

# The Privatization of Public Housing in Stockholm Municipality

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[There are questions that opens for discussions in many different directions in this paper and I guess I have to concentrate on a specific area. I will gratefully receive criticism and comment on how I can refine my research question and empirical basis. I am especially grateful for suggestions for a suitable choice of theory.]

## Abstract

This paper intends to critically describe and analyze the development of the public housing sector in Stockholm Municipality and the changes in ownership structures it has been subjected to over the last ten years. The changes in ownership structure have meant that a commodification of a large proportion of the housing stock which has been sold to tenants of the apartments in the form of housing associations, or to private landlords. Other changes denote a shift towards a New Public Management approach regarding the means of control of the municipal housing companies. This is manifested in the applied accounting principles and its juridical framework. The material used is political documents, official statistics, annual reports as well as previous research. The study involves one the largest public housing company in Stockholm: Svenska Bostäder AB owned by the municipality. Theory currently used for analyzing this data is David Harvey's contemporary rendering on Marx's theory of primitive accumulation. The results indicate a clear shift in the ownership structures of the public housing in Stockholm. Away from public ownership towards the individual benefit of tenants and private companies. What previously was not a commodity, has been commodified and public resources has been transferred from the common to the private. Furthermore, change can also be seen in the internal governance of municipal housing companies and its legal framework, where businesses and private enterprises tend to have emerged as role models.

## Introduction

The privatization processes of public welfare services in Sweden have increased markedly during the last twenty years. A widespread opinion in nearly all political camps was, and to some extent still is, that the shift from public owned ownership rights to private would free companies from bureaucratic shackles.<sup>1</sup> From a Swedish economic-historical perspective, the public assets that were redistributed during and since the 1980s probably constituted the greatest transformation in collective ownership rights to private since the privatizations in the 1800s.

Towards the end of the 1960s and in the beginning of the 1970s, the municipalities got increased responsibilities for the businesses initiated by state reforms. This was perceived as a shift between the state and the municipality's responsibilities, as well as blurring the previously clear demarcations between the two. At the same time, the municipal sector's powerful and growing expansion was regarded as a problem. The expansion, however, continued to grow, albeit more slowly.<sup>2</sup> At the end of the 1970s, there was a general discussion about the municipal sector's finances being in a crisis; however, this was not supported in the municipality's own accounts.<sup>3</sup> It was not until the 1980s that the municipal sector's economic conditions worsened.<sup>4</sup> The municipalities were regarded as being in a situation termed "new poverty".<sup>5</sup>

The 1990s can be regarded as a decade of privatizations in Sweden. Decisions about liquidation and privatizations first concerned primarily state-owned businesses; eventually, however, they began to, to a growing extent, affect areas operated by municipalities. Municipalities began to change their structure and organization by opening up to competition and economic incitement. Amongst other things, new governing models were introduced; the so-called "purchaser/provider model" was combined with other forms of performance incentives colored by New Public Management.

Privatization within the Swedish municipal sector is a vast field and includes several different activities. First, the overall municipal commitment is extensive and includes many different areas, from housing to energy and education. Second, the privatization concept is wide and sometimes a difficult concept to straighten out. It may include everything from selling of public assets to private actors, to the establishment of contracts between a municipal purchaser and a private provider. For that very reason, the housing sector constitutes a clear marker in the ownership structures between public and private -

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<sup>1</sup> Clifton Judith, *Privatisation in the European Union*, Public Enterprises and Integration Kluwer Academic Publishers, London, 2003.

<sup>2</sup> Between the years 1970 and 1980, the amount of employees working for the municipalities increased by 62 per cent, this despite the fact that the country's overall growth had just about stagnated. The investments, however, decreased significantly between 1975-75 (Siverbo 2001, s.37).

<sup>3</sup> Siverbo, S., *Reformer och regler. Om att spara och förändra i offentliga organisationer*, Förvaltningshögskolan, Göteborgs universitet, 2001.

<sup>4</sup> Bäck, H., *När krisen kom*, Företagsekonomiska institutionen, Stockholms universitet, 1993.

<sup>5</sup> Brunsson, N., Rombach, B., *Går det att spara?: Kommunal budgetering under stagnation*, Lund, Doxa, 1982.

either you sell a house or you keep it. It is a tangible asset that normally does not allow hybrid forms of public and private ownership.

The aim with this paper is to critically describe and analyze the development of the public housing sector in Stockholm Municipality and the vast changes in ownership structures it has been subjected to over the last twenty years. I have chosen to examine this process in Stockholm municipality, which will represent the geographical limitation. The result of such a review does not necessarily become generalizable for the remaining 289 Swedish municipalities.

## **An International Outlook**

An understanding of the Swedish development of privatization processes requires a review of the international development on the same topic; of greatest interest are other OECD countries where the last thirty years has been characterized by a worldwide neo-liberalization of the economic structure, a change that does not just affect economic relations and transactions, but also political institutions and our societal life, a change that could also be labeled as a regime change<sup>6</sup> According to the late economist John Kenneth Galbraith, this neo-liberal rhetoric could be related to the notion of the classic market as “firmly and very effectively grounded in economic interest,” and that this kind of liberal economic system has a “theological quality that rises well above any need for empirical proof.”<sup>7</sup> It is this system that much influenced Great Britain and the US in the 1970s where Margaret Thatcher and Ronald Reagan based much of their political agenda on the ideas of economists such as Friedrich Hayek and Milton Friedman. Ideas like reduced or no state monopoly, no hindrance of operation of services through the market and avoidance of taxation as an instrument for the redistribution of wealth.<sup>8</sup> Galbraith argued that the curtailments of welfare and tax reduction, and thus the state, made in the US during the 1980s had its roots in the idea of supply-side economics and its theology.<sup>9</sup> The general approach towards the market and its function was also changed during this time, from a Keynesian to a Schumpeterian orientation, emphasizing the importance on innovation and technological change.<sup>10</sup> What is of most interest, as a context for this paper, is the tendency in the neo-liberal development where a substantial change in the ownership of public resources is discernible. I.e. what should be managed publicly and what should be managed privately. Also, this change is denoted by a decline in collectively owned or run resources and activities in the form of public health care and

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<sup>6</sup> Boréus, K., “The shift to the right: Neo-liberalism in argumentation and language in the Swedish public debate since 1969”, *European Journal of Political Research*, no 31, pp. 257–286, 1997; Bauman, Z., *Det individualiserade samhället*, Uddevalla, Daidalos AB, 2002, pp. 33 – 35; Peck, J., *Constructions of Neoliberal Reason*, New York, Oxford University Press, 2010, p. 83.

