation

As mentioned above, it is competition rather than private ownership that is supposed to lead to cost reductions and service improvements that benefit society. Otherwise any efficiency gains due to the private owner having recourse to the residual would just be subsumed into bigger profits. The supply of water is not liable to be competitive due to material features mentioned above. According to policy rhetoric, the role of the economic regulator is to establish a framework that is "market like" which will induce firms to behave as if they were operating under conditions of idealised competition.

Both Portugal and E&W, the countries where privatisation is most widespread, have an independent state regulator for the sector, ERSAR and Ofwat, respectively. While these have different mandates (for example ERSAR regulates water quality while in E&W this comes under a separate agency, the Drinking Water Inspectorate (DWI)), in both cases, the regulator has to meet two (potentially conflicting) objectives: to protect the interests of consumers and to ensure that firms can finance their operations. Until recently, the regulator in Portugal was not responsible for water pricing as tariffs were set by municipalities but these were not set high enough to cover the bulk water costs and there have been tensions between municipalities and the regulator. Since 2014, ERSAR has the power to set prices at the municipal level.

In E&W, the regulator sets prices through "price cap" regulation, or RPI-X or "incentive based" regulation. The idea is that prices are fixed in advance for a five-year period, based on assumptions about future costs and revenues as well as the performance of the firm over the past five-year period. The private firm is then a "price-taker" as would be the case in a perfectly competitive market. Within the price structure, firms are supposed to have an incentive to be as efficient as possible as they retain all the profit they make during the five-year duration of the price review period. During this time, however, firms are expected to achieve cost efficiencies and these are revealed to the regulator – who is kept informed on company costs and revenues. Any changes in cost are taken into account by the regulator in the following five-year price review period. This approach is intended to ensure that firms have an incentive to be efficient as they retain the fruits of increased productivity initially. But this is eventually shared with consumers in the subsequent price review period so everybody wins. This is how the state purports to ensure that private companies in the sector respond to pressures that have similar results to a competitive market structure.

The regulator operates within defined parameters but firms work around these rules to increase shareholder returns. For example, firms may have supply contracts with shareholder companies. In Portugal, one company has awarded a significant proportion of construction contracts to its shareholders raising concerns about the transparency and public interest of the contracts (Teles 2015). In E&W, some water utilities have loans from shareholders with high interest rates attached. Furthermore, in Portugal and E&W, ownership stakes are bought and sold for undisclosed sums resulting in unknown amounts of capital gains for the private owner. In addition, corporate restructuring in E&W has enabled companies to raise high levels of debt that have been used to finance dividends to shareholders. These are attached to the water utility and paid for by the end user. Dividends and debt are not part of the price-cap limits and so are outside the scope of regulation. As financialisation has become more significant with greater involvement of financial firms and complex financial practices, the ability of the regulator to contain firms' activities is increasingly questionable.

2012 saw a change in the regulatory approach in E&W. Firms were no longer required to provide extensive detailed reports but instead had to submit a statement of "risk and compliance". This shift to "light touch" regulation was intended to move away from what had been a growing regulatory burden which had required firms to submit data of increasing detail and complexity – and one with questionable effectiveness. The new approach is also intended to make firms be more responsive to customers rather than the regulator. However, genuine engagement with customers is constrained by the complexity of the issues, particularly related to financing, and the role of the state and water companies in the appointment of customer representatives.

Outside E&W, water privatisation takes the form of long-term lease or concession contracts. This is regarded as creating competition *for* rather than *in* the market. Companies submit tenders for the contracts, and these are awarded according to specified criteria which may be investment, water tariffs or a combination of factors. Companies have an incentive to out-bid their competitors to secure the contracts. However, the case study experiences suggest that the benefits from competitive tendering are limited. Until recently there were few firms involved in the privatisation process. Initially, participants in privatisation tenders were largely French because of the French history of private water provision. And, even then, these firms often colluded in water privatisation (Hall and Lobina 2007). More recently, the number of firms participating in privatisation contracts has expanded, particularly with the emergence of Asian conglomerates as well as domestic actors, such as the construction companies in Portugal. Yet, even where there may be several firms involved in the tendering process, contracts are frequently renegotiated at an early stage. In Portugal, all the privatisation concessions were renegotiated soon after they were awarded, by which time the private firms were in a stronger bargaining position as the state would have incurred lengthy delays and increased costs if the contract were to be retendered.

For the SoP approach it is misleading to consider regulation in terms of an exogenous set of rules that need to be observed (or worked round) by the water companies. Rather, policy outcomes emerge as a result of the contested interaction between agents located in a specific context. The regulatory process itself is intrinsic to the operation of the sector. For example, in E&W, firms are required to maintain a credit rating that is "investment grade" with the three main ratings agencies.[xxvi] This is supposed to prevent them from engaging in risky activities. However, the credit rating is affected significantly by the actions of the regulator itself. Moody's for example often reports that actions of the regulator would be "credit negative".[xxvii] The regulatory structure itself determines the terms on which firms raise finance.

