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How Did Finance Capital Infiltrate the World of the Urban Poor? Homeownership and Social Fragmentation in a Spanish Neighborhood

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Abstract

When working-class localities in developed countries are in question, social fragmentation is often analyzed along ethnic lines. Instead, this article claims that it is more critically fruitful to explore fragmentation in terms of people's relations with the state and different forms of capital. It does this by considering housing in Spain as a key resource that connects state policies both with the forms of reproduction and (dis)organization of the disadvantaged, and with the development of real estate and finance capital. First, it unfolds the historical formation of the Spanish 'homeownership culture' and the construction–finance complex. Second, starting from an in-depth ethnography of a peripheral neighborhood in Barcelona, it emphasizes the embeddedness of recent financialization in the livelihood strategies of poor households. Finally, it shows how the process led to a commodification and erosion of those social relations on which it partially depended, thereby exposing problems for class reproduction and fracture lines among the urban poor.

> 'Let's make a country of homeowners, not proletarians.'
>
> José María Arrese, first Spanish Secretary of Housing, 1957–60

> 'Immigration is going to be the number one problem in Spain over the next decade. If ETA [the Basque terrorist group] is a problem of the twentieth century, immigration will be the main problem for our coexistence.'
>
> Jaime Mayor Oreja, member of the Spanish *Partido Popular* and Secretary of the Interior, May 2000

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In recent years the face of urban Spain — to recast Gerald Brenan's expression — experienced a radical transformation. On the one hand, the territory was swept by a housing boom of unprecedented proportions. Suffice it to mention that between 1998 and 2008, prices increased by more than 180%,[1] whereas in another financialized market, the US, they increased by 104%.[2] On the other hand, the rapid expansion of the economy positioned the country as one of the most prominent centers of attraction for transnational workers. At the turn of the century only 2.3% of the population were of foreign origin; in 2008 they amounted to 11.4%, thus accounting for most of Spain's demographic growth. Just like the subprime populations in the US, these highly dispossessed fractions became crucial in the prolongation of the Spanish housing boom: between 2003 and 2007 — when prices were peaking — roughly one million migrants from the global South were granted mortgages to buy homes.

A process like this unleashed a residential revolution. In many deprived neighborhoods a substantial part of the better-off categories moved to less degraded locations and sold their inflated properties to migrant buyers. And these incoming homeowners, having to face stagnating wages and rocketing mortgage repayments, often resorted to unconventional livelihood strategies. In order to finance part of their mortgage, many of them moved their families into one bedroom and sublet the rest of the rooms. Thus, behind the glossy and publicly celebrated picture of a buoyant society of 'middle-class' proprietors lay a world of informal room renting and poverty.

Soon, sporadic tensions, particularly between established old-timers and foreign residents, started cropping up in the media and became a recurrent object of public fascination. In fact, public commentators have come to portray these neighbourhoods as potential 'powder-kegs', fuelling the idea that the growth of immigration and the concentration of different 'cultures' might have generated, by itself, insoluble conflicts — the underlying assumption being that there is an ongoing process of ethnic stratification and that it should be primarily attributed to cultural intolerance.

Similarly, a lot of the academic literature that directly or indirectly addresses working-class spaces in Europe has emphasized the new forms of racism (Stolcke, 1995; Holmes, 2000) and the way in which minorities are prevented from acquiring full citizenship (Koopmans *et al.*, 2005). Discussions on the problems of 'coexistence' in multiethnic neighborhoods (Agustoni and Alietti, 2007), on the effects of 'diversity policies' (Uitermark *et al.*, 2005) and on the so-called 'crisis of multiculturalism' (Vertovec and Wessendorf, 2009; Lentin and Titley, 2011) are actually gathering momentum.

These analyses are very important. However, a frequent shortcoming is that many of them focus on the ways in which racial discrimination is promoted or hindered without looking at how these intersect with broader shifts in the macrostructures of the economy and polity. Racism and the formation of 'identity politics' *are* important factors, but they can become an obfuscating screen unless we analyze the deeper socioeconomic vectors of division on which they are predicated, which are directly linked with the particular development of capitalism in each country.

In this article I claim that it is more critically fruitful to understand the current problems of working-class people in Spain in terms of their relations with the state and different forms of capital (chiefly real-estate and finance) than purely in terms of cultural difference. Financialization processes based on the housing industry, as observed on both sides of the Atlantic, have, in fact, already been widely discussed. Several authors have offered macroeconomic perspectives on the expansion of finance capital (Brenner, 2009; Fine, 2010) and the ways in which states have built and rebuilt mortgage markets in order to implement the use of securitization and predatory lending (Gotham, 2009;

1 This and the rest of the statistical facts on Spain are according to the INE (Instituto Nacional de Estadística) Database.

2 According to Freddie Mac's Conventional Mortgage Home Price Index (CMHPI).

Immergluck, 2009; Wainwright, 2009). Similar debates have focused on the exploitative dimension to financial transactions taking place in the sphere of consumption, particularly in access to housing (Dymski, 2009; Lapavitsas, 2009).[3] Some ethnographic approaches have even dealt with the internal mechanisms of the financial sector (Ho, 2009; Holmes, 2009; Ouroussoff, 2010). However, social scientists have not yet revealed the mechanisms that allow financialization processes to take root in specific social formations, and the way in which these relate with social fragmentation and the politics of racism and identity. In other words: how does financialization actually hit the ground?

Here, I consider housing in Spain as the key causal link[4] that connects state policies with the forms of reproduction and internal (dis)organization of the most disadvantaged, and with the development of the construction–finance sector. First, I unfold the historical formation of the Spanish 'homeownership culture'. I examine policies since the end of the 1950s and demonstrate that the privatization of housing among the proletariat was a project deliberately encouraged and subsidized by the Franco regime. These policies contributed to shaping the kind of sociopolitical structures (especially and paradoxically among the poor) that have persistently sanctioned new rounds of domestic property expansion and the eventual ascent of finance capital in full-fledged neoliberal style. What emerges from this analysis is that the Spanish working classes have gradually found themselves with virtually no alternative other than the private property market in order to solve their housing needs, thus becoming a target for financial institutions.

