

The Financialization of Housing and Basic Human Rights

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Abstract: Lack of housing to live safely which is a basic human right has been severely foreclosed. The financialization of housing is the term that means when the housings are traded like a commodity rather than a place to raise a family and live safely. This is a global threat that is increasing as time passes by. Therefore, some serious actions are required to be taken by both nations and international communities to solve this crucial issue. The key actions I have suggested in my research paper are the imposition of Proper tax on housing, Cooperation between government and financial institutions, Restriction on foreign investments in real estate, Imposition of penalty, Public housing, and Social housing.

1. INTRODUCTION

Appropriate housing is at the core of all human rights, which is being severely impinged by the rich and big financial institutions. The term financialization of housing means when the housing is traded as a commodity to accumulate wealth rather than a place for the dwelling of human beings or as a basic social need for humanity. This is a serious issue in the world that needs to be solved by the states and governments. The financialization of housing is a critical threat to basic human rights, which needs global attention. Housing and living with dignity is one of the basic human needs, which has been taken away by the wealthy and rich class people from those with low incomes and those who live in poverty. An appropriate place to live in and raise a family is the right of every human being irrespective of their social status and lifestyle. Taking the issue of the financialization of housing into consideration, it is the responsibility of the government to find appropriate solutions to this threatening problem, and make sure that residents are not deprived of their basic human rights. Thus, the financialization of housing is in contrast with basic human rights, which needs strategic actions to avoid this phenomenon to make sure that people are not deprived of their basic human rights.

The financialization of housing is a global issue, which needs global attention, however, the rate of its criticality varies from state to state and even nation to nation. In developing economies, take my Country-Afghanistan for example, in most cities even informal settlements are subject to speculative investments. Informal settlements in most of the urban areas in Afghanistan are regularly demolished for luxury housing and commercial development, such as shopping malls and other high-end services intended for those with expendable incomes. This scenario, I believe is highly threatening to the households. Residents are displaced and often rendered homeless to make ways for luxury housing, and often the apartments or flats stand vacant.

Problem Statement

The financialization of housing has resulted in the loss of housing and basic sheltering globally which is the loss of basic human rights. This issue has also resulted that for many people it has become quite challenging to afford to buy or renting an average place to live in. This is a global challenge that needs global attention.

Purpose of the study

The purpose of the study is to find out solutions to this global tragedy, which is the financialization of housing.

Research Questions

- What are the problems of the financialization of housing?
- What are the possible solutions to overcome the financialization of housing?

2. REVIEW OF LITERATURE

The financialization of housing is a serious global threat to human beings, which needs to be addressed and properly solved by nations and the international community. In this research, I have listed a few key actions to be taken to resolve this problem. This research is the result of a deeper and authentic analysis of various sources.

The financialization of housing has tremendously increased housing prices in many cities to the extent that most residents cannot afford appropriate housing. When housing prices increase, low-income people and sometimes even middle-income residents are forced out of their communities because of the high rent and price of housing. This leads to foreclosure and homelessness in communities. According to a report on the financialization of housing by The United Nations Human Rights Council's 2017, in the U.S., in the five years following the financial crisis, over 13 million foreclosures resulted in more than 9 million households being evicted. In Spain, more than half a million foreclosures resulted in over 300000 evictions. This indeed is a serious warning to the basic human rights being trampled by states and nations.

Almost all financial institutions seek out housing as a means to increase their capital, which must be worrisome for the states. Such attitude towards housing in the global market is a critical warning on taking the basic human rights from them by business people and the rich class. As mentioned in the report by the United Nations Human Rights Council's 2017, "global real estate represents nearly 60% of the value of all global assets, which represents more than twice the world's total GDP." Increased prices of housing and real estate assets have become key attributes in the creation of greater wealth inequality. Those who own property in prime urban locations have become richer, while lower-income households facing the enormous costs of housing become poorer. Surveys of ultra-high-net-worth individuals show that more than half of their accumulated wealth comes from residential properties, with the common reason being to sell at a later date and to provide a safe haven for wealth.

Financialized housing markets respond to the desires of global investors rather than to the needs and wants of communities. The average income of households in the community is of little concern to real estate investors, who play the game of speculation and are likely to replace affordable housing that is needed in the community with luxury housing that sits vacant since the rent to be paid or the price to be paid for such housing is far above the income level of residents with average income. The owners of the household who are in the business of real estate, make- their decisions about housing by taking into consideration the factors such as, its use, its cost, where it will be built, or whether it will be profitable or not with no engagement or accountability to the communities in which their assets are located.

