On Life as a Fictitious Commodity: Cities and the Biopolitics of Late Neoliberalism

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Abstract
Building on a biopolitical understanding of the economic crisis, this essay contends that the occurrence of the crisis warns that life is not a real commodity but — to put it in Karl Polanyi’s terms — a ‘fictitious commodity’. This means that life cannot be integrally subsumed within the economy, and therefore the crisis is to be seen as a pathological way in which societies react to the pervasiveness of capitalist relations, showing the illusory character of self-regulating markets and ownership ideologies. Two mutually contradictory biopolitical responses to the neoliberal crisis, led by the state and grassroots movements respectively, are discussed in the concluding section of the essay.

Introduction
At the time of its emergence, the field of critical urban studies was deeply concerned with crisis theory and specifically with the role of crisis as a constitutive moment in the dialectics of urban and regional development. In this context, the seminal contributions to the understanding of the capitalism–urbanization nexus, above all those by David Harvey and Manuel Castells, provided urban scholars and practitioners with theoretical frameworks in which the notion of crisis occupied a prominent place. This interest in the role of crisis within the dynamics of urban economic development was due to the fact that critical urban studies took shape in an era (the late 1960s and the 1970s) characterized by the concomitance of economic turbulences and political turmoil. From the 1980s onwards, however, even though critical theorizations of the transition towards urban neoliberalism were originally grounded in crisis-centred explanatory frameworks, the notion of crisis has ceased to be explicitly dealt with by critical urban scholarship, which has concentrated on the expansionary aspects (the politics of urban economic development and growth) and the related socio-spatial inequalities associated with the ascent of urban entrepreneurialism, rather than on ‘negative’ phases and processes of economic stagnation, recession and lack of growth.

In the last few years, the subprime mortgage default, the related credit crunch of 2007–08 and the subsequent global economic recession have sparked renewed interest in the urban dimension of economic crises, leading social scientists to rediscover the
centrality of the capitalism–urbanization nexus as theorized in the 1970s. In many respects, however, existing conceptualizations of the urban economic crisis need to be amended and revised in the light of subsequent developments undergone by contemporary capitalism as a mode of production and social reproduction. The present essay will argue that there has been a qualitative shift in the forms and ontologies of capitalism (see also Rossi, 2013), which has become increasingly apparent over the last two decades and eventually been brought into full view by the occurrence of the economic crisis. In this sense, the crisis is to be seen as the event shedding light on the very essence of contemporary capitalism. Drawing on a Marxian reinterpretation of the Foucauldian notion of biopolitics, the essay argues that the current crisis should be interpreted as a critical manifestation of a biopolitical capitalism, subsuming not only social relations but life itself under its mode of accumulation, production and reproduction (Hardt and Negri, 2000). The capitalist city plays a crucial role in this context, as a strategic spatiality in which ‘life itself’ is governed, administered and tentatively reduced to ‘bare life’ through the violence of financial capitalism (Marazzi, 2010a), but also contested and negotiated through a variety of biopolitical struggles, as we shall see.

Since the decline of Keynesianism and postwar capitalism, the city is no longer a locus of mediation between conflicting actors and site of redistribution and allocation of government spending (Castells, 1977). Nor can it any longer be viewed exclusively as a terrain of experimentation for politico-economic elites’ entrepreneurialist thinking and agency, and for capitalists’ land-rent hypotheses (Harvey, 1989), as was the case in the early stages of neoliberalism. The economic crisis has showed how the neoliberalization of the urban environment has increased by subsuming the lives of urban residents within its reproducing mechanisms. What could be defined as the biopolitical stage of urban economic development in advanced neoliberal times, therefore, coincides with the subsumption of ‘life itself’ (and its reduction to ‘bare life’) within the circuits of capital accumulation through the mechanisms of financialization. The economic crisis was indeed originally triggered by the expansion of subprime and other risky mortgage loans which, premised on the neoliberal ideology of freedom (freedom to buy and have access to credit), were actively encouraged by enabling legislation enacted at the national level. In this context, contemporary capitalism has proved itself able to turn human life into a direct source of profit. The so-called ‘socialization of credit’ brought about by the financialization of the capitalist economy is the driving force behind this process.