<sup>7</sup> Galbraith, J. K., *A History of Economics*, 3d ed , London, Penguin Books, 1991, p. 286.

<sup>8</sup> Hayek, F., “Economic Freedom and Representative Government” Fourth Wincott Memorial Lecture, delivered at The Royal Society of Arts, Published for the Wincott Foundation, 1973, p. 14.

<sup>9</sup> Galbraith, J. K., *A History of Economics*, 3d ed , London, Penguin Books, 1991, p. 286.

<sup>10</sup> Gratzer K. et al., ”Privata Sverige: Statligt företagsägande och privatisering från ett östeuropeiskt perspektiv” in *Business History in Sweden: Näringslivshistoria i Sverige*, 2011; Kantola, A., Seeck, H., ”Dissemination of Management into Politics: Michael Porter and the Political Uses of Management Consulting”, *Management Learning*, vol. 42, no. 1, pp. 25-47, 2010.

schools, towards a larger space for private actors.<sup>11</sup> It can be summarized as: the shift from public to private i.e. redistribution of public resources. This process is described by Philip Cerny as a development where governments “[...] should be imbued with market-friendly attitudes and practices – whether ‘reinventing government’, privatizing social and public services, promoting international competitiveness, deregulating and liberalizing specific markets or sectors, and/or using international aid and regulation to promote marketization through ‘conditionality’.”<sup>12</sup> And with this change, public ownership is being questioned and the role of the market is emphasized - ideas supported by powerful institutions such as IMF, OECD and the World Bank.<sup>13</sup> In the 1990s this development became evident in Sweden and was the main starting point for privatizations within the municipal welfare sector.

## Theoretical Framework

### Public Housing and the Market

In the capitalist system in which both the workforce and our needs have been commodified, the social dependence to what Gøsta Esping-Andersen calls the cash nexus is strengthen, around which not only goods but also social relationships, as our well being, are collected. The market is then made the central hub for organizing, not only pure commercial transactions, but also social relations and labor. Though, the commodified workforce has a feature that makes it unique when compared to other commodities, which is that it must reproduce itself. The atomization and individualization of labor that occurs around the market's cash-nexus complicates this process and historical solutions for the de-commodification of the labor force has for example been the emergence of welfare systems - this by often conflictual course of events.

During the construction of the Swedish welfare system, the municipal housing policy was one of its pillars and became a de-commodified force in the life of its inhabitants. (This development, however, is somewhat contradictory, the expansion of public housing also meant that the mobility of labor force was facilitated. In this way housing reforms became an important factor for commodification of labor.) Where the welfare system in the shape of publicly controlled dwellings would, for the individual tenant, act as a collective and securing force. In contrast to relying on a market system for the distribution of housing, where the individual tenant would become atomized and confined in events beyond his or her control. The municipal housing allocation could thus be seen as part of a comprehensive welfare

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<sup>11</sup> Harvey, D., *The New Imperialism*, New York, Oxford University Press, 2003, p. 148; Fougner, T., “The state, international competitiveness and neoliberal globalization: is there a future beyond ‘the competition state’?”, *Review of International Studies*, no. 32, 2006, pp.175 – 176; Höjer, S., T., Forkby, “Care for Sale: The Influence of New Public Management in Child Protection in Sweden”, *British Journal of Social Work*, no. 41, 2011, p 94.

<sup>12</sup> Cerny, P., “*Mapping Varieties of Neoliberalism*”, Paper prepared for presentation at the annual convention of the International Studies Association, Montreal, Québec, 17-20 March 2004 and the annual conference of the Political Studies Association of the United Kingdom, 6-8 April 2004, p. 4.

<sup>13</sup> Gratzner, K., Öhrming, J., Lakomaa, E., “privatization decisions and privatization processes”, forthcoming study.

system, which goes against the isolation and atomizing of individuals which would take place in the open market.<sup>14</sup>

Housing is seen as a part of traditional welfare provision, everyone needs somewhere to live. And in the history of Swedish welfare, housing has indeed been an important tool for it's construction. However, it has also had an exceptional position in relation to other welfare areas, such as social security, education and health care, since it “straddles both state and market”. It differs in its provision since it is not provided for free, for a nominal sum or through taxes.<sup>15</sup> In most countries with an integrated rental market,<sup>16</sup> rented apartments are distributed on the general housing market through voluntary contracts between landlord and tenant, so also in Sweden. Bo Bengtsson argue that: “This means that market contracts serve as the main mechanism for distributing housing, and state intervention take the form of correctives defining the economic and institutional setting of those market contracts.”<sup>17</sup> Even though housing is considered a welfare service, it is managed on market like conditions regulated by exclusion, entry barriers and clear ownership. *Exclusion* since an apartment can only be rented out to one tenant at a time *Entry barriers* in the form of existing rent levels and a clear *ownership* structure since the municipality is the sole owner.

Even though public companies, here in the form of municipal housing companies, conform to market conditions, which will be discussed more further on, private companies are believed to be preeminent when it comes to allocation resources in a market. And the public sphere is constantly being reduced in favor of the private. According to Marxist theory, capitalism constantly needs something outside itself to maintain stable.<sup>18</sup> As stabilizers, the previous de-commodified welfare services would then act as entities where over accumulated capital could be placed in order to avoid or prolong a crisis. Harvey argues that “[...] capitalism always requires a fund of assets outside of itself if it is to confront and circumvent pressures of over-accumulation. If those assets, such as empty land or new sources for raw material, do not lie at hand, then capitalism must somehow produce them”.<sup>19</sup> For this to occur the state with its monopoly on law-making becomes an ever so important actor, both as subsidiary and as advocate of these processes.

The state becomes an active market creator, opening up areas previously not accessible for private actors. These areas could thus consist of the state's or a municipality's own resources, here in the form of dwellings. Harvey argues that in the capitalist core states, privatizations were expanded with the rise of neoliberalism. And since the 1970s governments in the western world have actively embraced the privatization paradigm, be it in form of privatized hospitals, pension systems, universities or public

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<sup>14</sup> Esping-Andersen, G., *The Three Worlds of Welfare Capitalism*, New Jersey, Princeton University Press, 1990, p. 16.

