

## The city and its crises

---

*Francesco Indovina*

Since the crisis of the city is above all a crisis of resources, it seems appropriate to start by referring to a text that was very successful when it was published (in 1973 in the U.S.A. and in 1977 in Italy): James O'Connor's "The fiscal crisis of the State". The author maintained that the fiscal crisis of the State, caused by growth in public expenditure without an equivalent rise in revenue, was not the result of some abnormality in the system, or the outcome of bad administration, but constituted a need for "monopoly capitalism". Nowadays we can safely, and with good reason, expand the author's point of view: the reference should no longer be to "monopoly capitalism" but rather to "financial capitalism".

O'Connor's conclusion, which Federico Caffè adopted as his own in the introduction to the edition of 1979 of the essay, was: "To conclude, in the absence of a socialist perspective able to propose alternatives for every aspect of the capitalist society [...], trade union militancy, organisers and activists will continue to proceed in a relative theoretic void. [...] what it is felt is required is a socialist perspective that will make the effort to redefine needs in collective terms. In actual fact, even if the working class were to manage to nationalise the whole share of national income absorbed by profits, the fiscal crisis would reappear in a new form, unless both social investment and social consumption were redefined as well as individual consumption and individualist life models".

Times have changed, conditions have undergone great transformation and the forms of fiscal crisis of the State have taken on new, more dramatic aspects, but both the reference to the "theoretic void" and the need for a socialist perspective fit for the present time still seem to be valid.

## 1. THE ECONOMIC CRISIS

If we wish to refer to the economic crisis we must necessarily try to outline its features.

That it is not a question of a, let us say, short-term crisis seems very clear and this has been stated by many, just as it appears equally clear that the “policies” adopted to overcome it seem to be totally inefficient. But this inefficiency cannot be attributed only to the aberrant austerity policies which, imposed by Germany, have characterised the interventions of the group of European Community countries (an indirect confirmation exists of the relation singled out by O’Connor). The instruments proposed fit into “tradition” and do not seem to grasp the novelty of the crisis; this is the reason for their inefficiency. The negative outcome is the result of a refusal to look directly at the nature of the crisis that is afflicting all economies (including those not adopting austerity policies). Just as virgins were offered to the Minotaur to keep it happy, so men, women and entire countries are offered in sacrifice to the crisis, while no Theseus can be seen on the horizon who will be able to kill the beast.

The economic crisis is the offspring of a systemic change in capitalism. It was not the excess of credit that led to the “bubbles” which caused the crisis as they burst; the excess of credit is the effect, not the cause, while the latter was to be found in the new (speculative) way of accumulation of wealth issuing from the production system. Within the logic of the functioning of the social relations of production in capitalism explanations are found for the continuous increment in “capital” to the detriment of “income”, and it is in this outcome that the base of the current crisis is to be found, which corresponds to a change in the substance of capitalism. The accumulation of capital appears to continue to occur according to the well-known formula ‘money-commodity-money’ (M-C-M), but actually the larger part has separated itself from this mechanism to create growth in capital without the production of commodities. Money has become the direct means to produce other money (we could write M-M). The value of World Finance is ten times greater than World GDP.

At the origins of the modern age, merchants, or the richest of them, acted as a “bank” and lent money to kings, princes, emperors, etc. for their adventures (mostly warlike) in exchange for a tax, often exorbitant, or for trade concessions or other advantages. Modern financiers do the same today (including some State financiers, like China); they lend to

States, regions and municipalities, encourage the middle classes to get into debt (house mortgages, consumer good finance schemes, etc.) and cover themselves against certain insolvency (the famous “bubbles”) by inventing financial mechanisms (derivatives) to find who they can unload their insolvency on.

It appears obvious that this is a route leading to suicide of the social system itself, which we call capitalism; we are not saying that we are at the end of capitalism, but that the structural conditions are favourable for a change in the social regime (while political subjectivity in this direction is lacking – who, how, what, when – for ideological reasons). Buffer measures can be taken, and are, in a contradictory way, being taken, which do not reverse the tendency underway but may constitute “rest” stations along the route of the crisis train; but the convoy goes on.