Second, starting out from an in-depth ethnographic study of Ciutat Meridiana (a housing project in the periphery of Barcelona), I show how the recent expansion and financialization of the real estate market in impoverished spaces was strongly dependent on and sustained by moral networks that became gradually commodified. The *embeddedness* of the formal property market in an informal rental market allowed real estate and finance capital to increase prices exponentially.

Finally, I examine the pernicious consequences of this form of market expansion, manifest in an erosion of the social fabric that revealed deep problems of class reproduction and internal fracture lines between old and new migrants. By not securing the conditions for reproduction of the new working classes, the state stimulated the kind of social differentiation on which racist discourses are currently being predicated.[5]

The promotion of homeownership among the working classes

In Spain, it is estimated that prior to the financial crisis, 87.1% of the housing stock was privately owned. Leaving aside post-socialist countries, the country figured among those with the highest homeownership rate in the EU-27, well over the average (66.8%) (EMF, 2009).

In the last two decades, media representations have tended to ascribe the supremacy of private property over other alternatives, such as rent, to an almost genetic predisposition of Spanish citizens to 'own their homes'. A frequent claim is that Spain

3 Marx (1991: 745) originally defined credit lending for workers as 'secondary exploitation', running 'alongside the original exploitation that takes place directly within the production process itself'. Lapavitsas (2009) has rephrased it as 'financial expropriation': a process whereby workers and other non-capitalist strata are systematically drawn into the financial system in order to secure access to resources such as housing, or to manage savings. In this process, the systematic inequalities between financial institutions and the holders of personal income allow the former to engage in secondary exploitation of the latter, leading to extreme forms of predatory lending (Dymski, 2009).

4 Obviously, there are others areas of state action — such as education, health care and employment — which I do not have the space to analyze here.

5 The sections on moral networks, class fragmentation and the politics of identity and racism are, inevitably, not fully developed in the current article, but these are key issues that will be addressed in subsequent publications.

Table 1 Tenure status of primary households in Spain 1950–2007 (%)

Years	Owned	Private Rent	Public Rent	Leaseback	Other Forms
1950	49.0	-	-	-	-
1960	51.9	41.0	2.0	-	-
1970	63.4	28.1	2.0	4.6	1.9
1981	73.1	18.8	2.0	3.1	3.0
1991	78.3	13.2	2.0	4.5	2.0
2001	80.7	9.3	2.0	6.0	1.0
2007	87.0	7.6	1.5	3.9	-

Sources: EMF (2009), Instituto Nacional de Estadística (2011), Trilla (2002)

has a 'property tradition' or 'culture': owning the house one inhabits is presented as a transhistorical trait, part of some sort of peninsular essence that would naturally justify its preeminence. This discourse has no historical basis. In fact, up until the 1960s, practically half of the housing stock consisted of homes for rent (see Table 1). However, repeated ad nauseam and transformed into 'common sense', in Gramsci's (1971) terms, these explanations have functioned as screens concealing the key role that the state plays in structuring the real estate market. In this sense, it is worth remembering what Tedd Gurr and Desmond King (1987: 4) point out: 'those who hold and use state power can allow the fate of cities to be determined mainly in the private economy, but that is a matter of public choice rather than iron necessity'. Therefore, if it is possible to talk nowadays about a 'homeownership culture' or, more appropriately, about the existence of *dispositions* among the Spanish that make them more inclined to buy a house, it is necessary to point out that such dispositions are the result of very specific and recent historical policies.

Certainly, economic choices in respect of housing depend, as Bourdieu (2005: 15) states in *The Social Structures of the Economy,* 'on the one hand, on the (socially constituted) economic *dispositions* of the agents — particularly on their tastes — and the economic resources they can summon and, on the other, on the state of supply of dwellings'. But both terms of this equation, against what neoclassical economic theory would suggest, are strongly dependent on 'a whole set of economic and social conditions produced by housing policy'. By means of direct public instruments — housing plans, control over land, regulation of rental options — and more indirect ones — aid in the form of tax measures, regulation of the conditions of access to financial credit — 'the state — and those who are able to impose their views through it — contributes very substantially to *producing the state of the housing market*' (*ibid*., emphasis in original). As a matter of fact, demand, and especially the tendency of individuals to buy or rent, usually depends to a large extent on the particular state of the supply, which is in turn the result of the structure of possibilities generated by housing policies. Therefore, it should be no surprise to read Bourdieu's conclusion (2005: 128): 'there are, no doubt, few markets that are not only so controlled as the housing market is by the state, but indeed so truly constructed by the state'.

In Spain, the housing policies of the last 50 years have turned the property market into the only way to have a roof over one's head for most of the population. There has been a clear and relentless evolution from the years of Franco's *desarrollismo* (1960s) until today, from a situation of relatively even distribution between property and rental to a near absolute predominance of homeownership. The importance of state action throughout this period became especially clear through the laws regulating rental agreements, housing plans, fiscal policy and the growth of real estate and financial capital.

Making rent unattractive

The various laws regulating rental agreements have been a clear disincentive for this form of accommodation. After the Spanish Civil War, the Urban Rent Law (1946) established an indefinite extension of leases together with a freeze on prices during inflationary periods. However, this measure was to have a shrinking effect on this market, since it penalized new private investments in rental housing (Cotorruelo, 1960 in Leal, 2005). During the subsequent period of economic expansion (known as *desarrollismo* and extending from 1959 until 1975) the new Urban Rent Law (1964) added to the previous one the imposition of permanent limits to the possibilities of updating rental contracts. This change played a major role in the reduction of the proportion of housing for rent during the next two decades. Since letting became an uninteresting alternative for owners themselves, buildings for rental suffered gradual deterioration (García-Montalvo, 2003: 9). Later on, the Royal Decree of 1985 did not alter the trajectory: by allowing the effective upgrade of leases and abolishing the obligation (on the landlord's side) to extend rental contracts, it severely reduced tenants' rights. Furthermore, this loss of rights was aggravated by the Decree of 1994, which introduced the possibility for landlords to use one-year contracts.