Furthermore, the role of the state as regulator of water companies needs to be understood in the wider context of infrastructure provision. In E&W the Competition Commission intervenes to limit the share of individual firms in the sector to ensure that they do not become too powerful. For example, Australian investors Macquarie had to sell their stake in Southeast Water before they could buy Thames Water on the grounds that the regulator would lose comparators for regulatory purposes. CKL had to sell Cambridge Water before they could buy Northumbrian Water. However, while the ownership of water may be limited, these and other firms are investors in other infrastructure in the country. CKL owner, Li Ka Shing, also owns UK Power Networks, which supplies electricity to 30% of the country through the electricity transmission network in London and the South East, Northern Gas Networks and a

50% stake in Seabank Power.[xxviii] Macquarie, which owns Thames Water, also owns National Car Parks and Bristol Airport and Wales and West Utilities (which distributes gas to Wales and the south west of England.) These investors are able to exert considerable influence on the state as it seeks to attract more private investment for public infrastructure. There is pressure on the regulator to take account of the impact of policy on the "attractiveness" of the investment climate at the national rather than just the sector level.

In Portugal a major winner from the water sector restructuring has been the (mainly domestic) construction sector. Initially these firms were involved in EU funded infrastructure investment in the water and waste sectors, and they have subsequently taken advantage of water privatisation contracts in the retail sector. Indeed, most operators in these concessions are now owned by stock-listed construction companies which use the acquired know-how in Portugal to expand water provision operations to Portuguese-speaking African markets. The water sector has thus provided both a diversification opportunity for the construction sector and a significant contribution to the internationalisation of the major companies that partially managed to escape the sovereign-debt domestic crisis of 2011.[xxix]

In E&W, the last three price reviews (covering fifteen years) are widely regarded as having been generous to private water companies (Bayliss 2014). The latest price review (in 2014) will pull back slightly on investor returns but is unlikely to compensate for excessive profits of the last 15 years. Company directors have also been major beneficiaries of privatisation with their remuneration accounting for a growing share of company income. Bonuses and share options are deliberately used to ensure that the interests of senior management are aligned with those of shareholders. Consumers have also benefitted from greater investment but as the previous section shows, many have been struggling to pay high prices since privatisation.

4.5 Housing Privatisation

While commodified housing provision is a pervasive feature of all the case studies, it is only in the UK and Poland that sizeable privatisation processes as such occurred. This is because it is only those countries that had undergone a period of significantly decommodified housing provision.

As noted above, the privatisation of social housing in the UK represented an unintended landmark in the history of privatisation. Its initial aims, however, were narrowly political. Aware that council house tenants – at the time approximately 30% of the population - tended to vote for the opposition Labour Party, then-prime minister Margaret Thatcher envisioned a "property owning democracy" which was naturally inclined to vote for her own Conservative Party. The privatisation process involved offering heavy discounts on sales to sitting tenants. The imposition of this right across all councils served, in addition, and along with restrictions on council borrowing to invest in replacing sold stock, to restrict the power of local authorities. The policy proved popular, with 1.8 million dwellings sold in England alone since the programme was introduced in 1980, most of which came from councils' better quality housing stock, sold to better off tenants, DCLG (2015).

The consequences of privatisation were far removed from the pro-market efficiency arguments associated with neoclassical economics. Such arguments hold that market competition among many firms improves the efficiency of production. But the Right to Buy concerned housing that had already been produced by the state; it therefore served primarily as a means to transfer wealth away from the public sector and to individual households. This in turn facilitated the entry of these households into secondary housing markets, expanding the market for mortgages and encouraging the use of housing as a speculative asset. These effects are reflected in the high rate of selling on of properties brought under Right to Buy, particularly to buy-to-let landlords. These are landlords who buy property to rent out, using the rental income to pay off the mortgage while accumulating capital gains to the property over time. Although the Right to Buy was promoted in terms of giving people with a home of their own, in which they would get both security of tenure and emotional attachment, it has as commonly served as a basis for speculation, mortgage market growth, and financialisation.

Housing production was affected by the Right to Buy in so far as the restrictions placed on council building increased the system's reliance on the private sector to supply new housing. The result has been falling rates of overall house-building and a declining price elasticity of housing supply. While private production has not fallen, except cyclically, the sector has not expanded to fill the gap left by reduced council building. This is partly due to the UK's decentralised, discretionary and unpredictable planning system, which releases land for development in a slow and costly fashion. But it is also due to the speculative character of house-builders in the UK. The attempts of such builders to capture ground rents in the course of production, leads them to stagger output so as not to flood the market in a particular area and erode land values. The exit of councils from large-scale building has therefore meant that production as well as consumption is increasingly shaped by speculative imperatives.

An additional effect of housing privatisation in the UK has been increased inequality and declining housing conditions for households excluded from the owner-occupied housing sector. The concurrent decline in overall house-building and growth of mortgage lending have together led to a long-term trend of above inflation house price increases. Meanwhile, as the supply of council housing has been run down, a shortage of social housing has emerged. Housing Associations have been promoted as an alternative source of social housing, providing a crucial but inadequate lifeline. Pressure on the private rented sector has grown as a result, with demand inflated by households unable to get on the housing ladder or access a social rent property (that latter receiving support in the form of housing benefit). Those unable to access homeownership thus suffer the twin affliction of exclusion from housing wealth and deteriorating housing conditions.

