

A MODERN VACATION HOME PARADOX OF THE GROWTH SOCIETY - THE NORWEGIAN CASE



Unlike the primary home, the vacation home does not need to contribute to the money creation, as it is basically an inessential luxury consumption that could be substituted through other activities or structural changes of society.



The paradox of vacation home ownership

The vacation home ownership in Norway is often seen as possible escape from the hectic daily life. However by acquiring a loan to obtain this possibility of escape, people at the same time commit themselves even more to the hectic (urban) everyday life. A loan is often paid back over 30 years and depending on the size it might require 2 full time jobs to pay down the loan plus interests (combined with the loan in the primary dwelling), thus committing people rather than setting them free. These aspects go upon the social contradictions that lie in a work/spare time relationship. Uptake of loan could be seen as people's own choice, but we might also consider the pressures from social norms and the growth economy as factors.

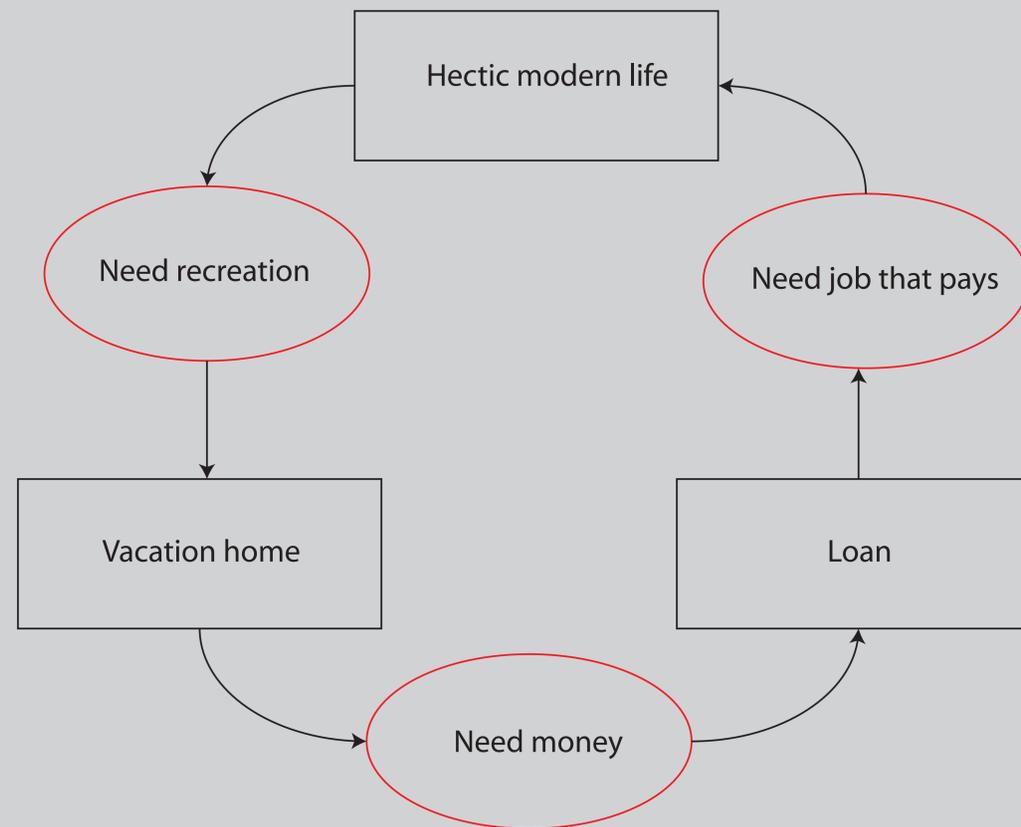
Degrowth strategy

If people would save the money they get from working instead of paying down an extra loan, or simply work less, they would have more time (and money) to do something else, e.g. rent a vacation home one week, visit friends another, learn Latin or to play the guitar a third etc.. Depending on substitute activity the environmental impact might be greater or less than that from vacation home consumption.

Differences between vacation home ownership, tourism and housing

	Tourism	Housing	Vacation homes
Nature	Recreation	Basic need	Recreation
Finance	Save and spend	Bank loan	Bank loan

"As a place for vacation the vacation home often has to be an escape from the everyday life,..." thus often an escape from the hectic urban life.



What is a vacation home in Norway?

- a winter "cabin" in the mountains
- a summerhouse near the coast

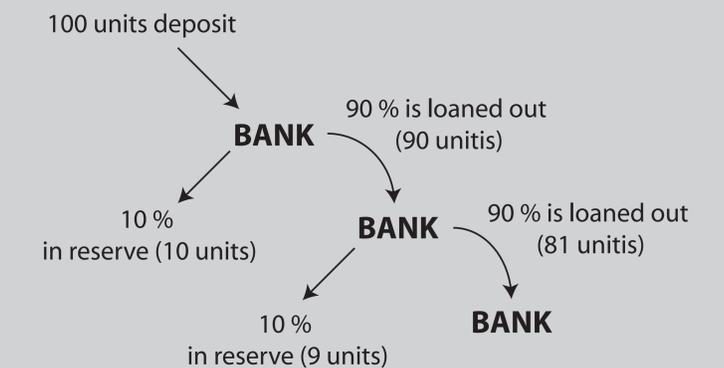
How many?

500.000 or more for population of 5m.