Living on credit: the biopolitical crisis

Active participation in consumer markets is the main virtue expected of the members of a consumer society (or as the [UK] Home Secretary would prefer to put it, of those people ‘whom the country needs’). After all, when the ‘growth’ measured by GNP threatens to slow down, or even more when it might fall below zero, it is consumers reaching for their cheque books, or better still their credit cards, who are hoped, and cajoled and nudged, to ‘get the economy going’ — in order to ‘lead the country out of depression’.

Bauman (2007: 79)

In his work on the rise of a society of consumers, sociologist Zygmunt Bauman (ibid.) has provided a fascinating account of the anthropological consequences of what he calls the ‘commoditization’ of the consumer. In his view, the building of a ‘society of consumers’ has been allowed by the expansion of credit in the form of consumer credit. The financialization of Western economies in the post-1970s period (with reference to the United States, see Krippner, 2005), along with technologies allowing easier circulation of goods (namely the internet facilitating online trading), have been the key factors behind the expansion of credit and its ‘socialization’ through the financial
inclusion of the many (middle- and low-income consumers) rather than just the few (the entrepreneurs and the affluent class): what Christian Marazzi (2010b) has provocatively called ‘the communism of capital’. The phenomenon of consumer credit is not new, but it has been exacerbated by the advent of neoliberalism. In the US its origins date back to the early decades of the twentieth century, becoming an increasingly pervasive force during the post-second world war decades with the invention of credit cards (Calder, 1999). However, it has been over the last two decades that consumer credit and the related phenomenon of consumer bankruptcy have become widespread in capitalist societies, particularly in the US but also elsewhere, including emerging neo-capitalist countries such as China where the liberalization of economies has brought about a consumer revolution, particularly in the rapidly developing cities (Davis, 2000).

Behind the process of financialization of the consumer there is the historical tendency to place consumption at the centre of the functioning of advanced capitalist societies, while production becomes increasingly immaterialized, echoing the Marxian notion of ‘the general intellect’: i.e. knowledge and immaterial labour as the main productive forces within advanced capitalist societies (Virno, 2007). In this context, the emergence of consumption as a privileged site for the fabrication of self and society, of culture and identity, as well as the blurring of conventional production/consumption dichotomies through the co-creation of commodities with consumers, have led to a profound metamorphosis of capitalism in Western societies (Comaroff and Comaroff, 2000; Hudson, 2005; Thrift, 2006). In the 1980s, at the time of neoliberalism’s rise as an ideology and government practice, within scholarly and public debates the growth of homeownership was considered central to the building of an increasingly individualized and consumption-based society, since the possession of a home was thought to offer a sense of belonging and ‘ontological security’, transcending the centrality of the workplace and related class-based allegiances (Saunders, 1990).

However, those heralding (in optimistic vein) the advent of a society of consumers and homeowners — social scientists such as Peter Saunders, as well as neoliberal gurus and ruling politicians (see later in this essay) — did not predict that the increase in consumption and homeownership rates was to be associated with the financialization of societies through the expansion and deregulation of consumer credit and mortgage markets respectively. In the US, household mortgage indebtedness has indeed constituted the primary source of increase in consumption since 2000 and, since 2002, the motor of the real estate bubble through the securitization of prime and subprime loans allowed by the deregulation of the financial sector (Marazzi, 2010a). The next section will show how the pursuit of a homeownership society has been key to the rise of neoliberalism as a governmental rationality in an era of biopolitical capitalism.

The promise of a homeownership society

During the twentieth century, homeownership has come to represent the symbol of the American dream as well as that of Western capitalist societies more generally. The symbolic and material value attributed to homeownership has steadily increased in recent times, notoriously as a consequence of the reduced supply of public housing as well as affordable rental housing, which peaked in the 1960s during the golden age of Keynesian capitalism and the welfare state. In response to the decline of Keynesianism, neoliberal government leaders have revivified the capitalist ideal of a homeownership society, through the enactment of enabling legislation in respect of housing finance and land-use regulation.