The housing privatisation that occurred in Poland as part of the "shock therapy" transition from socialism closely followed the UK model. Ownership over public housing was first decentralised to local authorities, who then sold the housing at heavy discounts (up to 95%) to sitting tenants. Whereas in the UK it tended to be the better-quality stock that was sold, in Poland privatisation was explicitly tied to the poor condition of the public housing stock. The hope was that privatising the stock would help to harness individual self-interest and encourage individual owners to repair and renovate properties. The discounts were in part intended to aid this, by freeing up resources of the purchaser to invest in the property. By and large, the policy did not work as intended. Owners of privatised dwellings have lacked the resources to improve their property and this has meant that privatised housing has not served as a basis for speculation in the same way as it did in the UK.

The impact of privatisation on production was also different in Poland to the UK. On the one hand, post-transition Poland has an underdeveloped planning system, characterised by a failure to develop spatial plans in many localities. This has tended to favour small-scale development as they are more readily granted planning permission through informal processes. On the other hand, the lack of an established private house-building industry – a hangover from the socialist period – has meant that there are few large and experienced house-building firms, and self-promotion accounts for a large proportion of new build. Privatisation in Poland has therefore left in its wake a relatively decentralised house-building industry and a tendency for supply to lag demand. As housing need began to resurface in the late 1990s, a small residual social house-building programme was adopted.

In South Africa, almost all of the 500,000 state-owned housing units constructed in black townships during apartheid have been privatised. As in the UK and Poland, this was motivated by the desire to establish a system of housing provision based on private property ownership. In South Africa this was accompanied by the additional imperative of transferring land assets to the majority black population who were excluded from property ownership under apartheid. The bulk of low-income housing, however, has not been decommodified and then privatised, but rather delivered through a form of public-private partnership (though not referred to as such). Under this model, the state provides funding to private developers to build housing for low-income households. The policy stipulated that the state subsidy would cover the plot of land (at least initially – these costs were later removed from the subsidy) and a basic "top structure", with the expectation that households would subsequently add to and improve the properties.

The South African subsidy model had a number of similarities with privatisation in the UK and Poland. As in Poland, it sought to harness private interest to improve the stock. As in the UK, it sought to provide lower income households with a basis for mortgage borrowing, housing speculation and the accumulation of housing wealth. However, the model has been largely unsuccessful on both fronts. The limited size of the subsidy, along with problems that beset delivery, such as poor quality and lack of access to well-located land, meant that the houses produced were of low quality and in poor locations. This in turn meant that, first, mortgage lenders did not view the properties as providing sufficient equity for low-income households to borrow and invest in their properties and, second, the subsidised properties did not enter secondary housing markets (which have bubbled for higher value, predominantly white, households). Recipient households therefore struggled to enter mortgage markets and move up the housing ladder.

Low-income housing provision in Turkey can also be characterised in terms of a form of public-private partnership. There, the revenue-sharing arrangement between the Mass Housing Administration (TOKI) and large private developers affects both "normal" and social housing sectors. In short, TOKI provides land to developers of middle and upper income housing in exchange for a share of the revenue of such developments. TOKI then uses the revenue to contract private developers to build housing that is sold to low-income households, often with the aid of a state-subsidised mortgage. As in South Africa, state-subsidised housing in Turkey therefore has a commodified ownership form. Both share with privatisation in the UK and Poland the use of state resources to provide low-income households with a housing asset that can serve as a basis for wealth accumulation, mortgage borrowing and housing speculation. Turkey is also distinctive in that the state, in the form of TOKI, has been an active player in facilitating speculation-in-production by private developers.

To sum up, privatisation of housing has not been about increasing competition and efficiency in production, but rather about providing individual (and particularly low-income) households with a housing asset, with the aim of incorporating them into mortgage and secondary housing markets, and thus allowing them to be self-sufficient in meeting subsequent housing needs. Only the UK, Poland and, to a lesser extent, South Africa underwent actual privatisation processes, which involved ownership of the historically state-built housing stock being transferred to households. But Turkey and South Africa embody similar processes in that the state is building stock and transferring it to low-income households concurrently.

5 Conclusion

This paper shows, in light of the case studies, that the role of the state has changed considerably with regard to the provision of housing and water over the past three decades. The three aspects of state involvement addressed above each show that the advance of neoliberalism and financialisation over the past three decades has transformed the way that state agencies interact both with other state organisations and society more generally. Greater neoliberal framing of policies has led to changes in the balance of state agencies across the sector, for example with a greater role for local authorities resulting from decentralisation.

The state's role has shifted with changing social relations. Notable has been the decline of social compacting between capital and labour while at the same time greater power has been afforded to finance. This has been through changing institutional structures. Privatisation and outsourcing in water and housing have led to greater precariousness and marginalisation of labour and a shift of resources away from labour but this is far from uniform.