Privatizing social housing

Housing plans regulating the new developments of the last 50 years have distinguished themselves by the practical absence of new public housing for rent. The effects of this transformation are crucial, bearing in mind that more than 66% of the Spanish housing stock was built after 1960 (Trilla, 2002: 87).

Until the beginning of the 1960s, there had been a construction policy of social housing districts with units for rent that were publicly owned. However, the great urban expansion carried out by the Francoist government, embodied in the Housing Plan 1961–76 and supported by the Plans for Social and Economic Development implied a break with the preceding policies. The aim of this plan, a true flagship of the *desarrollismo* period, was to build new residential developments for the working classes with a preponderance of state-subsidized housing (it represented 66% of the total, whereas private homes amounted to 34%). But the most crucial aspect is that most of these new flats could be privately *owned* (Sánchez Martínez, 2002). This favored, in the long run, the somewhat contradictory incorporation of state-subsidized apartments into the private market, in what has been accurately defined as a 'Thatcherism *avant la lettre*' (López and Rodríguez, 2011). In fact, the concentration of direct action through the public promotion of housing for sale has remained a salient feature of Spanish housing policies until today. This is something that clearly differentiates them from the plans that were being advanced across Europe in the 1960s and 1970s, where the expression 'social', 'public' or 'state-subsidized' was generally associated with *rent*.

The majority of new homes that were labeled as *protegidas* ('protected' from the private market, i.e. state-subsidized) during this period were built under the Law of Limited-income Housing (1954): the state directly subsidized the developers, financing 60% of the total value of the new developments, which allowed the price of housing units to be reduced (Leal, 2005: 69). To make sure that the new owners of these homes would be able to afford them, the state created the Spanish Mortgage Bank, a public institution that guaranteed the loans that financial capital did not want to provide due to their low profitability and fears of default. As we will see below, the granting of loans for the working classes would not become a significant business for private banking until the end of the 1980s. The epitome of the *desarrollismo* period are the *polígonos de vivienda* which, like the English *new towns* or the French *grands ensembles*, were built on the periphery of great cities, especially in Madrid, Barcelona and the Basque Country. These were big residential complexes designed for the working-class masses that had emigrated from rural parts of the country and had been settling for more than two decades in informal shantytowns, due to the shortage of affordable housing in the private market.

The Spanish ‘invention’ (Leal, 2005: 70) of building state-subsidized housing for private ownership was prolonged, albeit in much smaller numbers, throughout the 1980s, in the form of new housing plans (1981–83, 1984–87; see Ministerio de Obras Públicas, Transportes y Medio Ambiente, 1996). By the end of that decade, and in accordance with the European Union’s neoliberal turn, free-market housing was already becoming the only form of new development.

Rewarding homeowners, making it hard for tenants

Since then, the state has changed its approach: from direct intervention via the development of subsidized housing to the stimulation of aggregate demand through indirect measures such as tax relief. In 1996, the state decided to fiscally reward homeowning while penalizing renting. If at the beginning of the 1990s tax deductions for the purchase of a property represented approximately 50% of all the virtual investment in housing by the state, by 2003 they amounted to more than 80% (Leal, 2005: 76). It is estimated that, during the last decade, public support for the purchase of housing financed between 20% and 50% of the total price (García-Montalvo, 2008).

Shaping the dispositions of a social class

The social consequences of these policies are expressed in phrases that became popular over recent years, such as ‘buying deducts’ or ‘renting is wasting your money’. In fact, such political measures would have not been possible without the dispositions they contributed to shaping in Spanish society during this long wave of 50 years, particularly among the working classes. It was in the red belts of big cities that the tendency to buy became more acute: in Ciutat Meridiana, for example, the rate of homeowners in 2001 was 87.5%, whereas the average for Barcelona was 68.1%.

Again, the origins of this change have to be traced back to the 1960s, the years of the *desarrollismo*, during which the massive supply of state-subsidized housing for private ownership had a short-term political aim: the payment of monthly installments was a mechanism to tame the working classes, since workers’ demands could bring about the loss not only of their job but also of their home. But the transformation of the objective structure of possibilities for housing provision was also going to have long-lasting effects on the reproductive strategies of the working classes. By turning workers into owners of their new apartments, the state promoted a change akin to what Bourdieu (2005: 34) identifies in his study of a French suburban area of small houses:

> Categories previously disinclined to see the purchase of their dwelling as a major form of financial investment and who would have represented a natural clientele for a policy aimed at promoting the building of public housing for rent (single-family houses or blocks of flats) have, thanks to credit and government assistance, come to subscribe to the logic of the accumulation of an economic heritage, thus creating a role in their reproductive strategies for the direct transmission of material goods.

This alteration in the dispositions of the working classes undoubtedly contributed to creating an environment of political legitimacy for the continuing expansion of the property market in the following years. Moreover, it also explains the weak opposition to socially regressive policies such as tax deductions for the purchase of housing.

The result of this is what Jim Kemeny (1981) argues in *The Myth of Home Ownership*: there is a relation of causality in the fact that countries with a high rate of homeownership have a weak welfare state.[6] According to Kemeny, in a society where buying a house and a car become high priorities, the tendency is to develop a strong opposition to the kind of fiscal measures that would facilitate the provision of universal and egalitarian public

6 Spain’s welfare state is weak compared to the rest of countries in the EU-15 (Navarro, 2006).

welfare: the perception is that these political measures would delay such essential purchases. The direction in this relation of causality (that is, whether a strong tendency to buy one's dwelling leads to the weakening of the welfare state or vice versa) is unclear (Castles, 1998: 18), but they are two poles of the same equation and tend to reinforce each other in a vicious circle. By stimulating what some call the 'democratization' of homeownership, the state transfers the responsibility for the provision of such a fundamental resource to private households. Simultaneously, by entering into the logic of accumulation and transmission of a property, citizens tend to become more resistant to the kind of fiscal policies that would affect their small assets, therefore weakening the state and the possible construction of social housing for subsequent generations.