<sup>15</sup> Kemeny, J., “Corporatism and Housing Regimes”, *Housing, Theory and Society*, vol, 23, no. 1, 2006, p. 1.

<sup>16</sup> In the integrated rental market non-profit renting is accessible to the general public. See: Kemeny, J., “Corporatism and Housing Regimes”, *Housing, Theory and Society*, vol, 23, no. 1, 2006, p. 3.

<sup>17</sup> Bengtsson, B., “Housing as a Social Right: Implications for Welfare State Theory”, *Scandinavian Political Studies*, vol. 24, no. 4, 2001, p. 257.

<sup>18</sup> Harvey, D., *The New Imperialism*, New York, Oxford University Press, 2003, pp. 140-141. A reserve army of unemployed would act as an asset, external but essential, to capitalism to have at hand as a stabilizer.

<sup>19</sup> Harvey, D., *The New Imperialism*, New York, Oxford University Press, 2003, pp. 143.

housing. These are previous welfare services, but now to a greater extent incorporated into the capitalist system as commodities. This development Harvey compare to what Marx called primitive accumulation. He chooses to call this contemporary development, *accumulation by dispossession*. The above mentioned areas resemble of, if one will, modern greenfield sites. Its geographically alignment is also a particular feature of accumulation by dispossession, since it can be found within the realm of the developed capitalist system “within the core regions of capitalism”.<sup>20</sup>

While the state as a player expands the private sphere, it simultaneously reduces its own. ”The privatization of state enterprises (almost invariably at a price that allowed the capitalist to gain immense profits in very short order) has also relinquished public control over growth and investment decisions.”<sup>21</sup> As will be shown further on, the previous de-commodified municipal public housing has through privatization become a commodity with exclusive ownership, possible to buy and sell in the open market. This did not happen overnight but through political debate and series of changes in the juridical framework. The state, in the form of legislative authority, may revise the existing legislation, and by changing it, it becomes possible to vastly change the structure on the housing market.

## **The history of Municipal Housing in Sweden**

Historically the public housing sector formed a large part of the Swedish welfare model for which municipalities has responsibilities. The purpose was that it should be general, rather than selective and therefore directed towards the entire population, not just target socially vulnerable groups in society.<sup>22</sup> The Swedish public housing project therefore differs from similar projects in other countries, since anyone had, and basically still has, the right to live in the apartments that is provided, regardless of income level or social class.

The municipal housing provision can be said to begin in the first half of the twentieth-century and the first municipal housing companies were established during the 1930s. Before the 1930s different reforms were in the form of temporary interventions. In 1945 came a Swedish Government Official Report (SOU 1945:63) appointed in 1933.<sup>23</sup> The final report concluded that the current housing shortage in urban areas would be phased out, housing standards raised and housing costs kept down.<sup>24</sup> The economic crisis following World War I aggravated the housing situation and the housing provision was characterized by pure market logic. The turning point came in the 1930s when the worsening housing situation combined with an increasing unemployment and agriculture crisis made the

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<sup>20</sup> Harvey, D., *A Companion to Marx's Capital*, London, Verso, 2010, p. 310.

<sup>21</sup> Harvey, D., *A Companion to Marx's Capital*, London, Verso, 2010, p. 309.

<sup>22</sup> Hedman, E., *Den kommunala allmännyttans historia*, Boverket, 2008, s. 13.

<sup>23</sup> The so called Bostadssociala utredningen. Appointed by Minister for Health and Social Affairs Gustav Möller.

<sup>24</sup> Hatje, A-K., *Bostadspolitik på förändrade villkor, en studie om den statliga bostadspolitikens mål och medel under 1940- och 1950-talen*, Kungliga tekniska högskolan, 1978, p. 18.

parliament decide to give loans and grants for the building of dwellings. This reform was meant to stimulate the economy and also create job opportunities.<sup>25</sup> During the 1940s the division of responsibilities between central and local governments was allocated so that the state accounted for the financial commitment while municipalities accounted for the local administration.<sup>26</sup> But it was after World War II up to the end of the 1960s that became the main period for the construction of the public housing stock which was built by the local authorities through large subsidies from the state through subsidies and loans under favorable conditions.<sup>27</sup> Housing policy was a central part in the construction of other societal transformations such as industrial, economic and geographic projects, and was thus made important for both economic growth and worked as dampers of cyclical fluctuations. And since public housing was open for anybody, not just the socially vulnerable, it could be used in such a large scale and proactive way.<sup>28</sup> During the late 1970s the number of new dwellings built during the 60s and 70s received criticism; the construction had been characterized as large scale focusing too much on quantity. The housing companies were thus built around a large-scale and rapid production, which were centralized and focused on construction. A large housing stock now existed, but the management of these was left behind and was considered inefficient, the 1980s came thereof to be characterized by maintenance of the housing stock rather than building new houses.<sup>29</sup>

### 1990s - the Turning Point

In the 1990s, the structure and the role of the public housing were again changing. But these changes were of a more fundamental character. For the municipal public housing companies this meant downsizing and winding-up of the state subsidies they previously received. The governmental housing loans were abolished and interest subsidies restricted and reduced. It was no longer the state that would take the economic risk but the municipal housing companies themselves. The government also abolished the previous special treatment of the public housing companies, they should henceforth be operated as private housing companies in relation to government subsidies, tax regulations and finance.

The term "businesslike public housing"<sup>30</sup> can describe the development of municipal housing companies in the 1990s. It was an internal organizational change and during this time most of the public housing companies in Sweden, which was often organized as foundations, became limited companies.<sup>31</sup> They, in turn, became organized under larger municipal parent companies. The transformation to limited company enabled transfers of surplus from the housing companies to the

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<sup>25</sup> Hedman, E., Den kommunala allmännyttans historia, Boverket, 2008, pp. 10-11.

<sup>26</sup> Hatje, A-K., *Bostadspolitik på förändrade villkor, en studie om den statliga bostadspolitikens mål och medel under 1940- och 1950-talen*, Kungliga tekniska högskolan, 1978, p. 5.

<sup>27</sup> Hedman, E., Den kommunala allmännyttans historia, Boverket, 2008, p. 13.