Neoliberal ethos has meant that both water and housing are increasingly subject to efforts to treat these as "normal" goods, but their significance in both sectors for social reproduction means that their provision is a feature of social policy. The case studies show a shift to a more residual role for the state, although there are elements that display a commitment to universalism, for example with state-financed extension of water infrastructure in the 1990s. In both housing and water, the state intervenes to support the most disadvantaged. However, in both sectors, social policy is failing to meet the needs of those that are most disadvantaged. For example, efforts to ease affordability constraints with residual policies to support target households have failed to make water affordable for all. With the entrenchment of a neoliberal ethos, in social policy, fairness is not a factor in provision so much as residual provision. The market is supposed to provide and the state provides for the hard to serve. There is no question of redistribution or equity. Rather the emphasis is on meeting the basic needs of the poorest.

With privatisation the state's role has shifted although not necessarily reduced.

Privatisation has changed the role of the state from one of provider of services to regulator. This presents a major transition although not necessarily a reduction in state intervention. The maturing of the privatised water industry in E&W provides an insight into industry evolution after privatisation given that the ownership structure of the sector has been transformed since the initial listing on the stock exchange.

The role of the state is constantly shifting to support different interests and is constrained by globalisation and supra-state agencies. For example, the EU WFD requires that all countries operate cost recovery water pricing policies. Applying the SoP approach draws attention to the role of the state in creating wider distributional outcomes rather than confining policy to meeting the basic needs of those excluded. In water, this is mainly in the financial beneficiaries of privatisation initiatives. In housing, appreciating land values combined with limited supply response has benefitted landowners. In both sectors, the state has dealt with the growing significance of finance in differing ways across locations. This report, read in conjunction with the other thematic papers, shows that the role of the state transcends overt practices and instead is shaped and shapes social relations. While social policy is delimited by the meeting of basic needs for the most marginalised, social outcomes emerge from the myriad of interactions between agents often across national boundaries. Financialisation practices where resources are transferred from households to the financial sector, often unwittingly, create a shift in social outcomes. A housing policy where social provision is through the private rented sector rather than state-owned social housing creates an income stream for landlords and a distributional outcome that goes beyond simple social policy. The case studies show how the state represents different interests. Over time these sectors have seen a shift in the weight of interests and how they are represented. Social policy comes down to ensuring that basic needs are met. However, the wider systemic inequalities created by the structures of provision often fail to feature in analysis let alone be addressed in policy.

References

Akan T. (2011) "Responsible Pragmatism in Turkish Social Policy Making in the Face of Islamic Egalitarianism and Neoliberal Austerity", International Journal of Social Welfare, vol 20, no 4, pp. 367-80.

Arbaci, S. (2007) "Ethnic Segregation, Housing Systems and Welfare Regimes in Europe", European Journal of Housing Policy, vol 7, no 4, pp. 401-33.

Ashman, S. and B. Fine (2013) "Neo-liberalism, Varieties of Capitalism, and the Shifting Contours of South Africa's Financial System", Transformation, no 81/2, pp. 144-78.

Bakker, K. (2005) "Neoliberalizing Nature? Market Environmentalism in Water Supply in England and Wales", Annals of the Association of American Geographers, vol 95, no 3, pp. 542-65.

Balchin, P. (ed) (1996) Housing Policy in Europe', London: Routledge.

Bayliss, K. (2011) "A Cup Half Full: The World Bank's Assessment of Water Privatisation", in Bayliss et al (eds) (2011).

Bayliss, K. (2014a) "The Financialisation of Water", Review of Radical Political Economics, vol 46, no 3, pp. 292-307.

Bayliss, K. (2014b) "The Financialisation of Water in England and Wales", FESSUD Working Paper Series, no 52, http://fessud.eu/wp-content/uploads/2013/04/52_Case-study_The-Financialisation-of-Water-in-England-and-Wales_final_working-paper-521.pdf

Bayliss K. (2015a) "Neoliberalisation of Water in South Africa", Country Case Study submitted to FESSUD for Deliverable D8.25.

Bayliss, K. (2015b) "Synthesis Report: The System of Provision for Water in Selected Case Study Countries", Water Synthesis Report submitted to FESSUD for Deliverable 8.26

Bayliss, K. and B. Fine (eds) (2008) Whither the Privatisation Experiment?: Electricity and Water Sector Reform in Sub-Saharan Africa, Basingstoke: Palgrave MacMillan.

Bayliss, K, B. Fine and M. Robertson (2013) "From Financialisation to Consumption: the System of Provision Approach Applied to Housing and Water", FESSUD Working Paper Series, no 2.

Bayliss, K., B. Fine, M. Robertson and A. Saad-Filho (2015) "Thirteen Things You Need to Know about Neoliberalism" Thematic Paper submitted to FESSUD for Deliverable D8.27.

Bayliss, K., B. Fine and E. Van Waeyenberge (eds) (2011) The Political Economy of Development: The World Bank, Neoliberalism and Development Research, London: Pluto Press.

Birch, K. and V. Mykhnenko (eds) (2010) The Rise and Fall of Neoliberalism: The Collapse of an Economic Order?, London and New York: Zed Press.