The obvious result of this circle is that social inequalities increase. In the year 1988 more than 70% of tax deductions were already concentrated in the top 30% of Spanish households, those with the highest incomes (Leal, 2005:76). In fact, many of the fiscally regressive measures approved during the last decade have tended to weaken the public sector and favor strategies of asset accumulation, precisely at a time of unprecedented growth in the property market: reduction of personal income tax for top earners and corporate income tax; suppression of and exemptions from property tax and inheritance tax in several regions, etc. Thus, by privileging home-buying and making progressive taxation unattractive, the redistributive function of the state is undermined, benefiting the upper classes and producing more precariousness among the working classes.

The growth of the real estate and finance complex

The policies analyzed so far have decisively contributed to the expansion of the private property market and are narrowly related to the weight that real estate capital has historically acquired in the Spanish model of economic growth.

The origins of this process are again to be found in the great expansion of the 1960s, during which, as Castells (2001: 172) points out, the government provided the market: 'it bought the land, loaned the capital, paid for the construction, channeled the demand, created fiscal exemptions and "forgot" to regulate the legal norms and requisites for an urban infrastructure'. The lucrative business of building public housing for sale gave birth to a new real estate network, together with a strong construction industry. Big developers absorbed most of the demand and created some of the most important Spanish companies (Llordén, 2003).

Ever since, the construction sector has gradually acquired greater weight due to optimal conditions guaranteed by state action. It should be no wonder that the cyclical construction of new residential developments for sale has acquired a fundamental role in the Spanish model of economic growth, becoming what Harvey calls a 'secondary circuit of capital' (Harvey, 1978: 106). Certainly, after the long crisis of the 1970s, the Spanish economy has relied on internal housing bubbles (1987–91, 1996–2007) in order to sustain the circulation of capital and its growth rates, something akin to the dynamic in other Western countries, such as the United States or the United Kingdom (Harvey, 2008). In these processes of growth, real estate capital has acquired an increasing dependence on the involvement of finance capital, more than in any of the other commodity markets. As in all the advanced capitalist countries during the 1980s, persistent downward pressure on wages led fictitious capital to emerge as the mode to sustain a double circle of rising aggregate demand and capital gains without raising public spending. In Spain, during the last housing boom the average wage in the private sector increased by only 0.7% (the lowest rate among the EU-15 countries) whereas capital gains surged by 73%, compared with an average of 33% in the EU-15 (Navarro *et al*., 2009).

In order to pave the way for an expansion of the financial sector, the state undertook gradual deregulations. Until the beginning of the 1980s, the issue of mortgage bonds had been exclusively reserved to the Spanish Public Mortgage Bank. However, this began to change with the Mortgage Market Act of 1981, which authorized commercial banks to grant mortgages and extended both their length and the maximum legal loan-to-value percentage. Also, it introduced the possibility of turning them into marketable securities, a change that was formalized in 1992 with the Law of Securitization Vehicles and given a new impulse in 1998 with further deregulation. From that year and throughout a further decade, mortgage securitization boomed and became the means to finance a large portion of bank lending in the country (Carbó *et al*., 2011). Simultaneously, the residential mortgage debt to GDP ratio grew from 23% to 62% (EMF, 2009).

These state regulations and financial activities cannot be detached from a series of changes at a global scale, promoted by supranational entities such as the European Central Bank. It was in the context of a general easing in credit, declining inflation, and real interest rates declines that the Spanish housing boom could unfold. The international capital markets became an apparently endless international pool whence the expanding Spanish banks could issue securities and fund their mortgage growth. Thus, between 1998 and 2009, housing prices surged relentlessly and the country reached the highest levels of residential development in its history, 10.9% of the GDP (García-Montalvo, 2006).

As a result of a state policy that favored homeownership and the growth of the real estate–finance complex, Spain has practically no public housing. State-subsidized stock barely amounts to 1.5% of the housing market (see Table 1), a very low figure compared to other European states such as England (20%) or France (17%) (Allen *et al*., 2004). This fact is especially important for the working classes, since both workers and the poor are always those who most crucially depend on the public provisioning of social housing for rent (Harloe, 1995). In this sense, by allowing the question of lodging to be determined in the private market, the state leaves the underprivileged at the mercy of finance and real estate capital, which can exploit a fundamental human need like finding a place to live. The pernicious consequences of this domination became dramatically visible in the last decade, during which finance capital penetrated all social sectors, including the most precarious fractions of the working classes.

How working-class neighborhoods became fields of financial speculation: the case of Ciutat Meridiana (Barcelona)

Ciutat Meridiana is a particularly interesting place to understand the extent of the housing boom that swept across the Spanish geography. Unlike other areas that generally constitute the empirical basis of speculative processes, it is the complete opposite of a gentrified or touristy neighborhood. Located in the north-eastern limits of Barcelona, at first glance it is little more than a collection of apartment blocks climbing the damp steep slopes of Collserola, crammed between the mountain and a frontier of roads and railway tracks. Like other *polígonos de vivienda* made up of apartment units for sale, it was built at the end of the 1960s by a private developer, under the above-mentioned Limited-income Housing Law. The alleged aim was to provide housing for the working-class migrants who had left rural areas of Spain (Andalusia, Aragon, Navarre) and had been living for several years in conditions that were officially demonized and deemed as 'anti-hygienic': mostly in informal shantytowns, but also in rented rooms, stables and caves in the hilly parts of the city.

Positioned in the lowest regions of the socioeconomic hierarchy of urban spaces from the beginning,[7] Ciutat Meridiana is seen as an unattractive place by many of the people who visit it for the first time and also by a significant proportion of its inhabitants: the

7 Ciutat Meridiana was the most economically impoverished neighborhood of Barcelona in 2005, according to the Index of Social Inequalities elaborated by the Ajuntament de Barcelona (Recio, 2008: 195).

orographic obstacles, the very low quality of the apartment blocks, the scarcity of public space and the neighborhood's clear segregation from the urban fabric are all aspects that seem at first sight to impede the development of a good quality of life. These elements generate the perception among many residents that Ciutat Meridiana is a sort of parallel, autonomous world. Barcelona is an unknown city to many; administratively speaking, they belong to it, but there is a historical feeling of institutional disregard, largely due to infrastructural deficiencies inherited from the Franco period and aggravated by the relative abandonment suffered during the first 20 years of democratic government (compared to other working-class areas that benefited during the same period from big public investments).