<sup>28</sup> Hatje, A-K., *Bostadspolitik på förändrade villkor, en studie om den statliga bostadspolitikens mål och medel under 1940- och 1950-talen*, Kungliga tekniska högskolan, 1978, p. 4; Hedman, E., Den kommunala allmännyttans historia, Boverket, 2008, p. 14.

<sup>29</sup> Hedman, E., Den kommunala allmännyttans historia, Boverket, 2008, p. 19.

<sup>30</sup> Affärsmässig allmännytta.

<sup>31</sup> Hedman, E., Den kommunala allmännyttans historia, Boverket, 2008, p. 20-21.

municipality. This kind of monetary transfer was not possible when the business was operated as a foundation since foundations were regarded as self-owned businesses.<sup>32</sup> In 2001, almost 90 percent of the public housing companies in Sweden were limited liability companies.<sup>33</sup> What in a Ministry Publications Series is mentioned as arguments in favor for such a organizational change was that in comparison to the previous maintenance form<sup>34</sup> the limited liability form had characteristics such as: a wider decision-making competence, freedom of action for the board and the CEO, less complex forms of decision-making, enhanced confidentiality and that it is a well known organizational form. The expected effects of the corporatization of public companies included things such as: cost savings, streamlining of municipal and corporate finance, marketing and business orientation, freer wage determination, fair competition and freeing of capital.<sup>35</sup> One of the explicit reasons for these changes was the withdrawal of state subsidies which had protected against changes in both housing demand and changes in the credit market. One of the substantial effects was that housing companies were forced to provide themselves such a financial situation so that they could survive the changes in the housing and credit markets.<sup>36</sup>

### **The New Public Management Influence**

The objectives internal to the municipal housing companies were not only limited to pure organizational changes within the organization, but also extended to a new way of looking at tenants. The focus became economic efficiency and the tenant went from being just tenant to become a customer, with different and individual needs that had to be satisfied.<sup>37</sup> From the earlier more homogenized apartments "for all" the trend moved towards a development of more diversified dwellings to different types of households. Here one discerns a trend towards New Public Management (NPM) in the form of ideas and practices taken from the business sector and private companies. NPM is a broad concept and contains several practices originating in different theoretical alignments.

The most important practice within NPM is for this paper *privatization*, with its roots in the Public Choice and the Property-Rights School.<sup>38</sup> Kerstin Sahlin-Andersson describes NPM as: "[...] a label used both to define a general trend towards changing the style of governance and administration in the public sector and to describe a number of reforms that were carried out in several countries during the 1980s and the 1990s."<sup>39</sup> Its development can be seen as a heritage from the 1970s, when public

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<sup>32</sup> Magnusson, T., L., & Andersson, R., *Socioekonomiska och demografiska konsekvenser av om-bildningen av hyresrätter till bostadsrätter i Stockholms stad 1995 – 2004*, Institutet för bostads- och urbanforskning, Uppsala universitet, 2008, p. 9.

<sup>33</sup> Statistics Sweden, Den offentliga sektorn Bokslut för verksamhetsåret 2001, Örebro, 2002, p. 90.

<sup>34</sup> Swedish: förvaltningsform.

<sup>35</sup> Dahlgren, P., *Kommunerna som företagsägare : aktiv koncernledning i kommunal regi*, Ds departementsserien, Regeringskansliet, Stockholm, 1992, p. 8 in summary.

<sup>36</sup> Ramberg, K., *Allmännyttan, välfärdsbygge 1850 – 2000*, Byggförlaget, Stockholm, 2000, p. 222.

<sup>37</sup> Ramberg, K., *Allmännyttan, välfärdsbygge 1850 – 2000*, Byggförlaget, Stockholm, 2000, p. 223.

<sup>38</sup> Gruening, G., "Origin and theoretical basis of New Public Management", *International Public Management Journal*, no. 4, 2001, pp. 2 and 16 and 18.

<sup>39</sup> Sahlin-Andersson, K., *National, International and Transnational Constructions of New Public Management*, Stockholm Center for Organizational Research, Stockholm University, 2004, p. 1.



organizations in general were seen as huge inefficient and rigid bureaucracies.<sup>40</sup> Its anticipation is that public authorities are, through managerialism, marketisation and competition, to become more efficient as well as result and customer oriented with ideas borrowed from the business world and the open market,<sup>41</sup> to reduce bureaucracy and allow the organization's vision, strategy and goal to be dominant factors in the governance process rather than, as before, central frameworks and professional standards.<sup>42</sup>

In Sweden, this NPM "trend" could be found in the political change and rhetoric throughout the 1980s but had its impact on the municipalities in the 1990s.<sup>43</sup> A Government Communication state in the early 1980s that "the regulation of companies and organizations should be reduced and the individual freedom strengthened."<sup>44</sup> These ambitions were also explicit in Stockholm municipality's draft budget for 1992. The organizational framework presented favored an, as far as possible, abolishment of public monopolies, there should be competition between areas of operation managed by the city and areas managed privately. The same draft budget describes downsizing of its internal organization as well as changes in different sectors.

One public sector that was changed was the childcare sector which activities were "reorganized around profit units, standard budgeting and an increased number of private non public enterprises".<sup>45</sup> Also the previous draft budget for 1991 is expressing these alignments. Under the heading Safeguarding Welfare, the idea that "there is no purpose of its own that all operations should be run by the municipality" is expressed. The great importance to find suitable methods to meet the needs of the city's inhabitants through "diversity, alternatives and competition" is therefore argued.<sup>46</sup> Municipalities acting as market creators were not a new phenomenon; however it was the extent and speed of the change that differed from earlier reform periods.<sup>47</sup>

The trend towards NPM in the Swedish municipalities could generally be manifested by the separation between politics and production, application of internal competition and adoption of a contracting and tendering system. These reforms were most evident in major cities including

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<sup>40</sup> Denhardt, R., & Denhardt, J., "The New Public Service: Serving Rather than Steering", *Public Administration Review*, vol. 60, no. 6, 2000, p. 551.

<sup>41</sup> Pollitt, C., et al., "New Public Management in Europe", *Management Online Review*, October 2007; Socialstyrelsen, *Konkurrensutsättningen inom äldreården*, 2004; Norén L., "Att göra patienter till kunder – om sjukvårdsförsäkringar och entreprenörskap" in *Perspektiv på förnyelse och entreprenörskap i offentlig verksamhet*, ed. Lundström A., & Sundin E., Forum för småföretagarforskning, 2008, p. 41; Höjer, S., & T. Forkby, "Care for Sale: The Influence of New Public Management in Child Protection in Sweden", *British Journal of Social Work*, no. 41, 2011, p. 97.

