

# European Housing Sector in Decay

## European Housing Sector in **Decay**

US.POLITSTURM.COM

2023-02-01

7 min read

Following the COVID-19 pandemic, many countries faced a surge in house prices as many workers who could work remotely or were close to retiring chose to move away from the towns and cities that they previously lived in.

Now that the economic after-effects are being felt, the housing sector in major European cities is facing a slump. It is clear that the capitalist world economy is in a profound crisis: a process that Karl Marx noted is periodic and ingrained in the cyclical development pattern of the capitalist system.

The manifestation of the crisis through (but not limited to) the development of this house price slump reveals the gravity of this event as homes and land are traditionally seen as safe, long-term investments by the capitalist class and the speculative bubbles that ensues seems to have never ceased driving up prices.

London, for instance, is notorious all over the world as being exceptionally expensive to buy a house. As such, the city has become a playground for the world's über-rich, where the value produced from the sweat and blood of the proletariat is safely stored in properties that lie empty for most of the year<sup>1</sup>. This London does not exist for the working-class.

The city has one of the highest rates of children growing up in poverty within the United Kingdom, with 8 of 20 parliamentary constituencies with the highest level of child poverty being found in London. There is little in the way of social housing as it is more profitable to sell off the properties than to ensure the workers of the city have shelter; what little social or affordable housing there is, is still expensive and often completely inadequate for human habitation.

Error loading image

Workers' homes in London (indeed all over Britain) are decrepit and harmful to the health of its inhabitants; leading to the tragically common demise of children.<sup>3</sup>

For the bourgeoisie this is of no concern. So long as rent is paid and property prices continue to rise, the deaths and struggle to life that the most immiserated face is callously disregarded. Following the pandemic and the ensuing crisis however, the bourgeois class is now facing a loss of investment as housing has depreciated in value.

On the 18th of January 2023, the Office for National Statistics confirmed what had been feared since October: housing prices had started to fall for the first time in a year, falling by 0.3% in the month between October and November<sup>4</sup> (no doubt it has continued to fall since then).

Following the near economic meltdown due to the policies of Liz Truss' premiership<sup>5</sup>, the British economy has slipped further into an economic crisis that is deeper than what was once thought.

Briefly, a series of reforms outlined by the former Prime Minister's government shocked the markets, Britain's and the global bourgeoisie; the spook almost led to economic collapse as the policies led to government borrowing rates spiraling out of control and almost wiped a large portion of pensions saved in the UK. Britain narrowly avoided this meltdown as the faction of the British bourgeoisie that Truss represented was forced to back down and lost power.

The damage though was done. As borrowing has become much more expensive and Britain's economy is incredibly stagnant- mortgages are more expensive, lowering the amount of people willing to borrow to buy a home- coupled with inflationary pressure that is eroding the savings and wages of the working-class, housing prices have started to depreciate. This is the cause for the price of housing falling.

Property prices are on track for a double-digit fall as the economic downturn 'becomes entrenched', said Andrew Goodwin, chief UK economist at Oxford Economics whilst Barret Kupelian, senior economist at the consultancy PwC, expects an 8 per cent fall in house prices this year, in line with the trend in other advanced economies that are 'also trying to cope with low economic growth, high inflation and tightening financial conditions'<sup>6</sup>.

This would be especially catastrophic to the British bourgeoisie. As mentioned, the UK's economy is exceptionally stagnant and the country is finding it increasingly difficult to maintain her ranking in the imperialist chain. A desperate source of profit is the property market, especially London's, and the ensuing rent-seeking that comes with it.

Should house prices continue to fall beyond the estimated double-digit figure it would represent a colossal hit to the imperialists of Britain. The fall-out would mean an unleashing of repression against the proletariat which daily is being radicalised against the capitalist system as the capitalist class would be poorer, vulnerable and desperate to maintain their exploitative position.

Similarly in Sweden housing prices are set to fall dramatically over the next few months with some economists anticipating a 20% downturn after a dramatic 30% rise over the course of the pandemic.