It was the expansion of finance capital at the end of the 1990s that allowed a cast-off area such as Ciutat Meridiana to enter the logic of real estate speculation. By then, the situation in urban Spain was relatively analogous to that of the 1960s: economic growth had generated a huge demand for labor, attracting workers from many places in the global South. Their precarious position in a highly deregulated, informal labor market, coupled with the continuing increase in land prices made getting a place to live difficult for this population.

However, the state's solution to the housing problem differed from that of the *desarrollista* stage: now, the government did not intervene via subsidies or the creation of a Public Mortgage Bank, but mainly through the deregulation of the limits imposed on finance capital (besides the fiscal policies described above). If the 1960s had been marked by a sort of Keynesianism (whereby consumerism had been boosted through the state's strong investment), in the age of full-fledged neoliberalism Spain became a laboratory of what Brenner (2006) calls 'asset-price Keynesianism' or 'bubblenomics' (López and Rodríguez, 2011). The massive production of credit allowed both aggregate demand and prices to grow, despite stagnating wages.

This allowed the most precarious strata of the working classes to be seen as potential demand, thereby becoming a target for real estate agencies and banks. Foreign workers, relegated to socioeconomic marginality, constituted a key group during the real estate market boom. On the production side, legal limitations imposed by immigration laws facilitated the exertion of pressure on their wages, with many workers entering the informal sectors of the construction industry (Portes and Sassen, 1987). On the consumption side, the expansion of credit allowed real estate profits to be sustained without migrants' low wages being raised.

The new demand, ever greater due to a gradual reduction of the restrictions on the granting of credit, was channeled towards impoverished neighborhoods where the most affordable housing was concentrated. Thus, unknown and slightly stigmatized neighborhoods such as Ciutat Meridiana were introduced onto the maps of potential buyers. A good example of this is a group of Dominican women who, until the end of the 1990s, had been moving between rooms in apartments for rent that were highly degraded and had no appeal for more established residents. After years of internal domestic service, these women had acquired their residence permits and were now working in wealthy uptown houses. In 2002 they started learning through their acquaintances about estate agencies that were offering 'affordable' apartments for sale. These agencies belonged in many cases to important developers, and they sent potential buyers to the offices that they had been opening in areas such as Ciutat Meridiana. In fact, between 2002 and 2007, Ciutat Meridiana saw the opening of 7 new estate offices. Some of the agents who focused on attracting and channeling these impoverished migrants to Ciutat Meridiana described themselves as 'specializing in immigration'.

Moreover, the endeavors of these agencies were reinforced by, and benefited from, the role of buyers' social networks, which emerged as informal intermediaries in the process. The first homeowners who settled in Ciutat Meridiana told their relatives and fellow countrymen about the possibility of getting their own affordable homes. Some agencies even engaged these first buyers to act as brokers: they gave them a sum of money in exchange for persuading their friends and relatives to buy an apartment through them. 'At

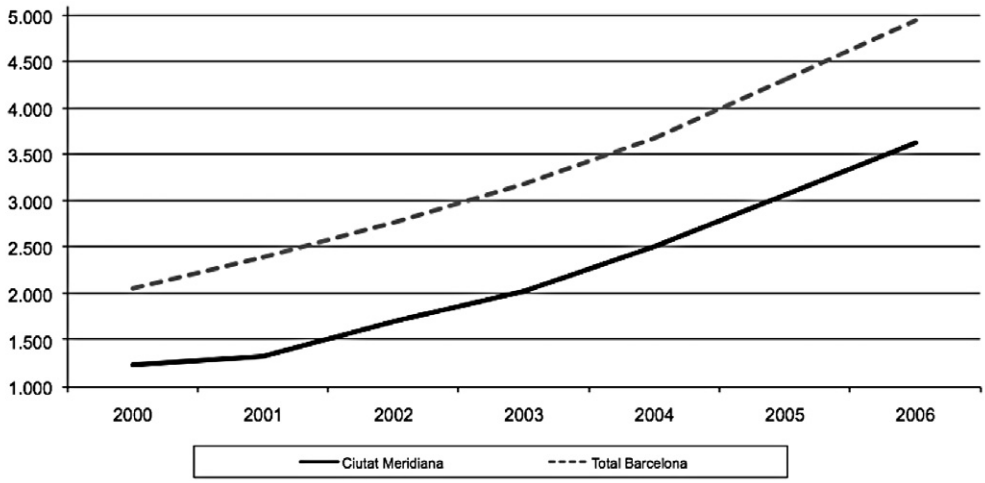

Figure 1 Prices per square meter 2000–06, Barcelona and Ciutat Meridiana (*source*: Departament d'Estadística de l'Ajuntament de Barcelona, 2000–2006)

the time', as one informant told me, 'they were selling more apartments than apples in a fruit shop! Agencies were full of immigrants'.

The spectacular growth of this 'migrant demand', combined with the spread of credit and the apparently unstoppable increase in property values created a general feeling of opportunity for social mobility in a place like Ciutat Meridiana. Many households turned their apartment into what people routinely called a 'bridge-flat': a primary dwelling used as a financial guarantee, often prior to being actually sold, in order to get a mortgage and buy a new home of higher economic value. This allowed many second-generation migrants from rural Spain to move to suburban locations often considered more attractive. Eventually, the general feeling of a 'gold rush' turned homes into mere financial assets, devoid of use-value. This phenomenon was epitomized by agents and residents who bought apartments simply with the intention of selling them one or two years later, and making a profit that could be reinvested.

The process implied an increase of house prices in Ciutat Meridiana, proportional to other central and gentrifying areas of the city (as in Figure 1).[8] Moreover, it led to a huge residential transformation: in less than a decade, practically half of the population in a neighborhood of 11,000 people was replaced by a new wave of residents, mostly foreigners. In fact, between the years 2000 and 2007, the number of foreign migrants in the area rose from 200 to 4,200, becoming almost 40% of the total population (Departament d'Estadística de l'Ajuntament de Barcelona, 2001–09).