<sup>42</sup> Almqvist, R., *New public management – om konkurrensutsättning, kontrakt och kontroll*, Malmö, Liber, 2006, p. 18.

<sup>43</sup> Montin S., "New Public Management på svenska", *Politica*, vol. 29, no. 3, 1997, p. 268.

<sup>44</sup> Government Communication, "Om den offentliga sektorns förnyelse", *Skr. 1984/85:202*, p. 6.

<sup>45</sup> Draft budget, "Finansborgarrådets förslag till budget och skattesats för 1992 för Stockholms stad", *Stockholms kommunfullmäktiges handlingar 1991*, p. Inl 4.

<sup>46</sup> Draft budget, "Finansborgarrådets förslag till budget och skattesats för 1991 för Stockholms stad", *Stockholms kommunfullmäktiges handlingar 1990*, pp. 11-12.

<sup>47</sup> Lind, J.-I. "Kommuner som marknadsskapare", in ", in *Organisationsexperiment i kommuner och landsting*, ed. Jacobsson, B., Stockholm, Nerenius & Santérus Förlag AB, 1994, p. 62.

Stockholm.<sup>48</sup> Also the tendency of corporatization of municipal companies – companies previously organized under the maintenance form – is one of the elements in the municipal reorganization in Stockholm during the 1990s.<sup>49</sup>

With the change of national government in 1991, from social democrat to right wing, came also a possibility for private enterprise to compete in several areas previously reserved for the public sector.<sup>50</sup> During the right wing government's term of office from 1991 to 1994 the overall ambition was to "roll back the state" and to "loosen up the public sector through privatization."<sup>51</sup> However, the development towards NPM is not purely a right-wing policy; changes carried out by a right wing government were not seldom prepared by a social democratic government.<sup>52</sup> The Government Communication mentioned above was for instance presented in 1984/85 under a social democrat government.

### **Legal Framework for the Divestment of Public Dwellings**

NPM trends could be reflected in the structure of the legal framework, governing the public housing companies, which began to emerge and came to be redesigned several times during the 1990- and 2000s. The juridical and regulatory framework for public housing companies has also been an important tool for steering and defining the public responsibility for housing. Many municipalities became hesitant towards owning housing companies and started selling off their apartment stock, transfers of ownership of apartments from the municipal companies to private landlords and private housing associations<sup>53</sup> increased in numbers. This was not only due solely to municipalities risk aversion, but also to a change in relation to a liberal market influence on management where dwellings that previously remained outside the commercial market went from being non-commercialized to being a commodity.<sup>54</sup> This change was made possible through vast changes in the legal framework for the municipal housing companies.

This is not meant to be a detailed exploration of the juridical framework surrounding the public housing companies, but rather an overview of how the legal scope has changed, in which direction the change has gone and how it affects the context for welfare services. The juridical regulations could be divided into two parts; one *internal* and one *external*. Where the *internal* part influences how companies internally are organized in relation to its parent company and the municipality and which opportunities that opens up for, for instance, money transactions. It might also affect how the company is run in

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<sup>48</sup> Montin S., "New Public Management på svenska", *Politica*, vol. 29, no. 3, 1997, p. 268.

<sup>49</sup> Forssell, A., "Företagisering av kommuner", in *Organisationsexperiment i kommuner och landsting*, ed. Jacobsson, B., Stockholm, Nerenius & Santérus Förlag AB, 1994, p. 27.

<sup>50</sup> Draft budget, "Finansborgarrådets förslag till budget och skattesats för 1992 för Stockholms stad", Stockholms kommunfullmäktiges handlingar 1991, p. Inl 11.

<sup>51</sup> Montin S., "New Public Management på svenska", *Politica*, vol. 29, no. 3, p. 270.

<sup>52</sup> Montin S., "New Public Management på svenska", *Politica*, vol. 29, no. 3, p. 271.

<sup>53</sup> A housing Association is an economic association. This means that the association owns the apartment house and the individual resident have a contract on his or her apartment and are allowed to sell it. (A procedure not permitted with a rental contract.) It is a financial model for people so that they could own their apartment without having to cater to the entire property.

<sup>54</sup> Ramberg, K., *Allmännyttan, välfärdsbygge 1850 – 2000*, Byggförlaget, Stockholm, 2000, p. 222.

relation to its tenants. The *external* part on the other hand concerns how parts of the legislation allowed the sales and disposals of housing stock to external parties such as individuals and private companies.

### **Time Line of the Legal Framework**

Since 1982, tenants in private housing companies had precedence in the acquisition of their apartment by support from the Transformation law (1982:352). It then became possible for tenants to form housing associations for the purchase of the building they lived in.<sup>55</sup> In 1992 the Transformation law was revised to also include tenants in public dwellings.

In 1999 what came to be called Stopplagen (1999:608)<sup>56</sup> was introduced, and through which it became possible to regulate the remaining government grants to the municipalities and the municipal housing companies.

According to the provisions of the Stopplagen a municipality shall in a certain way suffer reduction in the general government grant if the municipality loses its controlling influence in a municipal housing company by the disposing of shares or stock (§ 1 first paragraph 1 and 2).<sup>57</sup>

This law could be said to have had a restraining influence on the sale of municipal dwellings. Stopplagen was in 2002 replaced by Allbolagen (2002:102). Stopplagen and Allbolagen differ in the perception of dividend and group contribution. Under the Stopplagen state subsidies could be used as a sanction if the companies exceeded the limit of dividends or group contributions. This sanction was removed in Allbolagen recalling

[...] the local legal regulation that is relevant in this context. The decisions made on the board of directors [of the public housing company, my comment] cannot be appealed through the legality of the Local Government Act, unless the companies' decision was preceded by a municipal decision in the municipal board or the City Council.<sup>58</sup>

This meant that a board of directors in a municipal housing company could decide on a too large dividend from the company without any consequences. Unless this was preceded by a decision preventing it in the city Council. However, regarding the sale of public dwellings, in accordance with Allbolagen sales of residential properties had to be approved by the County Administrative Board. A requirement which was dissolved in 2007 and made the sale and conversion of the public housing stock increase.