Since the beginning of the new millennium, the neoliberal propaganda on the virtues of homeownership has intensified (see also Rolnik, 2013, this issue). During electoral campaigns in North America and Western Europe in particular, neoliberal leaders have been keen to promote homeownership as a flagship policy of their government mandates. In 2004, in a speech given two months before his presidential re-election, George W. Bush identified the growth of homeownership as a pillar of his mission to build an
‘ownership society’. Similarly, in December 2006 France’s prospective president Nicolas Sarkozy spelled out his objective of turning France into ‘un pays de propriétaires’ (a nation of homeowners) as a basis for a renewed national cohesion and sense of belonging. Two years later, during his successful 2008 electoral campaign as leader of Italy’s People of Freedom Party and a broader centre-right coalition, Silvio Berlusconi emphatically promised to abolish the property tax for house owners (known as ICI, Imposta Comunale sugli Immobili, until then one of the major revenues for local administrations), a commitment he fulfilled as soon as he became prime minister. Years before Bush, Sarkozy and Berlusconi, in 1987 Britain’s prime minister Margaret Thatcher famously advocated the merits of a ‘home-owning democracy’ (a term originally coined and popularized by British Conservative politician Anthony Eden shortly after the second world war), embracing a right-to-buy policy aimed at extending housing opportunities to ‘people who never had them before’. In Britain, today’s coalition government led by Conservative prime minister David Cameron has pursued a similar approach to housing policy, first through the Homeowner Mortgage Support Scheme, launched in 2009 (in the midst of the economic turbulence triggered by the bursting of the property bubble) and then within the framework of a wider and more ambitious ‘housing strategy’ presented in November 2011, whereby a new mortgage indemnity scheme is thought to support about 100,000 British households acquiring new-build properties, thus revamping a depressed real estate market. In Italy, in the general election of 2013 Silvio Berlusconi has partially regained his lost popularity by acting as an advocate for homeowners vexed over property tax bills passed by the pro-austerity technocratic government led by the former EU commissioner Mario Monti. These recent initiatives show how the economic crisis has not undermined the conventional belief in the advantages of growing rates of homeownership, despite the fact that, in the US at least, mainstream opinion-makers as well as government reports acknowledge that the expansion of homeownership permitted by the deregulation of mortgage markets is at the origin of the crisis itself. In a themed issue dedicated to the economic recession, for instance, the politically moderate magazine Time has explicitly made the case against the ‘cult of homeownership’ (Kiviat, 2010), while the bipartisan National Commission’s Financial Crisis Inquiry Report lambasted the ‘aggressive homeownership goals’ and ‘the failure of the Federal Reserve and other regulators to rein in irresponsible lending’ (National Commission, 2011: xxvii).

In the US, where the mortgage crisis and the ensuing credit crunch originated, the homeownership rate grew steadily from the post-second world war years onwards, peaking in 2004 (when it accounted for 69% of households). Contrary to the conventional wisdom associating the expansion of homeownership with middle-class values of economic security and industriousness (Megbolugbe and Linneman, 1993), this phenomenon may also be understood as the neoliberal response to grassroots movements and racial minorities struggling for the right to housing in previous decades (Biondi, 2003): a market-led strategy that filled the void left by the fiscal crisis of the Keynesian state in the 1970s. In the US, the deregulation of mortgage markets and the financialization of homes (Aalbers, 2008) have thus been the ways in which neoliberalism has addressed demands for social justice (i.e. for the right to housing), in the light of the limited impact of anti-discrimination policies like the Community Reinvestment Act (CRA), enacted in 1977 and subsequently reformed in 1995 under the Clinton administration.

