

Raquel Rolnik
Urban Warfare: Housing Under the Empire of Finance
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A Global Fix

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In February, Sinn Féin, the Irish Republican party with long-standing ties to the IRA, won an unprecedented 24.5 percent of the vote in the Irish general election. Previously a marginal parliamentary force in the republic, and shunned by older generations for its involvement in the Troubles, Sinn Féin had staked its campaign on a promise to deal with Ireland's trenchant and severe housing crisis. Millennials, locked out of the housing market and having had their entry into the job market aborted by the financial firestorm of 2008, voted for the Republican party in droves. An overhaul of housing policy in the UK was likewise a key platform of the (ultimately unsuccessful) Corbyn project, with the Labour Party pledging to build 100,000 council homes a year in England in its 2019 general election manifesto. Similar enthusiasm for radical overhauls of housing policy is visible in progressive movements across Europe and North America. Housing appears set to be an increasingly volatile political flashpoint in the years ahead.

How did we get here? According to Raquel Rolnik, the 'financialisation' of housing has something to do with it. Rolnik spent 1989 to 1993 as director of planning for São Paulo, her city of birth, was the Brazilian secretary of urban programmes in the early 2000s during Lula's presidency,

and from 2008 to 2014 was the UN special rapporteur on adequate housing. With degrees in architecture, urbanism, and history, she is today a professor at the University of São Paulo. As Rolnik explains, her role as special rapporteur took her around the world, hearing from those who felt their rights to adequate housing were being violated, investigating such claims, and giving these people a voice by talking with governments, the UN Human Rights Council, and the press. First published in Portuguese as *Guerra dos Lugares* in 2015, *Urban Warfare* reflects this wealth of experience, providing a global panorama of housing and urban-policy transformation over the last 40 years.

The central analytical knot Rolnik works to undo in *Urban Warfare* is that between footloose financial capital—unleashed during the 1980s by deregulation and the removal of capital controls in many countries—and legislative reform in housing and urban policy. Two dynamics are formative: first, a global capital glut and the search for new frontiers of investment; second, an active effort by states to deconstruct the housing and urban policies of the post-war era and propose market-based solutions in their place. On the latter, Rolnik marshals an impressive array of data, although often presents it in a haphazard manner. On the former, she makes only a brief attempt at explanation, gesturing to over-accumulation and the growth of the financial sector over the neoliberal decades.

According to Rolnik, a global capital glut emerged as the combined value of the world's financial assets (stocks, bonds, and derivatives) exploded from the 1980s onwards, far outstripping growth in the 'real' economy (goods and services). With this capital needing a home of sorts, real estate has acted as a form of value storage and an important source of collateral for highly leveraged business strategies, while the expansion of the mortgage market has provided a steady stream of income for the financial sector. Successive waves of over-accumulation, whereby capital accumulates at a pace faster than it can be 'realised' in the market, have sent this growing 'wall of money' in search of new frontiers of accumulation, or, as Rolnik writes, 'a place to land'.¹ To conceptualise this process, Rolnik draws on

1 Raquel Rolnik, *Urban Warfare: Housing Under the Empire of Finance*, trans. Felipe Hirschhorn (London: Verso, 2019), 17.

David Harvey's concept of the 'spatial fix' (Harvey acted as an unofficial supervisor for Rolnik in her research, and introduces the English-language edition). For Harvey, capital periodically confronts barriers to profitability as markets become saturated. In response, it opens new frontiers for accumulation and reallocates capital from one sector to another. Here, capital spins outwards from the core to the periphery, seeking profits in hitherto untapped markets—hence, a spatial fix.

But what forces drove the explosion of finance in the first place? On this, Rolnik provides little guidance. The deregulatory bonanza of the 1980s was certainly instrumental, as Rolnik notes, but was by no means a sufficient condition. Perhaps most importantly, since the structural reforms of the 1980s, real wages for low- and middle-income earners have stagnated, leaving these groups thirsty for credit. Meanwhile, wealth has become more concentrated in the hands of fewer individuals, while profitable investment opportunities in the real economy have declined because of the heightened competition brought on by globalisation. This surfeit of wealth and comparative dearth of profitable investment opportunities in the real sector has tempted 'high-net-worth' individuals to reinvest their capital in the financial markets. Corporate investment behaviour has also evolved, with large firms increasingly prioritising the return of value to shareholders in the form of rising stock prices and increased dividend payouts. Rapid innovation in the financial sector has also contributed, with the proliferation of financial instruments that enable heavily leveraged business strategies and promise instant liquidity while also escaping the control of regulators. Finally, government and central bank policy has added fuel to the flames. Most importantly, in response to the great liquidity crises of the last decade and a half, central banks have unleashed wave after wave of cash, flooding the financial system with fresh money to keep it churning.