For example – and this has to do with the specific theme of the city – not understanding that the crisis is not the offspring of the public finance break-up (sovereign debts), but that this break-up was born of the needs and impositions of finance, which constitutes a power in itself, and has deprived all national dimensions of strength. When national politicians are incapable and corrupt, they let their hand be taken by international finance; when they are capable and not very corrupt, they practically put themselves at its service, laying claim to both the objectivity of processes and the alleged future improvement in the situation of peoples. After colonial occupation the whole world has been colonised by financial capital. The supranational political institutions that should protect peoples against the excessive power of finance, protect the latter against peoples, also because these institutions have techno-structures at their disposal that often come directly from the financial institutions.

Common sense also suggests – and this holds not only for public finance but also for families – that debts paid with other debts cannot be the solution: the debt actually ends up taking on such a size that it will never be possible to settle it. The example of Greece, which, despite having obtained a reduction in their debt, will not manage to pay what is left, and will therefore be punished further with new restrictions, is a demonstration of how the mechanism revolves on itself.

The so-called “chain letter” is not just the expedient of those who want to cheat their clients by paying old clients’ interest with new clients’ subscriptions (like Bernard Madoff), but a benchmark that has been revived, though in a different form, at all levels of international finance.

Creative “finance” and its specific instruments, which, though resisted, are continually renewed, are used by international finance that has determined a new economic structure in which it adds to “wealth” production by direct exploitation of workers, peoples being shorn to pay debts, and “builds” a world of depression and ever greater inequality. The ‘financialisation’ of the economy and the speed of technical progress are clenching the world social-economic system in a deadly grip, in which superfluous capital and superfluous labour do not find (and cannot find, the way things are) real employment.

Real economics, in this picture, seems like an appendix to financial economy, at the same time insignificant and useful. Useful for accumulating those resources that the contraction of demand still permits, to then be “withdrawn” by finance; insignificant because it is an increasingly modest share of total “wealth” (which actually does not exist, but whose existence is determined by the decision to “want to settle debts”).

Awareness is increasing in many observers that the social pyramid of various countries is undergoing deep tensions and changes. The middle class has become greatly compressed, an outcome that is taking away one of finance’s privileged “markets” (this was the class that supplied the various forms of demand for getting into debt: house mortgages, loans for consumer goods, etc.), while the market of the old and new rich does not guarantee general accumulation. The compression of the middle class, moreover, produces a fracture in continuity between the different social strata, often compromising, but also a source of conflict and contrast, of development and organisation of mass struggles.

## **2. THE CITY IN THE CRISIS**

The reverberation, so to speak, of the phenomena mentioned above (though briefly) on the government of the city and territory is one of the dramatic aspects of the current situation, also because the policies that are adopted end up unloading their outcomes precisely on urban organisation.

Local Authorities have always been praised as the political link that more than any other could exercise the promotion of democracy. The “closeness” between political decision and the people should (could), in fact, constitute a virtuous relationship, making politics (the Local

Authorities) more sensitive to the needs of the population and, at the same time, making it possible for the population to pay greater attention to politics and to their electoral choices (voting with their 'feet'). It is well-known, however, that this virtuous relationship did not work anything like as much as hoped for, with both sides being responsible, and especially due to indifference and uneasiness on the political side. The latter, basically, did not like the oppressive control of the population and did not accept that conflict, an expression of the needs of the people, could become a fundamental fact for "good politics". The crisis of democracy is not, in effect, just national, but also local.

The worsening of the situation of cities, as an effect of the economic crisis, has actually made local politics less self-referential in some cases, due both to the obvious privations in the life of many men and women and to the growing pressure of the population and respective organisations (traditional and new, structured and casual) for decisions to be taken that would help alleviate the situations of hardship. But this change in attitude has not, generally speaking, had positive outcomes.

The hardships the population face because of the crisis are added to the structural ones produced by traditional economic mechanisms. In particular, the most important phenomena concern: poverty, unemployment, growing demand for economic support, increased demand for services, the housing issue (its absence and cost), assistance for the elderly and disabled. Fundamentally, the phase in which each one could imagine cancelling out the shortfalls arising at an urban level (dissatisfaction with services, housing situation, quality of the environment, etc.) with his own resources (a sort of privatisation of solutions), seems to be followed by a phase in which the demand for more cities, a better city and an increase in public intervention is strong and significant.