Related dynamics can be observed in the European context, particularly in those countries where the diminution of the public sector’s role in housing provision and the hegemonic public discourse on the virtues of homeownership have been the norm since the 1970s, generating continuous growth in ownership rates. In this context, one cannot fail to notice that the countries most affected by the economic downturn are those with the highest homeownership rates: in 2010 in Italy, Ireland, Spain and the UK, 72%, 73%, 83% and 70% of households respectively were owner occupiers, while in a relatively stable economy like Germany the ownership rate was one of the lowest in Europe at 53%
It is also worth noting that low homeownership rates in Germany have long been considered a disadvantage by mainstream real estate analysts (Voigtländer, 2009).

The bursting of the property bubble and the related credit crunch, as well as the subsequent recession in housing markets and the failure of several real estate projects in the US, Europe and emerging economies of the global South, have clearly illustrated the dangers brought about by the neoliberal illusion of a homeownership society where housing opportunities for low-income groups are assured by self-regulated markets, and particularly by the financial sector, rather than by publicly funded programmes (Shlay, 2006; Saegert et al., 2009). The commonly held view about the benefits of increased homeownership in the context of self-regulating markets, therefore, prepared the ground for the expansion and deregulation of housing finance in the 1990s and 2000s in the US and Europe alike. This expansion was pursued by subsuming low-income groups under the dynamics of capital accumulation, through the promise of homeownership and the illusion of acquiring capital gains on house property, particularly in countries experiencing greater income inequalities (Watson and Webb, 2009).

The experience of the previous three decades dominated by neoliberalism (the ‘golden age of neoliberalism’) shows, therefore, that in order to raise and make profits, capitalism and its financialized economy need to involve the poor under modified conditions of capital valorization, not just as exploited workers but also as over-indebted consumers and households lacking full legal protection. As economist Christian Marazzi (2010a: 39) has pointed out, ‘this capitalism must invest in the bare life of people who cannot provide any guarantee, who offer nothing apart from themselves’. It is in this sense that the first global economic recession ought to be understood as a biopolitical crisis. Paraphrasing Giorgio Agamben (1998), it can be argued that financial capitalism has created a state of emergency (the suspension of basic laws regulating access to credit) by which the life of the poor has been incorporated in the socioeconomic order of neoliberalism under exceptional conditions of reduced (if not entirely revoked) rights and guarantees.

Life as a fictitious commodity

The expansion of homeownership, pursued through enabling legislation allowing predatory lending in the US and the deregulation of housing finance in other countries more generally (Rolnik, 2013), as well as soft land-use regulation (with severe consequences in environmental terms), has been the most visible way in which the ‘bare life’ of the poor and the marginalized — as Marazzi puts it, drawing on Giorgio Agamben’s influential concept — has been commodified and valorized under novel conditions of capitalist accumulation. Even though housing has had a crucial, and the most visible, part in the process of societal financialization, other foundational institutions of urban life have been financialized and thus tentatively commodified under neoliberalism: from transport to food and leisure goods.

However, the described biopolitical pattern of capitalist accumulation has quickly proven to be fragile. The economic crisis has been the event to highlight very painfully (for the poor and the marginalized who have to live with its consequences) the contradictions intrinsic to this system, showing that life cannot be reduced without contradictions to the status of commodity, freely sold on the market without economic counter-effects. Writing on the ascent of classical liberalism and the politico-economic transformation associated with it, Karl Polanyi (1944) famously argued that land, labour and money cannot be considered true commodities, since commodities are things produced for sale in a market: rather, these are just ‘fictitious commodities’. What this crisis has shown, therefore, is the unsubsumable character of life, which has proven to be a ‘fictitious commodity’ (to put it in Polanyi’s terms), despite neoliberalism’s attempts to turn it into a true commodity through the mechanisms of financialization and the unfettering of mortgage markets. The occurrence of an economic crisis proves that land,
labour and money in Polanyi’s time of classical liberalism, and ‘life itself’ in the time of neoliberalism and biopolitical capitalism, cannot be integrally commodified. Commodification is bound to fail, at least temporarily, when it seeks to absorb life unconditionally (by reducing life itself to ‘bare life’, i.e. life without full juridical protections and guarantees) within its hegemonic project: societies react to the threat of commodification as a living organism responds to injury and infection. The global economic crisis has been the pathological way in which the unsustainability of commodification and the fiction of life being a pure commodity has been revealed in capitalist countries.