Nevertheless, it is important to bear in mind that behind the message of the bubble as an opportunity lay the fear, promoted by local agents, that prices would never stop increasing. This, for a population inclined to see their home as a source of familial heritage and social security, became a haunting threat. In other words, what was often described as a great chance hid an imperative for the most disadvantaged, who saw, despite the availability of credit, how prices increased dramatically in relation to their sources of income.

By deregulating the granting of mortgage credits, the state allowed financial institutions to exploit without restrictions the needs of the new migrant population. In fact, even though the legal limit for mortgage granting had already been extended to 80%

8 Prices soared in Barcelona and across Spain in the same proportion between 2000 and 2007: they rose by 110% (Instituto Nacional de Estadística, 2011).

of the home value, the great majority of banks — in collusion with valuation and appraisal companies — found enough grey areas to generally offer credits that covered up to 120% of the price.

The new foreign residents had neither savings nor assets that could function as a form of guarantee, which obliged them to borrow great sums of money from the banks. In fact, since the loans they received were usually above the price of the apartment, the extra money was frequently invested in other expenditures, such as furniture, renovations for the new home, or the acquisition of a car. In order to grant these potential clients a mortgage, banks and estate agencies only needed to ask for two kinds of requirement: on the one hand, buyers had to be formally employed, even if most of them had 6-month contracts and an income that could hardly pay the first installment on the mortgage; on the other hand, they needed some kind of guarantee. However, unlike young Spanish buyers, migrants had no relatives with a property of their own who could act as guarantors. To bypass this obstacle, banks and estate agencies encouraged potential buyers to tell their relatives or friends to get a mortgage too and buy an apartment. The idea, then, was to get both parties to buy their new apartments, and use them as mutual guarantors. This practice, termed a ‘crossed guarantee’, was supposedly forbidden, but bankers could sidestep the soft regulation of the Bank of Spain if they were able to close the mutual transaction in less than a month. Whenever a potential buyer refused to encourage their relatives to take part in this form of fictitious endorsement, agents attempted to get random buyers to guarantee each other, often without them actually knowing.

Due to the dissymmetry of information between buyers and financial institutions, many migrants were victims of other abuses. For instance, potential clients were often persuaded to get variable rate mortgages, and reassured that installment prices would not increase. Not long after signing the contract, these buyers were shocked to find out that their monthly installments had almost doubled. Also, in many cases, estate agents and bankers inflated the loans in order to increase their own commissions, and they sometimes added unnecessary insurance contracts without informing their clients.

In a context of mania and seemingly unstoppable growth, local bankers and agents were pushed, through both incentives and coercion, to ignore the few existing forms of control and offer as many financial products as possible. From the point of view of migrant buyers, the ‘wealth effects’ of the credit and housing bubble acted as an encouragement: the general idea was that the constant appreciation of home values would be an antidote to their weak and unstable sources of income. In their migration process, the acquisition of a property was seen not only as a way to get a relatively stable place to live in, but also as a valuable commodity that could be eventually transformed into a powerful form of remittance or investment in their homeland.

The invisible bonds between credit and social networks

If credit and the ‘wealth effects’ of the bubble were a temporary ‘solution’ to the housing problem and the rollback of the state, the other pillar was the capacity of buyers to build networks of moral obligations around them. In fact, in order to secure their profits, banks and agents leaned on the social relations of the people they granted mortgages to.[9]

On the one hand, by ‘crossing guarantees’ between different individuals, banks tried to secure the payment of installments: borrowers who did not pay knew that they would put their guarantors in a real predicament, and vice versa. On the other hand, bankers granting credits to migrants with low and precarious wages knew of the existence of a

9 It should be noted that the lending process described here resembles in many ways the microcredit operations in several countries of the global South, as exemplified by Rahman (2001) in Bangladesh.

growing subletting market in the neighborhood. That is, financial institutions did not grant loans on the basis of the buyers' wages, which were often below the price of their first installments, but on their capacity to find other sources of income, mainly through the informal activity of subletting rooms. This was possible due to the existence of a huge number of migrants who needed to find accommodation, usually undocumented, unemployed or working in the informal economy, and who were therefore legally unsuitable for a mortgage. Also, the specifications of the blocks in a *polígono de vivienda* like Ciutat Meridiana, containing apartments of 65 square meters with three bedrooms, allowed new owners and their main household to live in one of the rooms while subletting the other two.

Hence, it is possible to assert that the prolongation of the housing boom through its final years (2004–7), during which practically one million migrants (out of six million) became homeowners, was partly possible to the existence in these working-class spaces in a subletting market. Following Polanyi (1957), part of the formal market was *embedded* in moral relations between formal owners and informal tenants. The payment of the legally regulated debt that new owners contracted with their banks depended on the payment of the morally regulated debt that they created with their relatives, friends or simply with cohabitants. These relations of moral debt are usually asymmetric, since the payment of the rent by the tenant implies an accumulation of value by the owner. However, the difference from a purely contractual relationship lies in the higher degree of mutual understanding, especially when the link is established between relatives or fellow compatriots.

Let us describe the case of Saray, a Dominican woman who managed to save a small amount of money as a domestic worker and got different loans to buy two apartments in Ciutat Meridiana. By subletting all of the rooms in one apartment and some of the rooms in the apartment that she and her boyfriend inhabited, Saray was able to pay her installments regularly, and even obtain a surplus that she used to open a small fruit shop.

Saray has many connections, not only with relatives from her homeland, but also with different individuals and families she has met since she arrived in Barcelona in 1989. Once she had settled in her new apartment in Ciutat Meridiana, this 40-year-old woman started getting news from relatives who wanted her 'to bring them' to Barcelona, as people usually say when established migrants use their resources to help others migrate. When two female cousins landed in the city, with no work or residence permits, Saray offered to put them up in one of her rooms. She also put them in touch with one of her old employers, a wealthy Catalan woman who lived uptown, and who before long offered them an informal job in her house. For the two cousins, the fact that Saray offered them a roof and a job, besides keeping them company, is a form of moral support that they will not forget. Also, they both know that whenever they have been unemployed and lacked the money to pay the rent for their rooms, Saray has tried to give them enough time to get it. In exchange, besides this payment, she expects them to voluntarily offer their support in small tasks such as cooking or taking care of her shop counter.