Blyth, M. (2001) "The Transformation of the Swedish Model: Economic Ideas, Distributional Conflict, and Institutional Change", World Politics, vol 54, no 1, pp. 1-26.

Bond, P. and J. Dugard (2008) "Water, Human Rights and Social Conflict: South African Experiences", Law, Social Justice and Global Development, Issue 2008(1), http://www2.warwick.ac.uk/fac/soc/law/elj/lgd/2008_1/bond_dugard/

Brandl, B. and F. Traxler (2005) "Industrial Relations, Social Pacts and Welfare Expenditures: A Cross-National Comparison", British Journal of Industrial Relations, vol 43, no 4, pp. 635–58.

Burger, C. and A. Jansen (2014) "Increasing Block Tariff Structures as a Water Subsidy Mechanism in South Africa: An Exploratory \analysis", Development Southern Africa, vol 31, no 4, 553-62.

Castells, M. (1977) The Urban Question: A Marxist Approach, Cambridge: MIT

Press.

Çelik Ö., A. Topal and G. Yalman (2015) "Fınance and Housing Provision in Istanbul," Country Case Study submitted to FESSUD for Deliverable 8.25.

Crouch, C. (2009) "Privatised Keynesianism: An Unacknowledged Policy Regime", British Journal of Politics and International Relations, vol 11, no 3, pp. 382-99.

DCLG (2014) "Table 671: Annual Right to Buy Sales in England", DCLG Live Tables, https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales (last accessed 24/06/2015)

de Haan, A. (2013) "The Social Policies of Emerging Economies: Growth and Welfare in China and India", Working Paper, no 110 June, International Policy Centre for Inclusive Growth, UNDP.

De la Motte, R. (2005) "Watertime Case study – Gdansk. Poland" FP5 Research Project "WaterTime" Deliverable D20, University of Greenwich.

Deacon, B. (2011) "The Global Politics of Poverty Alleviation in the Context of a (sic) Multiple Crises (sic)", Global Social Policy, vol 11, no 2/3, pp. 146-49.

DPLG (2005) "National Framework for Municipal Indigent Policies" The Department of Provincial and Local Government, Republic of South Africa, http://www.cogta.gov.za/index.php/2014-04-29-10-00-08/739-municipal-indigent-policy-national-framework-book1-1?path=

DWA (2013) "National Water Policy Review (NWPR)" Department for Water Affairs, Government Gazette No. 36798, https://www.dwaf.gov.za/Projects/WaterPolicy/docs/NWPR%20Public%20%20Notice%20gazette%2030Aug13.pdf

Emmenegger, P., J. Kvist, P. Marx and K. Petersen (2015) "*Three Worlds of Welfare Capitalism*: The Making of a Classic", Journal of European Social Policy, vol 25, no l, pp. 3-13.

Esping-Andersen, G. (1990) The Three Worlds of Welfare Capitalism, Princeton: Princeton University Press.

Fine B. (1990a) The Coal Question: Political Economy and Industrial Change from the Nineteenth Century to the Present Day, London: Routledge, Routledge Revival, 2013.

Fine B. (1990b) "Scaling the Commanding Heights of Public Sector Economics", Cambridge Journal of Economics, vol 14, no 2, pp. 127-42.

Fine, B. (1997) "Industrial Policy and South Africa: A Strategic View", NIEP Occasional Paper Series, no 5, Johannesburg: National Institute for Economic Policy.

Fine, B. 2008). "Privatization's Shaky Theoretical Foundations", in Bayliss and Fine (eds) (2008).

Fine, B. (2014) "The Continuing Enigmas of Social Policy", prepared for the UNRISD project on Towards Universal Social Security in Emerging Economies, UNRISD

Working Paper, no 2014-10, June, http://www.unrisd.org/Fine, forthcoming in edited collection in shorter version.

Fine, B. (2015a) "From One-Dimensional Man to One-Dimensions Economy and Economics", mimeo.

Fine, B. (2015b) "Across Developmental State and Social Compacting: The Peculiar Case of South Africa", mimeo.

Fine, B. and D. Hall (2012) "Terrains of Neoliberalism: Constraints and Opportunities for Alternative Models of Service Delivery", in McDonald and Ruiters (eds) (2012)

Fine, B. and L. Harris (1985) The Peculiarities of the British Economy, London: Lawrence and Wishart.

Hall D. and E. Lobina (2007) "International Actors and Multinational Water Company Strategies in Europe, 1990–2003" Utilities Policy, vol 15, no 2, pp. 64-77.

Harloe, M. (1995) The People's Home, Oxford: Basil Blackwell.

Harvey, E. (2005) "Managing the Poor by Remote Control: Johannesburg's Experiments with Prepaid Water Meters", in McDonald and Ruiters (eds) (2005).

Isaacs, G. (2015) "Housing System of Provision – South African Case Study", Country Case Study submitted to FESSUD for Deliverable 8.25.

Jensen, C. (2011a) "The Forgotten Half: Analysing the Politics of Welfare Services", International Journal of Social Welfare, vol 20, no 4, pp. 404–12.