Conclusion
Karl Polanyi (1944) powerfully described the ‘great transformation’ undergone by capitalist societies during the nineteenth century in terms of dialectical confrontation between ‘movement and counter-movement’: modernization policies were continually confronted by popular responses and returns to previous forms of regulation. The collapse of financialized capitalism and the consequent global recession have given rise to an internal dialectic that can be associated with Polanyi’s double movement, showing at the same time how capitalism continuously revives dialectic as its own specific mode of functioning and restructuring (see Jameson, 2009).

Responding to conditions of global economic recession, two mutually contradictory biopolitical responses appear to take shape. One comes from the forces of ‘constituting power’; the other comes from those representing the constituted power (see Negri, 1999). On the one hand, there are grassroots struggles across the global South and North, illuminating what Raj Patel (2010) defines as ‘the living politics of the city’, as cities of varying sizes (primarily larger metropolitan conurbations, but small and mid-sized urban centres too) play a key role in this context, not just in a ‘right-to-the-city perspective’ but more broadly as places of gathering, relationality and experimentation, with a renewed ‘politics of encounter’ arising from street protests and activist campaigns globally (Merrifield, 2011): campaigns against home foreclosures and dispossessions reasserting the right to stay put in the cities of the global North; food riots and popular uprisings by impoverished urban youths giving rise to a tide of political revolution across Arab countries in early 2011; and the ‘Occupy Wall Street’ and ‘indignant’ movements protesting against the failures and injustices of neoliberalism in nations badly affected by the global economic crisis such as the US and Spain respectively. This politics of resistance and contestation exhibits in radical ways the transformative potential of ‘urban life itself’, standing in contrast to the process of reduction of residents to ‘bare life’ (Simone, 2011).

On the other hand, current macro-economic conditions lead the state to reassert its role in response to the structural difficulties faced by capitalist economies, taking the global economic crisis as an opportunity to recreate more appropriate conditions for the neoliberal construction and reconstruction of the market as a self-regulating system (see Lazzarato, 2009). The ‘Big Society’ advocated by the Conservatives in Britain, and more generally the austerity policies embraced by the governments of suffering European countries such as Ireland, Greece, Spain and Italy (often under so-called ‘technocratic’ rule), are leading to the shrinkage of state spending and the devolvement of key functions to the private and civil society sectors (see also Aalbers, 2013, this issue; Oosterlynck and Gonzalez, 2013, this issue). In this context, the state firmly retains its role as the ‘determinant in the last instance’ of citizens’ lives through increasingly sophisticated procedures of accountability and transparency, this time justified in the name of budget rigour and fiscal consolidation (see The Economist, 2011), as well as through the ability to suspend the rights of the powerless in the name of socioeconomic restructuring and rationalization. The conservative turn which is taking shape in European and US politics...
is thus exacerbating the authoritarian and paternalistic aspects of the neoliberal governance of state–civil society relationships (cf. Peck, 2010; Wacquant, 2013) which were already present before the economic crisis of the late 2000s, but were camouflaged in the rhetoric of citizens’ participation and civil society empowerment (Swyngedouw, 2005). On the front of what has been defined as ‘constituted power’, the rise of a neo-biopolitical state is the likely product of the current crisis, producing a peculiar assemblage with the Schumpeterian workfare state centred on imperatives of capital innovation and labour flexibility that arose in response to the crisis of the Keynesian welfare state in the 1970s as an early manifestation of neoliberalism (Jessop, 2002).

In both the described biopolitical responses, life lies at the centre of the politics of capitalist development and restructuring in times of unresolved economic turbulences, taking the form of a dialectical biopolitics marked by the confrontation between capitalist and market subsumption, resumed state sovereignty, residents’ reappropriation of life itself and the rise of social movements of unexpected intensity and geographical ubiquity, showing that ‘another world is possible’ beyond the limits and failures of late neoliberalism.

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International Journal of Urban and Regional Research 37.3 © 2013 Urban Research Publications Limited
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