Thus, an ambiguous and often flexible form of reciprocity and patronage is established, whereby these homeowners give access to key resources. In the process, they can increase their prestige and achieve enough moral authority to expect their protégés to be disposed to show their solidarity whenever it is required. What holds the relationship together is the *feeling* that they all receive as much as they give. And the key element in the evaluation of legitimacy on the part of the protégés is the relation between the degree of services he or she gets and the degree of services they offer. The higher the 'value' they get from the patron, the greater the possibility that they will see the link as legitimate (Scott, 1977). In these networks, the fact that individuals in a legally vulnerable situation have access to a room of their own and work through another migrant is usually perceived as a favor that dilutes the economic relationship. Conversely, some relationships tend to be short-lived precisely because they are explicitly perceived as exploitative: such is the case of owners who sublet beds in crowded apartments in poor conditions and for prices that are higher than what is deemed acceptable.

Since moral debt is not formally regulated, nor legislatively sanctioned, there is a strong need to reaffirm it on a frequent basis, not only through small acts but also verbally. Among Saray's group of relatives, friends and countrywomen, there is a phrase that is sometimes uttered: 'we, the Dominicans, are very united'. Although it is usually said as a way of making a positive judgment on the fact that some of them provide each other with mutual support, the phrase also functions as a mode of coercion on those acts that are suspected of evading the moral debts that sustain group solidarity. These affirmations exert what Bourdieu (1992) appropriately calls symbolic violence, which differs from the explicit violence that legally binds clients to banks. However, it can turn out to be fundamental in securing the fulfillment of an invisible debt on which they depend for their survival.

Nevertheless, these forms of mutual responsibility are highly precarious and change depending on the situation. When I met Saray, in 2007, at the peak of the housing boom, I was able to see how she hosted an unemployed friend from Honduras who had become pregnant and had been unable to meet her payments after four months. But in 2009, almost two years after the crash and in the midst of a debt crisis, Saray began to change her attitude, as she struggled to reconcile her moral sense of obligation towards her relatives and friends with her own need to have reliable renters. Seeing that her shop was losing money and that she was having trouble paying the bank, she started complaining about tenants who did not pay her on time or asked her to let them pay less. Once, she indignantly told me: 'these people don't understand how one suffers to pay the mortgage, they think it's easy for us!' During the same period, I met other homeowners who for the same reason had began adopting a 'personal policy' of subletting their rooms to people other than compatriots or relatives. These impersonal relationships allowed them to 'kick them [tenants] out' as soon as they stopped paying their rent, thus steering clear of emotional conflicts.

To sum up, regardless of the degree of moral debt at any given juncture, different forms of bonds emerge between subjects, becoming an important source of social capital. And this form of private solidarity is perfectly embedded in the housing market dynamic. Rooms sublet by homeowners, and the relations that sustain these transactions, are an asset not only for them but also and especially for financial institutions. Ultimately, banks absorb the majority of resources that informally circulate through these networks, at the expense of impoverishing most of their members.

The erosion of the social fabric: old and new migrants

The new reality of the working classes, epitomized in Ciutat Meridiana by the emergence of a wave of migrants living in rented rooms, provides a stark contrast with the situation of the more established residents, who usually live in homes with only one household.

Although the population that settled in housing projects like Ciutat Meridiana at the end of the 1960s and throughout the 1970s mostly came from very poor backgrounds, getting an apartment of their own constituted a form of upward mobility. The replacement of the shack with the apartment was combined with a model for the working classes very much in the image of the 'one home for each family' middle-class ideal. In other words, the social and economic project of turning proletarians into homeowners came with its own cultural coating, designed to wipe away a complex world of extended families living together in shantytowns — vilified by social hygienists as 'promiscuous'. The new propaganda is illustrated in the posters that were used to promote Ciutat Meridiana in 1967, in which we see the image of a young couple — married or soon to be married — eager to get a new apartment. That is, apartments were publicized as ideal spaces for the newlyweds to start their family, very much in harmony with the logic of the Fordist social division of labor: the female occupied with the tasks of reproduction and the male at the factory.

From the point of view of established residents, the recent residential transformation emerges as a form of threat to the symbolic and material stability they had reached. The housing boom and the countless transactions to buy and sell apartments (many of them short-term) have eroded many of the communal spaces in the buildings. In the building where I resided between 2008 and 2009, six out of ten homeowners had become established there during the housing boom. As in many other blocks (especially those without elevators and of lower quality) Spanish residents had seen many of the most established residents leave.

As a result of the speculative process, many old properties were acquired by new residents: mostly foreigners who sometimes hosted relatives from their extended family and often rented some of their rooms in order to finance their mortgages. Therefore, their material conditions differ from those of old-timers. In these new homes, there were all sorts of situations coexisting under the same roof: on the one hand, a situation of job insecurity and legal vulnerability that afflicted room tenants, who often stayed only for short periods due to their problems with meeting payment deadlines. On the other hand, having acquired a stable legal status did not prevent new owners from getting into trouble, for example, losing their job or being unable to find room tenants who could pay them on a regular basis.

Some homeowners have had to move to a relative's apartment or a room and sublet their entire apartment in order to keep paying their monthly installments and avoid foreclosure. The Spanish Mortgage Law, unlike US legislation, does not free homeowners from their debt once they are foreclosed. After the foreclosure, the property is auctioned, and since there are no bidders, the bank that foreclosed on the house acquires it for half of what it cost during the boom, when prices were peaking. As a result, foreclosed owners are left without a roof and owing 50% of the mortgage to the bank for the rest of their life. Many homeowners, aware of this reality that is already afflicting many neighbors (between 2008 and 2012 there were more than 300 foreclosures in Ciutat Meridiana according to the Residents' Association, and 350,000 in the Spanish state according to the anti-eviction movement[10]), do everything they possibly can before losing their home.

Consequently, the combination of high housing prices (worsened by the increase in mortgage rates) and job insecurity makes living conditions very unstable for many of the new residents.