As Rolnik shows in part one of *Urban Warfare*, the expansion of the global real-estate market has also been an important condition of contemporary financialisation. The UK is a case in point. After the Second World War, public-housing provision became one of the central pillars of the welfare state. Mass building programmes saw construction reach peaks

of 300,000 public-housing units per year in the early 1950s and late 1960s. The inflection point came with the long economic crisis of the 1970s. In the subsequent Thatcherite backlash, public housing was privatised *en masse*, and the UK moved towards the promotion of a 'mortgage-based model': the promotion of home ownership and the widespread extension of mortgage credit to households. 'Credit for home purchase became the main housing policy tool, progressively connecting housing to finance', Rolnik argues.² With the emergence of this mortgage-based model of housing provision, the state's 'role was henceforth to create the conditions, institutions and regulatory models that would promote housing financial systems capable of enabling home purchase', a symbiotic relationship between the state and finance capital.³

This model relies on the assumption that the private market will provide adequate housing for all. In this respect, 'the ideological transferral of the responsibility for housing provision to private markets' accompanied the privatisation of public housing and the shift to mortgage-based provision.⁴ In turn, the social and cultural value of housing has shifted over time. As Rolnik writes, 'In the new political economy, centred around housing as a means of access to wealth, the home becomes a fixed capital asset whose value resides in its expectation of generating more value in the future'.⁵ The home as a financial asset and the promotion of home ownership has also worked to further undermine the solidarity of the working classes, tying workers' economic security to the fortunes of the asset markets.

Crucially, the promotion of high home-ownership rates secured through a burgeoning mortgage market has enabled a form of 'asset-based welfare', or what has been called 'privatised Keynesianism' by Colin Crouch, although Rolnik skates rather quickly over this dimension.⁶ With the wage share diminishing from the 1980s onwards, and the retreat of the

2 *Urban Warfare*, 31.

3 *Urban Warfare*, 24.

4 *Urban Warfare*, 25.

5 *Urban Warfare*, 21.

6 Colin Crouch, 'Privatised Keynesianism: An Unacknowledged Policy Regime,' *British Journal of Politics and International Relations* 11, no. 3 (2009): 382–399.

welfare state, easy credit fuelled growth in aggregate demand across many advanced economies, particularly the English-speaking ones. Economists call this the ‘wealth effect’. As house prices rise, homeowners see their paper wealth increase and can borrow more against the value of their rapidly appreciating real estate; they tend to spend more as a result. The rampant growth in real-estate prices over this period, and the concurrent ease with which households have been able to access mortgage loans and other forms of consumer credit, have thus stimulated economic growth by financing household spending. But the wealth effect also acts as a drag on the real economy. As Keynes argued, the capitalist is interested only in the ‘prospective yield’ of a capital asset, not in whether it makes some productive contribution to the world. With the expected rate of profit on investment underperforming growth in house prices, there is no better place in which to invest capital than real estate.

Aotearoa New Zealand has largely followed this trajectory. A dwindling wage share in the last three-and-a-half decades and fiscal retrenchment under successive National and Labour administrations has been offset in part by rising household-credit provision. A boom period through the 1990s and early 2000s saw household debt as a percentage of disposable income jump threefold from just over 55 percent in 1991 to 160 percent in 2008.⁷ Since the 2008 crash, it has remained more or less steady, with tighter lending restrictions imposed on the banks; however, rising house prices continue to drive consumption and drag down investment in the real sector, further concentrating wealth among the asset-owning classes.