Visited how often?

on average 30 days per year

The creation of money and the money multiplier

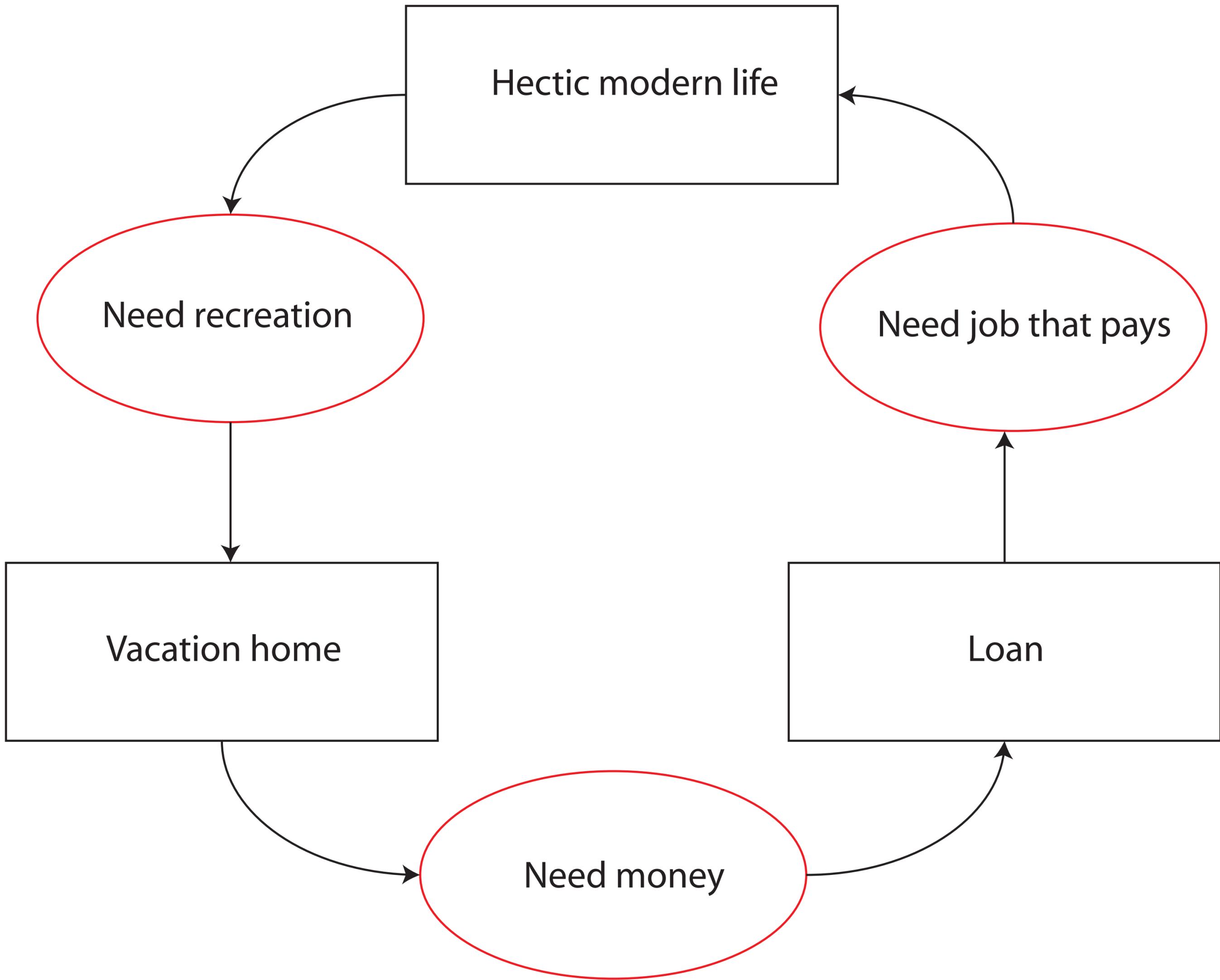


Through the fractional reserve banking banks artificially creates money. In this example what started out as 100 units deposited have become 171 loaned units. This is called the "money multiplier" mechanism.

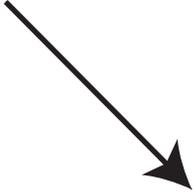
In practice the banks does not ensure they have deposits to begin with, they only look for the security afterwards. Thus by taking a loan they make one account with a plus and one with a minus. In this case the average cost of a vacation home 1.5m NOK (~ 180 thousand EUR) can through loans and the money multiplier mechanism become $1.5 + 1.35 + 1.2 + 1.1 = 5.15m$ on five different accounts (in theory even more money can be made).

Bonus problem: Spatiality of banking

When the banks create money they also decide where it goes and banks are only willing to lend out "their" money to safe investments. This fact also points in the direction of how important bank lending policy is to spatial development. One issue in a Norwegian context (which is true in most European countries) is that some rural areas are likely to decline as people move towards the jobs in the larger urban areas. This, coupled with the willingness of the banks to only invest in safe endeavours, poses a threat to outer-region areas, which might face willingness to invest in vacation home developments and tourist resorts but less willingness to invest in primary homes and jobs. In the end rural areas only have the vacation home industry as a viable path for development, which subsequently poses threat to the environment and social stability.

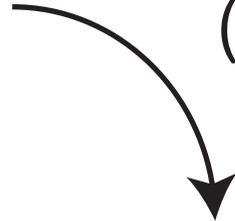


100 units deposit

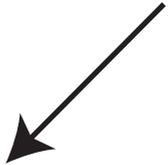


BANK

90 % is loaned out
(90 units)

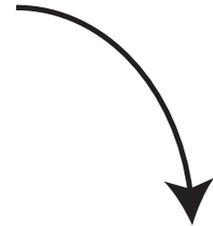


10 %
in reserve (10 units)



BANK

90 % is loaned out
(81 units)



10 %
in reserve (9 units)



BANK