3. THE ASSAULT ON HUMAN RIGHTS CAUSED BY THE FINANCIALIZATION OF HOUSING

- The financialization of housing undermines democratic governance and community accountability.
- The financialization of housing exacerbates inequality and social exclusion.
- The financialization of housing detaches housing from its connection to communities and to the human dignity and security that are at the core of all human rights.

In case of the first assault, governments are more likely to respond to what financial institutions demand rather than to what human rights require. This critically undermines democratic governance and community accountability. The second assault indicates that the financialization of housing creates inequality among the residents. It creates more wealth for the wealthy and makes the poor even poorer. Finally, the last assault is that the financialization of housing results in making housing more as a commodity rather than a place of living, so it makes the housing dehumanized. Thus, taking into consideration the three assaults of financialization of housing, it is critically important to fight this issue by taking strategic actions by the governments and the financial institutions.

4. WHAT SHOULD BE DONE TO MITIGATE FINANCIALIZATION OF HOUSING?

- I. **Proper tax on housing:** to avoid the crucial phenomenon of financialization of housing, governments should levy a proper tax on housing. For instance, there should be an excessive tax on luxury houses. With excessive tax imposition on such housing, most owners are discouraged from demolishing informal housing and building unnecessarily luxury houses, which most often remain vacant and as a result, most residents become deprived of

proper housing for living. On the other hand, excessive tax gained from luxury housing could be used by nations to subsidize housing for low-income people.

- II. **Government and financial institutions cooperation:** government and financial institutions should work hand in hand with a common vision of building communities rather than investing in real estate to make a profit. Financial institutions should trade housing as a basic need of humanity rather than as an asset to accumulate wealth irrespective of- considering human rights. Thus, there are to be some regulations imposed on -financial institutions by the government and make sure that the cooperation between financial institutions and government is maintained.
- III. **Restriction on foreign investments in real estate:** another solution to avoid the housing crisis is to restrict foreign investments in the housing market by the nations. It is because, most hedge cities like London, New York, Sydney, Mumbai, and many more attract foreign investments and as a result, making the housing prices skyrocketed in the market. Most foreign investors invest in housing for making a profit in the future or spending leisure time once in a while rather than for regular dwelling. Therefore, foreign investors should only be allowed to invest in housing, if they use it for regular residence or any other productive purpose in the community.
- IV. **Penalty imposition:** rigorous fine is to be enforced on vacant houses and financial institutions which goes against government rules and regulations on house trading. Penalty on vacant housing ensures that not a single house remains unused and vacant, but rather they are occupied and used for habitation. Enormous penalty on financial institutions also guarantees that financial institutions do not take law lightly, and additionally cooperate with the government successfully.
- V. **Public housing:** first of all, let's define public housing; it is a form of housing tenure in which the property is usually owned by a government authority, which may be central or local. The key objective of public housing is to facilitate affordable housing for low-income residents. Public housing is an effective policy to avoid homelessness and provide people a safe place to live with dignity. Therefore, governments should invest in public housing programs to mitigate the housing crisis and satisfy the most crucial human right in this era. The public housing programs provide affordable rental housing in communities that give rental assistance to participants.
- VI. **Social housing:** social housing is any rental housing that is owned and managed by non-profit organizations or both government and not-for-profit organizations, intending to provide affordable housing. Social housing can be seen as a potential remedy to housing inequality. Therefore, this can also be a sound and effective policy to be encouraged in nations to prevent the financialization of housing and make sure that people are not deprived of their basic human right that is living safely with dignity.

To conclude, the financialization of housing is a serious threat to human life, which needs to be strategically fought by both governments and financial institutions, especially in those cities with critical housing crisis such as New York, London, Stockholm, Sydney, Mumbai, and many other such cities around the globe. As Adam Smith, also known as (The Father of Economics) quotes in his popular book, *The Wealth of Nations*, "As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce." Thus, to mitigate the privatization of housing, nations should have a proper plan and policy for public housing and social housing. In addition to that, proper strategies, such as impositions of tax, penalty on vacant housing, government and financial institutions cooperation and restricting foreign investments on real estates are required to be applied by nations to eradicate financialization of housing and make sure that the basic human right which is housing is not trampled by the wealthy and financial institutions.

5. CONCLUSION

The financialization of housing is a serious global threat, which has taken away basic human rights from people across the globe. Proper housing and a place to live safely are one of the most essential and basic human rights, which need to be protected by the state governments and international community.

Currently, in most of the developing and even developed countries such as India, China, United Arab Emirates, France, Spain, and many other counties most people are deprived of this basic human right. Therefore, this issue needs to be properly addressed by both the national and international community to give this basic human right back to them.

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As I have mentioned in my research, there are some basic solutions which if implemented properly by the nations and international community, the issue of the financialization of housing can be tackled effectively and efficiently.

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