Additionally, during the housing boom many second-generation residents left and sold their homes (or their deceased parents' homes) to new migrants of similar age to themselves. The result of this is that the new social and spatial division between 'established' and 'precarious' residents also contains a generational element. In the building where I lived for a longish period, the four households of Spanish nationality were married couples aged between 60 and 80, whereas the newly acquired homes were all inhabited by migrant couples, aged between 20 and 40, with small children. Thus, a significant proportion of the established residents who remained in Ciutat Meridiana after the boom are retired and receiving a pension. However, these pensions tend to be very small and some of them have difficulties 'putting a dish on the table', as an elderly woman told me.

Therefore, despite their homeowner status, the older generation is not so 'established'. In this context, the emergence of a new generation of impoverished migrants is perceived not only as a symbolic threat to the 'one-family-one-home' lifestyle, but also to their own material possibilities for social reproduction and mobility. One of the most widely spread

10 The name of the civil organization behind this social movement is Plataforma de Afectados por las Hipotecas ('Movement for the people affected by mortgages'). It has received increasing public support ever since it began mobilizing against what it has called 'financial genocide' and a 'scam'. Its main aims are to make the Spanish Parliament change the mortgage law, thus allowing people to cancel their financial debt once they lose their home, and to turn foreclosed homes into a stock of social housing for evicted families (including all those who have already lost their homes since 2008).

fears among residents at the Old People's Community Center is that 'outsiders are going to take away our pensions'. The new generation, younger and with greater economic needs, is perceived as a sort of competitor for the public resources on which the old generation still depends.

The erosion of the social fabric is expressed through small forms of tension, not so much in the public space (a field of study that is perhaps given excessive preeminence in social sciences) as in the communal stairwells inside the blocks: a space of coexistence where neighbors are forced to interact. Conflicts emerge not only on an everyday basis, but also in the decision-making process that affects the organization of that space.

The precarious situation of the new owners, often unable to meet their mortgage payments, makes it hard for them to pay for the collective expenditures of the building too. The adversities they have to endure to secure their own home nourishes the feeling that, as an Ecuadorian neighbor told me, 'you know that the day after tomorrow you can be out', which emphasizes the traditional feeling migrants harbor, that they are just 'passing through'. The feeling of instability, the distress caused by the inability to control or know how long one will be able to remain in the same dwelling, produces a feeling of detachment from the rest of the community. Although most neighbors try to pay their community fees, there are a growing number of people who, in the face of many other financial obstacles, stop paying. This has repercussions in the organization of the community and the maintenance of the building.

The economic troubles experienced by the majority of the new residents become an obstacle for the kind of infrastructural improvement that many old-timers are eager to engage in, such as the installation of elevators (an option promoted by the local council, which recently offered to finance half of the budget). An element like this is very necessary for older residents and would mean a better quality of life, but it requires the collaboration of all the residents.

In this context, the economic hardships of new neighbors are overlooked and their households are seen as the symbol of the decay of the community and the neighborhood. Recurrently, many of the old-timers tend to feel that any kind of dialogue with the newcomer next door would be futile. One of my biggest surprises while living with Saray, in one of her rooms, was to find out that several Spanish neighbors thought she was not the owner, but just some random tenant, and that the apartment was a *piso-patera* (an expression that is used to make an analogy between apartments overcrowded with migrants and the *pateras*, the 'open boats' used by Africans to cross the Strait of Gibraltar and enter Spain). According to them, the actual owner of the home did not even live in Ciutat Meridiana.

To sum up, as a result of the late housing boom and the above-mentioned policies, a fracture has emerged between old and new residents: between those who would like to live in a community of homeowners and small families close to the 'middle-class' promise and those who live in highly volatile households; between an older population with the need for a specific form of public resource (pensions) and a new generation of migrants who are more impoverished and have greater need of state support (school textbooks and food stamps, unemployment subsidies, 'minimum income for integration', etc.). This fracture crystallizes in the space of the community in each building, where the economic obstacles to the new working-class generation become manifest. The misunderstandings between the more established and the more precarious underline the general perception among residents that they live in parallel worlds between which communication is hardly possible.

Conclusion

Faced with a growing fracture between old-timers and newcomers, media and political discourses respond by ascribing all tensions to a 'problem of coexistence', arising from so-called cultural differences. New residents — defined homogenously as 'immigrants', a recurrent stigmatizing category — are sometimes made responsible for what is perceived as a general state of decay. To disassociate themselves from this, migrant neighbors often resort to similar mechanisms of 'lateral distancing' (Bourdieu, 1999), through which they can transfer the stigma to other people in the vicinity, either the next-door neighbor or the youngsters in the nearest square. And to distance themselves from these stigmatizing 'others', subjects resort to negatively marked categories: 'immigrants', 'blacks', *moros* or *sudacas*[11] are made responsible for the 'ills' of the community. Thus, the *imaginary* idea that there is a clash between people perceived as belonging to mutually exclusive groups tends to make subjects interpret any everyday conflict in cultural terms.

In this context, any representation that situates the political debate around 'immigration' or the 'coexistence problem' is misleading: not only does it obscure state and corporate responsibilities (and the structural origins of the general impoverishment of the working classes) but it also contributes to redefining social fragmentation in cultural (or even racial) terms. As has been shown in other European contexts (and we are beginning to witness it in Catalonia), this type of approach is the gateway into the political field for parties with a deliberate strategy to exploit 'cultural fundamentalism' (Stolcke, 1995). Xenophobic parties take advantage of the decline in state investment by putting their emphasis on the issue of the redistribution of the few existing public resources. This allows distancing strategies to become dangerously useful: people may feel entitled to judge the degree of cultural 'righteousness' of individuals to determine whether they deserve public forms of support.

At a time when public debate seems to be veering towards working-class neighborhoods, and when the rhetoric of exclusion is attempting to monopolize the social space, it is crucial to provide explanations that illuminate the true roots of social fragmentation. Empirical works which, instead of reinforcing the sources of division among individuals and groups, allow us to see the structural obstacles that stand in the way of their social reproduction.

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11 '*Moro*' is a derogatory term for Moroccan or North African; '*sudaca*', for South-American.

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