According to Stefan Ingves, the former head of Sweden's Riksbank from 2006 to 2022 this is because 'the debt level in the household sector is just way, way too high and there will be a day of reckoning and eventually rates will go up, and now rates have gone up' with the effect on the Swedish population being 'that households have to pay more and the interest rate sensitivity... is much higher.'<sup>7</sup> Similar to the UK and indeed the rest of the world, this reveals how crises are inevitable under the capitalist system, and the working-class will be made to suffer as the bourgeoisie seeks to increase the exploitation of the workers.

Error loading image

High interest rates means it is harder to borrow money and it encourages people to save their money. This causes an economic slowdown and a lower rate of inflation as businesses are not making as much money and prices therefore do not rise as capitalists are losing revenue. This however, is not the case currently. Currently the rate of inflation is exceptionally high and is seemingly set to remain high for at least a year according to most estimates.

What this means is that the proletariat faces imminent poverty and prolonged immiseration as saving does nothing due to the rate of inflation raising prices and depreciating the value of their wages.

What will inevitably follow is rising tensions between the proletarians of Sweden and the bourgeois class of that country. Labour disputes will lead to strikes as is now the case in Britain and France and the working masses will come to a head as the capitalists of Sweden seek to stifle the proletariat from organising, winning better wages and developing a revolutionary outlook.

This scenario is developing across the Baltic Sea in as well. House prices in Germany are estimated to drop about 25% over the next few years from peak to trough, Jochen Moebert, a macroeconomic analyst at Deutsche Bank, has forecast.

Error loading image

This is an eye-watering amount, especially since prices have already fallen 5% since March according to Deutsche Bank data. A recent report by UBS Real Estate placed two German cities- Munich and Frankfurt- in the top four of its Global Real Estate Bubble Index for 2022, as places with 'pronounced bubble characteristics.'<sup>8</sup> German proletarians, like their brothers in Sweden and Great Britain face increased exploitation from the German bourgeoisie as they seek to maintain their profits from owning property.

However, this will cause the workers of Germany to resist these attempts as the German proletariat faces a massive decrease in their living standards as inflation, fuel prices and other aspects of the crisis rear their heads.

German imperialism and by extension EU imperialism faces a difficult period ahead. Already wary of American imperialism, the EU has since been driven closer once more due to the conflict in Ukraine as they seek to ensure that Ukraine is not lost as a dependent nation.

However, as Marx and Lenin both demonstrated even within an imperialist camp, contradictions arise that are the seeds for future imperialist conflict. France, Germany and their EU partners have become increasingly vocal in its opposition to President Biden's Inflationary Recovery Act which seeks to reduce inflation and increase the US' role in developing clean and green energy, something which the EU deems as harmful to its own industries and technology sector. As such, Germany, being exceptionally dependent on US energy as she has sought to drastically reduce the amount of Russian energy she imports.

As such, the EU is seeking to develop its technology sector further and reduce her dependency on the US, however, the current capitalist crisis and conflict in Ukraine is hindering this process and the European Union is caught in a claustrophobic position. Since European imperialism is navigating fraught waters, it will seek to maintain buoyancy the only way it knows how: increasing exploitation of the proletariat. The proletarians of Europe and the workers of nations dependent on European capital as a consequence will be forced into poverty and deprivation as the imperialists in Brussels, Paris and Berlin seek to maintain their position in the imperialist chain.

The housing sector crisis is just the latest expression of this tendency; what will inevitably follow is the heightening of tensions and contradictions between the bourgeois of various nations as well as the primary contradiction of the bourgeoisie and the proletariat as working-class people will inevitably take up the banner of struggle to resist the worsening of their conditions. The coming period is therefore crucial for principled Marxist-Leninists, guided by the correct theoretical applications and material analyses, to link up with the growing proletarian movement as only this way can workers begin to transform their mindset from spontaneous, unconscious reaction to bourgeois society to a higher, conscious revolutionary one which is the real threat to the capitalist system. Only then can dedicated workers' parties that avoid the revisionist, opportunist and chauvinist tendencies that have mired the so-called communist parties since the middle of the 20th century can become a powerful force and threaten the stranglehold of the capitalist on the worker.

Sources: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10