As Rolnik shows, the mortgage-based model of housing development was pioneered by the UK and other advanced economies, but then exported aggressively to the developing countries in the 1990s, with the World Bank typically enthusiastic about the prospects of market-based development. A revealing piece of Washington Consensus spin from the bank, titled *Enabling Markets to Work* (1993) is cited by Rolnik:

7 Reserve Bank of New Zealand statistics: <https://www.rbnz.govt.nz/>

[The Bank] advocates the reform of government policies, institutions, and regulations to enable housing markets to work more efficiently, and a move away from the limited, project-based support of public agencies in the production and financing of housing. Governments are advised to abandon their earlier role as producers of housing and to adopt an enabling role of managing the housing sector as a whole. This fundamental shift is necessary . . . to improve substantially the housing conditions of the poor.⁸

In part two of *Urban Warfare*, Rolnik explores how markets have been ‘enabled’ by national, regional, and municipal governments across the global South; part three is dedicated to a detailed discussion of this process in Brazil. In one of the book’s best chapters, Rolnik examines the legal dimensions of this process and argues that, seeking a spatial fix, finance capital relies on the state to clear the ground through both legislative reform and naked force. This involves clearing out ‘informal’ settlements and dwellings and imposing Western norms of property ownership. For Rolnik, those who live in dwellings designated as informal are not outside of the law; rather, they occupy a legal ‘zone of indetermination’. Informal dwellings may be legitimated or tolerated by state or local authorities because it is convenient for them to do so, but without formal legal recognition, residents in these areas are in a ‘situation of permanent transience’. For Rolnik, these zones are ultimately large land reserves, ‘ready to be captured at the right moment’ by finance capital.⁹ Eviction and redevelopment are followed by attempts to reconfigure people’s relationship to their homes by encouraging them to take on mortgages and purchase titled property. In this sense, the sprawl of informal dwellings across Africa, Latin America, and South Asia which house the global reserve army of labour also constitute ‘new land reserves for rent extraction’.¹⁰

Large infrastructure projects, natural disasters, and major international events are all used as opportunities to open up vast new tracts of land. It seems international sporting events, in particular, have a lot to answer

8 Cited in *Urban Warfare*, 59.

9 *Urban Warfare*, 131.

10 *Urban Warfare*, 125.

for: in Seoul, 15 percent of the population was forcibly evicted during preparation for the 1988 Olympic Games; in New Delhi, 35,000 families were evicted in preparation for the 2010 Commonwealth Games; in Beijing, 1.5 million people were displaced to enable projects of urban renewal prior to the 2008 Olympic Games; in South Africa, plans to build new low-cost homes were deferred due to budget constraints caused by preparations for the 2010 FIFA World Cup.¹¹

The global scope of the book means the analysis is sometimes scattershot and underdeveloped. But Rolnik's achievement is to detail the role of the state in promoting the financialisation of housing around the globe. The book also manages to tie the rather abstract, intangible nature of finance capital and its crises to the built environment and the people who live in these places. Today, housing is both concrete, built space and abstract value in circulation. This is hammered home in a rather clumsy way: each of the book's three parts open with a series of vignettes from Rolnik's time as special rapporteur. These snapshots are badly written (or perhaps badly translated), jumping randomly between present and past tense, but they introduce the reader to some of the world's most precarious communities and the plight of people 'who are only too real, flesh and blood, abused by the speculative mechanisms and games of chance of the financial world'.¹²

Decades of financialisation have made housing not just a potential flashpoint but also a political quagmire. In rich countries like Aotearoa New Zealand, mainstream parliamentary parties are incentivised to maintain an economic climate in which house prices continue to rise, both to sustain consumption (and therefore economic growth) and to keep their core voting base—the propertied middle classes—happy. But they also face an increasingly bitter generational divide, with large numbers of young people locked out of the housing market, even while rental price inflation steadily outstrips wage growth. In the global South, government adoption of an 'enabling role' has also done little to halt the proliferation of slums across Africa, Latin America, and South Asia. According to the UN, in

11 *Urban Warfare*, 191–193.

12 *Urban Warfare*, 58.

2016 about a billion people were living in slum conditions, lacking clean water, sanitation, living space, and security of tenure.¹³ These areas, already dogged by disease, are likely to become vast killing grounds as Covid-19 spreads through the developing world. With this looming humanitarian crisis, it is now more important than ever to push for an historic reform of housing policy at an international scale.

13 UN-Habitat, 'Slum Almanac 2015/2016: Tracking Improvement in the Lives of Slum Dwellers,' Nairobi, United Nations, 2016, 3.