Jensen, C. (2011b) "Determinants of Welfare Service Provision after the Golden Age", International Journal of Social Welfare, vol 20, no 2, pp. 125–34.

Jung, C. and A. Walker (2009) "The Impact of Neo-liberalism on South Korea's Public Pension: A Political Economy of Pension Reform", Social Policy and Administration, vol 43, no 5, pp. 425-44.

Kay, J. and D. Thompson (1986) "Privatisation: A Policy in Search of a Rationale", The Economic Journal, vol 96, no 381, pp. 18–32.

Lis, P. (2015a) "Financialisation of the System of Provision Applied to Housing in Poland", FESSUD Working Paper Series, no 100, http://fessud.eu/wp-content/uploads/2015/01/2-LisP_FESSUD_WP8_housingPoland-working-paper-100.pdf

Lis, P. (2015b) "Financialisation of the Water Sector in Poland", FESSSUD Working Paper, no 101, http://fessud.eu/wp-content/uploads/2015/03/FESSUD_WP8_Financialisation_of_the_water_sectorInPoland_working-paper101.pdf

MacLeavy, J. (2010) "Remaking the Welfare State: From Safety Net to Trampoline", in Birch and Mykhnenko (eds) (2010).

McDonald, D. and G. Ruiters (eds) (2005) The Age of Commodity: Water Privatisation in Southern Africa, Earthscan: London.

McDonald, D. and G. Ruiters (eds) (2012) Alternatives to Privatization: Exploring Non-Commercial Service Delivery Options in the Global South, London: Routledge, and Cape Town: HSRC Press, http://www.hsrcpress.ac.za/product.php?productid=2287&freedownload=1

McKenzie, R., Z. Siqalaba and W. Wegelin (2012) "The State of Non-Revenue Water in South Africa" Report No TT 522/12 for Water Research Commission, South Africa.

McKinley, D. (2014) "Labour and Community in Transition: Alliances for Public Services in South Africa" Municipal Services Project Occasional Paper, no 24, http://www.municipalservicesproject.org/sites/municipalservicesproject.org/files/publications/OccasionalPaper24_McKinley_Labour_and_Community_in_Transition_Alliances_for_public_services_in_South_Africa_June2014.pdf

Molina, O. and M. Rhodes (2002) "Corporatism: The Past, Present, and Future of a Concept", Annual Review of Political Science, vol 5, pp. 305-31.

NAO (2013) "Infrastructure Investment: The Impact on Consumer Bills", Report by the Comptroller and Auditor General, National Audit Office, London.

Öberg, P., T. Svensson, P. Christiansen, A. Nørgaard, H. Rommetvedt and G. Thesen (2011) "Disrupted Exchange and Declining Corporatism: Government Authority and Interest Group Capability in Scandinavia", Government and Opposition, vol 46, no 3, pp. 365-91.

Ofwat (2010a) "Affordability and debt 2009-10 current evidence" Report by Ofwat, Birmingham, http://www.ofwat.gov.uk/future/customers/metering/affordability/pap_tec201105affevid.pdf

Ofwat (2010b) "A drain on society – what can be done about water debt?" Report by Ofwat, Birmingham, http://www.ofwat.gov.uk/publications/focusreports/prs_inf_baddebt.pdf

Ost, D. (2000) "'Illusory Corporatism' in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities", Politics and Society, vol 28, no 4, pp. 503-30.

Ost, D. (2011) "Illusory Corporatism Ten Years Later", Warsaw Forum of Economic Sociology, vol 2, no 1, pp. 19-49.

Parker, D. (2004) "The UK's Privatisation Experiment: The Passage of Time Permits a Sober Assessment" CESifo Working Paper, no 1126.

Pierson, P. (2001) The New Politics of the Welfare State, Oxford: Oxford University Press.

Prabhakar, R. (2013) "Asset-Based Welfare: Financialization or Financial Inclusion?", Critical Social Policy, vol 33, no 4, pp. 658-78.

Prasad, N. (2007) "Social Policies and Water Sector Reform" Markets, Business and Regulation Programme paper Number 3, United Nations Research Institute for Social Development, Geneva.

Rhodes, M. (2001) "The Political Economy of Social Pacts: 'Competitive Corporatism' and European Welfare Reform", in Pierson (ed) (2001).

Robertson, M. (2014) "Housing Provision, Finance, and Well-Being in Europe", FESSUD working paper no. 14, http://fessud.eu/wp-content/uploads/2013/04/Housing-provision-Finance-and-Well-Being-in-Europe-Working-paper-14.pdf

Robertson, M. (2015) "Synthesis Report: The System of Provision for Housing in Selected Case Study Countries", Housing Synthesis Report submitted to FESSUD for Deliverable 8.26.

Santos, A., N. Serra and N. Teles (2015) "Finance and Housing Provision in Portugal" FESSUD Working Paper Series, no 79, http://fessud.eu/wp-content/uploads/2015/01/FESSUD_Working-Paper-Series_Santos-Serra-Teles-2015-79.pdf

Sappington, D. and J. Stiglitz (1987) "Privatisation, Information and Incentives" Working Paper, no 2196, National Bureau of Economic Research, Cambridge Mass.