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<sup>55</sup> A housing association is an economic association. Its purpose is to lease the apartments in the association's house to its members indefinitely.

<sup>56</sup> I.e. The Stop Act.

<sup>57</sup> Boverket, Utvärdering av lagen om allmännyttiga bostadsföretag, Karlskrona, 2004, p. 22.

<sup>58</sup> Boverket, Utvärdering av lagen om allmännyttiga bostadsföretag, Karlskrona, 2004, pp. 24-25.

In Allbolagen one of the definitions of public housing companies was that they had to be non-profit.<sup>59</sup> This was also revised in the replacing and most recent law, 2010:879, in which the company will conduct its business according to “commercial principles”.<sup>60</sup> This despite the formulation in the Local Government Act (1991:900) which emphasizes the absorption principle and that local business may not be run for profit. This is thus circumvented in the current act (2010:879) on Public Housing Companies.

The accounting principles are central for the “NPM ways of governing” as “the introduction of more business like forms of accounting have been pointed out as some of the more prevalent and central NPM reforms”,<sup>61</sup> it have spread to sectors in the political organization and harmonized with standards used in the private sector. Both the internal and the external changes of the municipal housing companies have been affected by the legal reforms.

First, it has become possible for municipalities to sell their public housing stock, either to tenants or to private companies. Second, the previous restrictions concerning these sales have been lifted and the capacity for state sanctions has been limited. Third, the internal steering of the municipal housing companies have in one way been made more independent from the municipal governance through the exception, from the non-profit principle, made in the Local Government Act. At the same time, the dividends and group contributions, regulated by 3, 4, and 5§ in 2010:879, opens up for vast financial transactions through decisions in the City Council.

In §3 is stated that: the “maximum amount of value transfers [equals] capital contributions times (average government borrowing rate + 1 percentage point), with a maximum of half the company's financial result.

In accordance with § 4, it is allowed to make financial dividends on net surplus arising from the sale of properties during the previous fiscal year.

In § 5 it says, inter alia, that the surplus “can be used for such actions under the municipal housing provision that promotes integration and social cohesion”.

Criticism is directed at what is considered to be a vague definition of integration and social cohesion. There is a fear that residents living in municipal dwellings will through their rent finance activities that lay within the realm of the municipal responsibility. Responsibilities which should be financed by municipal tax, not by rent from households living in public dwellings. This, critics argue, may be seen as

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<sup>59</sup> Lag 2002:102, § 1:1. “A limited company, an economic association or foundation [that is]: 1. non-profit, 2. in its operations primarily manages dwellings in which residential apartments are leased in tenancy and 3. is approved as a public housing company.”

<sup>60</sup> Lag 2010:879, 2 §.

<sup>61</sup> Sahlin-Andersson, K, *National, International and Transnational Constructions of New Public Management*, Stockholm Center for Organizational Research, Stockholm University, 2004, p. 10.

a double taxation for those living in a municipal rental apartments.

In a summary from 2012 one of the municipal housing companies, Familjebostäder AB, is briefly describing the implementation of the City Council's orientation goals under the heading "Quality and choice will be developed and improved". *Quality* and *choice* is translated in how many apartments that have been sold during the year. No description is given on how privatization in itself can relate to quality and choice; it is a relationship which more or less is considered obvious. The internal governance of the public housing companies are changing, towards a commercialization with NPM characteristics. While the external changes results in a commodification of public housing where parts of its stock becomes possible to sell in the market.

## Empirics

### The Sale of Public Dwellings

How has the municipal housing provision been affected by the above described changes? Following is a brief description of some sectors and how they has been subject to change, both regarding internal and external factors.

#### External Factors

The external effects is best manifested by the vast sale of municipal dwellings. In Stockholm municipality it is the housing associations that constitute the largest purchaser of public apartments. In the year 2010 for example, all of the 7 537 public apartments sold, were sold to housing associations.<sup>62</sup> The prices of these apartments are set under the market price. I.e, the municipal housing companies are selling the apartments to tenants for a lower price than if they were to buy the same apartment at the open market. This becomes evident if we do a brief comparison between apartments sold by municipal housing companies to housing associations "outside" the market, with apartments sold at the open market.

In an example is taken from Kärrtorp, a suburb south of Stockholm, the average square meter price for a sold municipal apartment is 16 313 SEK.<sup>63</sup> The average square meter price for an apartment, built during the same period of time in the same area is at the open market around 31 550 SEK.<sup>64</sup> The reason for this is given different explanations. Some argue that the evaluation follow certain key figures so that the "sale will have financial conditions to occur."<sup>65</sup> Another explanation for the low price range for sold public apartments is that what is sold is the entire apartment house, not the separate

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<sup>62</sup> The Counties Agency, rapport 2011:13, *Bostadsmarknadsenkäten Stockholms län 2011*, Länsstyrelsen Stockholms län, p. 12.

<sup>63</sup> Svenska Bostäder, [www.svenskabostader.se](http://www.svenskabostader.se). All amounts in this paper are given in Swedish krona, € 1 approx SEK 9.

<sup>64</sup> Hemnet, <http://www.hemnet.se>, retrieved 2013.01.22.

<sup>65</sup> Dagens Nyheter, "Ombildning av hyresrätter inte alltid ett klipp", retrieved 2013.01.22.

apartments, which in turn constitute the price for the apartments. The person valuing the dwelling is a consultant working for an evaluation firm but is hired by the municipal housing company. Worth noting is that the role of the evaluator is not unproblematic. The final decision on the price is made by the municipal housing company's board.

What about the municipal housing supply? Has it been affected by the sale of municipal dwellings? The sale does not per se imply that new public dwellings are not being built, weighing up the loss of the stock which is being sold.

*Table 1. Number of public housing apartments in Stockholm<sup>66</sup>*

Year	Amount
1998	104 829
2001	95 496
2003	93 446
2005	93 855
2007	95 225
2009	79 238
2011	70 559

However, between 1998 and 2011 there were a total reduction by more than 34 000 apartments in the municipal housing stock in Stockholm, from 104 829 to 70 559 apartments.<sup>67</sup> The downward trend in the municipal housing stock is visualized in the table above.

