
The financialisation of car ownership in the context of climate change: a Systems of Provision approach

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Résumé

New financial products to aid the purchase of cars have emerged, the aim of which has been to advance credit to consumers, whose falling income has suppressed demand for new cars. Many countries have witnessed the rise to dominance of ‘personal contract plans’ (PCPs), and similar forms of operating lease, in transactions for new cars, by which consumers finance the short-term depreciation of the vehicle without committing to full ownership.

To the extent that the implications have been discussed, some financial commentators have expressed fear that car finance may be creating a sub-prime bubble with similar qualities to that which precipitated the global financial crash. There has also been (limited) scholarship demonstrating that operating leases are too complex for many consumers to understand, putting them in disadvantageous financial positions. This paper argues that the rise of PCPs has important implications for efforts to make transport systems environmentally sustainable.

I use a Systems of Provision approach to understand the ‘material cultures’ of car consumption. I argue that a particular culture of consumption has been created around personal car ownership, in part reflecting the economic conditions and contradictions inherent in car manufacturing. Cars are most people’s second biggest area of expenditure, and yet, in contrast to housing, their exchange value depreciates rapidly. This is partly because of a car culture that favours ‘newness’ and luxury, which maintains demand for new, high specification, vehicles. But, in the context of mass dependency, cars also provide an indispensable ‘use value’ for individuals. Consumers’ reliance on their car reduces the risk of them reneging on lease agreements, thus aiding securitisation within the financial sector, producing relatively low rates of interest. In short, we are witnessing the rapid financialisation of car culture.

In the context of increasing congestion and falling wages, many younger people are eschewing private car ownership. PCPs facilitate cash-strapped individuals to participate in car culture, by allowing them access to vehicles formerly outside of their price range, and more frequently. The result is a greater ownership of new and more luxurious cars, increasing short term profitability for manufacturers and financiers, but also increased financial insecurity for consumers. This not only threatens future corporate profitability, but also seriously mitigates efforts to address car dependency and the social and environmental damage that it brings.

Mots-Clés: Car finance, financialisation, systems of provision, climate change, car dependency

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