Shonfield, A. (1965) Modern Capitalism: The Changing Balance of Public and Private Power, Oxford: Oxford University Press.

Siegel, N. (2005) "Social Pacts Revisited: 'Competitive Concertation' and Complex Causality in Negotiated Welfare State Reforms", European Journal of Industrial Relations, vol 11, no 1, pp. 107-26.

Smith, N. (1979) "Towards a Theory of Gentrification: A Back to the City Movement by Capital, not People", Journal of American Planning Association, vol 45, no 4, pp. 538-48

Smith, L. A. Gillett, S. Mottiar and F. White (2005) "Public Money, Private Failure: Testing the Limits of Market Based Solutions for Water Delivery in Nelspruit", in McDonald and Ruiters (eds) (2005).

Stiglitz, J. (1998) "More Instruments and Broader Goals: Moving toward the Post-Washington Consensus", Wider Annual Lecture, Helsinki, 7 January, reprinted in

Chang, H-J. (ed) (2001) Joseph Stiglitz and the World Bank: The Rebel Within, London: Anthem Press.

Swyngedouw, E. (2006) "Power, Water and Money: Exploring the Nexus" Occasional Paper, no 2006/14, UNDP Human Development Report Office, Background Paper for UNDP Human Development Report.

Teles, N. (2015) "Financialisation and Neoliberalism: The Case of Water Provision in Portugal" FESSUD Working Paper, no 102, http://fessud.eu/wp-content/uploads/2015/03/Financialisation-and-neoliberalism-the-case-of-water-provision-in-Portugal-working-paper-102.pdf

UNDP (2006) "Beyond Scarcity: Power, Poverty and the Global Water Crisis" Human Development Report 2006.

Van Gent, W. (2010) "Housing Policy as a Lever for Change? The Politics of Welfare, Assets and Tenure", Housing Studies, vol 25, no 5, pp. 735-53.

van Kersbergen, K. and B. Vis (2015) "Three Worlds' Typology: Moving beyond Normal Science?", Journal of European Social Policy, vol 25, no l, pp. 111-23.

Watt, P. (2009) "Housing Stock Transfers, Regeneration and State-Led Gentrification in London", Urban Policy and Research, vol 27, no 3, pp. 229-42.

Webster, E., Joynt, K. and Metcalfe, A. (2013), "Repositioning Peak-Level Social Dialogue in South Africa: NEDLAC into the Future", Johannesburg: NEDLAC.

Wiarda H. (1997) Corporatism and Comparative Politics: The Other Great Ism, New York: Sharpe.

Woolfson, C. and Kallaste, E. (2011) "Illusory Corporatisms in the Baltic States", Warsaw Forum of Economic Sociology, vol 2, no 1(3), pp. 51-72.

Yilmaz, G. and Ö. Çelik (2015) "Case Study: Rethinking Istanbul Waters through Systems of Provision", Country Case Study submitted to FESSUD for Deliverable 8.25.

[i] For the Case Study reports (D8.25), see Bayliss (2014 and 2015a); Çelik, Topal and Yalman (2015); Isaacs (2015); Lis (2015a; 2015b); Robertson (2014); Santos, Serra and Teles (2015); Teles (2015); Yilmaz and Çelik (2015). For synthesis papers (D8.26) see Bayliss (2015b) and Robertson (2015).

[ii] For more details on the SoP approach see Bayliss Fine and Robertson (2013).

[iii] In doing so, we draw on and develop earlier work, Fine (2014 and 2015b), for some of which the support of Fessud is acknowledged, and Bayliss and Fine (2008).

[iv] This is not to say that providing adequate shelter and sanitation to the working class is the only nor even main factor driving slum clearance and similar interventions. Imposing formal property rights on high value inner city land also plays an important role.

[v] We do not seek to distinguish between social compacting and social corporatism as forms of economic and social organisation, and as a framework for understanding such, with social corporatism's focus upon state, business and labour relations heavily historically attached to Bismarckian reforms to solicit working class acquiescence.

[vi] See Blyth (2001) for an account with some emphasis on ideational factors, p.11:

> In sum, the huge financing at its disposal allowed SAF [employers] to mount a sustained attack on the Swedish model. Initially however, business began this revolution rather traditionally [with lockouts]. Aiming at defeating labor itself, business did not yet realize the importance of defeating labor's ideas first.

See also Öberg et al (2011) for an account of the decline of Scandinavian corporatism in view of a mix of factors such as decline of strength of labour movement, dilution and fragmentation of interests, devolution to higher and lower levels than national government, and growing strength of employer organisations.

[vii] Indeed, the last heave in favour of neo-corporatism, and understanding it in terms of the SCP, was embodied in the Varieties of Capitalism, VoC, approach. It offered a

mix of (market imperfection) microeconomics, macroeconomics and institutionalism, building upon "five spheres" that are taken as the building blocs of capitalism's national varieties – industrial relations, vocational training and education, corporate governance, inter-firm relations, and intra firm-employee relations. Even if each sphere could only take on binary values, admittedly independently of one another, this would allow for 32 varieties of capitalism! But these are reduced to the two ideal types of liberal as opposed to coordinated market economies.