New dwellings are however being built thus not at the same rate as part of the stock is sold. If looking at the total stock of rental apartments in Stockholm, also including private rental apartments, it shows a total decrease of 41 879 apartments, from 219 972 to 178 093 apartments between 2000 and 2011.<sup>68</sup> It seems like the public dwellings are unlikely to be found in the apartment stock of private landlords, which would be the case if the public apartments would have been sold to private landlords. And as mentioned earlier, during the year 2010 all of the sold public apartments were sold to housing associations. The public apartments tend to disappear and return in the shape of private co-operative apartments.<sup>69</sup> This means that the apartments' ownership and form of tenure has change. The ownership has gone from public to private and the form of tenure from rental to co-operative..

### **The IKEA-City as a solution?**

Even though in 2010 all of the public apartments sold, were sold to housing associations, municipal dwellings are also sold to private housing companies. In these cases the tenure form is still rental but the owner is private. In 2011 the municipal housing company Svenska Bostäder sold 1052 apartments i

<sup>66</sup> Statistik om Stockholm, "Bostäder i flerbostadshus per ägarkategori", [www.statistikomstockholm.se](http://www.statistikomstockholm.se).

<sup>67</sup> Statistik om Stockholm, "Bostäder i flerbostadshus per ägarkategori", [www.statistikomstockholm.se](http://www.statistikomstockholm.se).

<sup>68</sup> Statistik om Stockholm, "Bostäder i flerbostadshus per ägarkategori", [www.statistikomstockholm.se](http://www.statistikomstockholm.se).

<sup>69</sup> An apartment owned by a housing association described earlier in the text. There is no accurate translation of this concept into English since this is a Swedish phenomenon.

two different parts of Stockholm to the private housing company Primula Byggnads AB for 613 million SEK. This was part of an agreement the municipal housing company made with the buyer, which meant that Svenska Bostäder AB in turn bought 122 apartments and a kindergarten from Primula Byggnads AB for 352 million SEK. The political motivation for this agreement were that the housing stock shall consist of a varied and mixed range of landlords and forms of tenure and that the municipal housing companies should not be the dominating landlord in one geographical area. The whole procedure is explained by the City Commissioner: "[...] Svenska Bostäder AB buy dwellings in an area where public housing companies are poorly represented, while allowing a private landlords buy property in an area with strong presence of public housing companies. It creates a [rental] housing market that is more diverse in all its parts."<sup>70</sup>

Another example are the suburbs Rågsved and Hagsätra, south of Stockholm where a large stock of municipally owned dwellings were sold to Ikano Bostad, a housing company owned by the furniture company IKEA and Ikano Fastigheter, these are in turn owned by the Kamprad family. At their web page they state that "Ingvar Kamprad [founder of IKEA, my comment] has founded three corporate groups – IKEA, Ikano and Inter IKEA. All operate independently of one another nowadays, but they all work in partnership and benefit from one another's expertise."<sup>71</sup> In 2008, 1400 public apartments in Hagsätra and Rågsved were sold to Ikano Bostad and in 2012, 1172 more apartments were sold to the same buyer for the price of 890 million SEK.

The evaluation of that affair was made by a company called Newsec (Newsec also evaluates dwellings that are up for sale to housing cooperations), a company which not only specializes in valuations of property but also leasing and assets and property management. Its mother company, Stronghold Invest owns twelve subsidiaries. One of these, Karaul AB, specializes in buying, selling, administering and conveying property. Karaul is also conducting consultancy in the areas real estate and finance.<sup>72</sup>

The explicit political motivation for these sales was, just as in the sale previously described, to create a mixed variation of landlords and different kinds of housing in the area. But there was also another motivation, arguing that the sale were to create revenue for the selling company, Svenska Bostäder AB, and that the revenue could be "used to e.g. renovation of existing property and to the construction of new rental dwellings."<sup>73</sup>

Other conversions of municipal property was made through a sale of the municipal company, CityKompaniet, which owned ten shopping malls around Stockholm. In conjunction with some of these shopping malls were municipal rental apartments. CityKompaniet were in 2007 sold to the UK

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<sup>70</sup> Insyn Stockholm Utlåtande, Dnr 300-1744/2011, "AB Svenska Bostäders förvärv och överlåtelser av bostadsfastigheter i Hammarby Sjöstad, Kärrtorp och Bredäng".

<sup>71</sup> IKANO Bostad, <http://www.ikanobostad.se/en/About-us/Our-owners/>, retrieved 2013.05.23.

<sup>72</sup> Orbis Database, information retrieved 2013.05.23.

<sup>73</sup> Insyn Stockholm, Utlåtande, "AB Svenska Bostäders överlåtelse av fastigheter/tomt-rätter i Hagsätra till Ikano Bostad i Hagsätra AB".

registered company Boulton for circa 10 billion SEK. And if we concentrate on one of these shopping malls in Högdalen, a suburb south of Stockholm. We see that after four years, in 2011, the company Centerei AB, owned by the Royal Bank of Scotland, buys the shopping mall for around 200 million SEK. And in 2012 it was up for sale again, this time the buyer was CityCon that bought the Högdalen shopping mall for around 200 million SEK.<sup>74</sup>

The sale of CentrumKompaniet was accentuated under the right wing parole “Ett friare Stockholm”, e.g. “A Freer Stockholm” which among other things stresses that the city's approach to property sales should in general be more open. The sale was politically motivated with the arguments that the sale would lead to: increased competition, that the municipality's real estate holdings would be further refined and concentrated to their core business and that the new owner was intended to continue to invest in the suburban areas. They also state that “[i]t is also clear that the new owner's plans for improvements and investment in suburban areas' shopping malls is in line with Stockholm's vision of sustainable growth and continued economic development in the suburbs.”<sup>75</sup>

## Internal Factors

For the year 2010 there has been large monetary transactions, from the municipal housing companies to the municipality in Stockholm. The paragraphs 3, 4 and 5 open possibilities to transfer large sums into the municipal budget. Especially §5 has been criticized for being vague. A statement from the City Council in Stockholm show that more than a billion Swedish krona was transferred based on the result from the fiscal year 2011, from three municipal housing companies to the municipality.

*Table 2. Total Value transfer from Municipal Housing Companies in Stockholm, based on the fiscal year 2011. In million Swedish krona (SEK)<sup>76</sup>*

Company	§ 5	§ 4
Svenska Bostäder	155	238
Familjebostäder	355	257
Stockholmshem	160	100
	670	595

Total dividend	1 265 million SEK
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This transfer has been facilitated through the revised legal structure in Law 2010:879. However, the numbers above shows only the dividends related to § 4 and 5. Dividend according to §3 is yet to be added.