[viii] This also applies to VoC literature, for, as observed by Ashman and Fine (2013), there is peculiar tension in the VoC approach in relation to its treatment of finance. It does not appear in the five building blocs, and yet it is frequently and increasingly referenced in continuing literature as a major factor in economic performance (with a predisposition to favour coordination between this sixth sphere and the other five). In retrospect, irrespective of the other criticisms that might be levelled at the VoC approach, this is a major deficiency. For it seriously distorts how varieties of capitalism are understood and what the prospects are for one or other variety to emerge and prosper.

[ix] See also our neoliberalism theme paper, and the section above on social compacting.

[x] Just to emphasise the point, in a review of social policy across the hundreds of articles consulted, financialisation was found to appear only four times, and only in passing: in Akan (2011, p. 372) where, for a Turkish Islamic sect, with "real production-centred economic investment and the elimination of the overfinancialisation of the aggregate economic activity, there would not be unemployment but full employment"; in the "Digest" for Global Social Policy, vol 10, no 3, 2010, which "reminds us of the role of the International Finance Corporation section of the [World] Bank in encouraging the financialisation of pensions and health care in developing countries"; as the financialisation of households in the short-lived UK, New Labour Child Trust Fund, Prabhakar (2013); and, almost

certainly casually if significantly, in the Jung and Walker (2009, p. 434) study of South Korea: the neo-liberals, whose position is strengthening constantly, have demanded the financialization of the NPF [National Pension Fund].

[xi] See the thematic papers on neoliberalism and financialisation for D8.26.

[xii] They also suggest that, "to further the comparative literature on welfare regimes, we need to move beyond within-paradigm empirical questions of which the theoretical relevance or goal is not specified", p. 115.

[xiii] Although there has been a damage limitation exercise insofar as the WRA tends to focus on social security as opposed to other elements of social policy. See especially Jensen (2011a and b).

[xiv] http://www.un.org/waterforlifedecade/human_right_to_water.shtml

[xv] Each company has a Customer Challenge Group (see Bayliss 2014 for more details).

[xvi] http://www.epal.pt/EPAL/en/menu/customers/tariff/special-tariffs

[xvii] According to DPLG, "Guidelines for the Implementation of the National Indigent Policy by Municipalities", Draft Document 1 (November 2005) (Guidelines), cited in SAHRC 2014, p29.

[xviii] Estimated from figures for ten months.

[xix] See Fine (1990a and 1990b) and, for a retrospect, Bayliss and Fine (eds) (2008).

[xx] For the demise of such fields with the rise of neoliberalism and their displacement primarily by the "imperialism" of microeconomics, see Fine (2015a) and Work Package 12, Deliverable 5 in preparation.

[xxi] Fine offers ten elements of the synthesis although these have been reduced through merger and précis in what follows.

[xxii] Thus, private and privatised firms "cream off" the profitable activities and customers and leave the hard to serve as the residual responsibility of the state. Further, situations change over time. Empirical assessment in Buenos Aires in 2005 for example, found water privatisation to be beneficial (albeit with a disputed

methodological approach) but clearly would have come to different conclusions if undertaken after the contract collapsed in 2006 (Bayliss 2011)!

[xxiii] But, if privatisation were to exert such a dramatic change on the incentives of, and disciplines on, managers in making them more efficient, it would be more strongly resisted by them (Kay and Thompson (1986), although they can be amply rewarded through, and to induce, the privatisation process itself. Note also the failure to take account of, even to deny, the potential for and of a public sector ethos amongst both workers and managers that is beneficial and liable to erode with privatisation.

[xxiv] Finance for industry has also along been an issue for critical accounts, especially for the UK and also for post-apartheid South Africa. See Fine and Harris (1985) and Fine (1997), respectively.

[xxv] Indaqua is owned by Portuguese shareholders - Mota Engil, Soares da Costa and Hidrante; Aquapor, formerly part of the state-owned utility AdP, was sold in 2007 to a consortium of Portuguese investors, DST and ABB. A third significant investor in the sector, AGS, was owned by Somague, a Spanish subsidiary of Sacyr Valleheremoso but in 2014 was sold to Marubeni

[xxvi] Standard&Poors, Fitch and Moody's

[xxvii] For example, Moody's Announcement, 9 Dec 2014, "Regulatory changes could be credit negative for highly-leveraged UK water companies".

[xxviii] "Northumbrian water in Hong Kong takeover deal" 2 August 2011 BBC News. http://www.bbc.co.uk/news/business-14374410

[xxix] For example, Indaqua, part of Mota-Engil, operates in Angola and Aquapor, part of AGS, operates in Mozambique. AdP, given its size, was the first Portuguese company to internationalize, particularly in Mozambique and East Timor. However, that strategy failed to produce profitable outcomes and was later overturned.

Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number : 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

THE PARTNERS IN THE CONSORTIUM ARE:

Participant	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain

Published in Leeds, U.K. on behalf of the FESSUD project.