<sup>74</sup> Lindblad, J., Heiman, L., Polesie, T., “När centrumanläggningar byter ägare”, rapport, Handelshögskolan Göteborgs universitet, 2012.

<sup>75</sup> Insyn Stockholm, utlåtande, Försäljning av aktierna i CentrumKompaniet i Stockholm AB samt ändring av bolagsordningen.

<sup>76</sup> Insyn Stockholm, Utlåtande 2012:73 RI (Dnr 123-108/2012) “Minoritetsåterremiss av delar av årsredovisning 2011 med uppföljning av budget för Stockholms stad avseende värdeöverföring från bostadsbolagen”, retrieved: 2013.01.22.



## Discussion

This paper, which aim is to critically describe and analyze the development of municipal housing in Stockholm, opens up for discussion in many different directions. The development of welfare provision in the form of public housing has been changed during the last twenty years. A large part of the stock has been transformed from the public to the private sphere without a substitute for the substantial loss of dwellings.

### Public Sector's Self-Limitation

Empirical material show decreasing tendencies for municipal public houses. The total population has fallen by more than 34 270 apartments in 13 years. According to the empirical data, there has been a redistribution of public housing assets from the public actors in the private sphere. And a large share of the public housing has been sold to private individuals in the form of housing association. To make this happen, the municipality and the state has indeed played a major role through legal reforms and modifications of the juridical framework enabling processes resembling accumulation by dispossession. This change, however, is often a change in one direction in favor of privatization. Through these reforms the municipality limits its own sphere. And with a continued similar developments the scope for the public sector to implement major projects and reforms will dwindle. The large scale housing reforms implemented during the postwar period would for example be difficult to replicate, since municipalities no longer own such assets to the same extent.

### Rent Seeking?

The public dwellings that are sold are constantly evaluated under market price and the valuation is made by actors with vested interests in the real estate market. Actors such as Newsec. This or similar companies are hired by the municipality for making evaluations for sales to housing associations as well as sales to other private landlords. As shown earlier, Newsec, along with its subsidiaries, is active in the real estate industry. What might then the consequences be if such a company is evaluating public assets?

Also, individuals profit from the divestment of public apartments, since these are sold under the market price. This could open up for a rent seeking behavior where a public apartment is purchased for under market price and sold at market price in the open market. Former welfare functions built with public money become opportunities for a few individuals.

### Accumulation by Dispossession?

But can we really see the resource reallocation Harvey talks about where he argue that over accumulated capital is placed in de-commodified assets? How can we relate to this when a large

majority of the former public apartments are sold to small housing associations whose foremost goal is not to invest over accumulated capital? However, parts of the housing stock has also been sold to private companies, one of them being the worlds largest furniture company, IKEA. Public assets that have not previously been on the open market is suddenly up for sale and work as an asset to place over accumulated capital in. In the other example describing how publicly owned shopping malls were sold to the large company Boulton, we can see that after just four years it was resold. Within the period of five years, the company was bought three times by three different companies. This opens for a discussion of time frames and long-term ownership. When the aim of the owner is to accumulate capital in the short run, how would this affect the shop owners hiring commercial space, or residents living in apartments connected to these shopping malls.

The other example where the municipal housing company Svenska Bostäder AB made an “exchange transaction” with the private housing company Primula Byggnads AB, shows an interesting price difference between the dwellings bought by Svenska Bostäder and the dwellings bought by Primula Byggnads AB.

For 122 apartments (plus a kindergarten) Svenska Bostäder AB paid 352 million SEK.

For 1052 apartments Primula paid 613 million SEK.

Of course this needs to be analyzed more closely since there might be substantial differences between the two buildings constituting the price difference. However, by just looking at the difference in price and the difference in numbers of apartments opens for questions on rent seeking and the evaluation process.

### **Dividend and Welfare?**

The Stockholm municipality's behavior is however not unproblematic. Especially when it comes to the vast dividend from the housing companies. The large dividends tend to be a short-term way to fund the municipal budget. A large part of the distribution is based on divestments of the housing stock. This stock is finite and will at some point end. If this “dividend-trend” continues, it would mean that fewer and fewer tenants in public housing will, through their rent, finance that part dividends which is not based on the sale of the stock. It is also a relevant question whether or not tenants in public dwellings should, through their rent, finance what is considered a municipal responsibility?

The structure of housing as a welfare provision is changing. Not just by numbers of apartments but also in what constitutes a public housing company. When the non-profit regulation was removed in 2010 the municipal housing companies come to differ less from private landlords. If municipal housing companies are supposed to conform to perquisites similar as private landlords, are then the purpose with municipal housing companies adulterating? Municipal housing companies provides fewer

apartments and its framework is not to the same extent led by social responsibility. In addition, the NPM principles - remember the tenant is a customer rather than a tenant - has had an vast impact. With fewer and fewer public apartments, housing provision is moving from being a public responsibility towards a private responsibility. Where privately owned apartments distributed on a market is regarded as the primary way to find an apartment and a place to live. A tendency that requires capital and financial resources among those of us that want (or rather need) to find accommodation.

## Further Discussions

I am aware this paper's sprawling character, which opens up for many different issues. One may for example involve how the transparency of housing companies is hampered by privatization. Public enterprises are regulated by the principle of public transparency that give citizens insight into the company's operations. This possibility does not exist to in private companies and when public companies either are privatized or organized to mimic private companies there is a risk that the transparency is obstructed.

The public housing's market like structure might have facilitated its privatization. Compared to other welfare areas such as health care, it is a tangible asset and there is an already existing market for real estate. It is a welfare function which supply tends to shrink. Individuals then becomes relegated to the open market in search of an apartment to buy. And at the open market the entry barrier is higher than on a rental market. This because, to attain the now private apartments, a purchase price is needed. Jim Kemeny argue that: "Renting spreads the cost of housing as a percentage of average income out over the life course, whereas owner occupation concentrates them in the early stages of the life course."<sup>77</sup> What might be the long time sociological implications from such a change where a larger amount of financial resources are required to find an apartment?

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<sup>77</sup> Kemeny, J., "Comparative housing and welfare: Theorising the relationship", *Journal of Housing and the Built Environment*, no. 16, 2001, p. 62.

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