Note that relative poverty in 2013 at a national level was at 12.6% of the population, while the figure for absolute poverty was 7.9%. The data are worse for the south of Italy, and for large families and those with an elderly head of family.

That the crisis is deeper in Southern Italy is confirmed by other data: in this area the number of people in a state of absolute poverty rose by 725,000 in 2013, to reach a level of 3,072,000. The relative poverty figure also has a severe influence in Southern Italy, reaching 26%, compared with 6% in the North and 7.5% in the Centre. The worst situations are

seen in families resident in Calabria (32.4%) and Sicily (32.5%), where a third of the sample is relatively poor.

This is not all: monthly expenditure fell by 4.3% between 2012 and 2013, while 65% of families reduced the quality and quantity of their purchases. Credible statistics do not exist for homeless people, forced to live on the street or in makeshift living spaces. Only the Caritas, a Catholic church facility, distributes meals and offers some beds for the night; in its reports the Caritas highlights that immigrants are diminishing in proportion to an increase in Italian citizens, that it is often a case of families and not individuals, that the Italians have a mean age double that of immigrants and are mostly unemployed, and so on. A dramatic picture (if we consider that in Orvieto and Todi, two cities of average size not considered at the epicentre of poverty, last year the Caritas distributed 30,000 meals).

In Milan, the economic capital of the country, average monthly expenditure in 2013 was 2,874 euros, against 3,068 in 2012.

Faced with this situation, Local Authorities have less and less resources at their disposal. Whereas the reduction in State transfers continues to be constant, fiscal revenue (direct or per share of national taxes) is lower due precisely to the economic crisis and, in the economic difficulties of families and businesses, the tendency towards tax evasion is greater. Then a number of Local Authorities are in debt both with banks and suppliers (and while the former are those that impose settlement according to the commitments made, the latter tend to get postponed over time, thus contributing to depressing the economy).

Finally, the stability pact is a burden on regional boards, imposed by the European Community on Member States and passed on to the regional boards by the Italian government, introducing an expenditure ceiling also for those Authorities that had their own resources (the more virtuous local boards end up suffering greater penalisation).

The result is that many municipalities (a couple of hundred) find themselves in difficulty, on the verge of "bankruptcy". We are not just speaking about large municipalities like Naples, Catania, Reggio Calabria, Messina, etc. but also small and medium-sized ones. And if the government intervened to save Rome (with the Rome capital law), for the other municipalities it does little.

In this situation, which will certainly last a long time (each year the end of the crisis is announced but then postponed till the following year), the Authorities are in a cleft stick between limited resources and

the growing demands of the population, with no capacity to intervene. “Pressure” on Local Authorities often becomes intimidation against administrators or technical office staff: wrecked cars, threats against people and their families, car tyres slashed, front doors burnt down, etc. In 2013 the ascertained cases of intimidation were almost 300 (nothing being known of those not verified). Being closest to the population, the Local Authorities end up being pinpointed as responsible for the social disasters.

It is useful to give a brief outline of the situation in many Italian cities:

- growing social polarisation and a reduction in the “middle class”. This is a condition that tends to disintegrate the “social continuity” which, though it made turning demands into conflicts more complex and less straightforward, guaranteed them a manageable political outlet;
- deterioration of collective services with increasing phenomena of exclusion of the most needy social strata, thus substantially reversing the actual purposes of those services;
- abandoning of any urban maintenance action, with consequent worsening of liveability of the city;
- deterioration of the environment (quality of the air, for example) due to a reduction in controls and to the choice of more outdated technological solutions that cause greater pollution (e.g. means of transport), etc.

Each of these situations could be subdivided into various sub-items able to specify better the condition referred to, but for the purpose of this article the list proposed appears adequate.

At a municipal level, too, the crisis does not hit everyone in the same way, to the extent that social segments can be singled out that have obtained economic advantages, and continue to do so, from the crisis. In this situation it would be advisable to go into detail as regards the hardships, so as to define coherent political action; territorial authorities also have the knowledge to define ranges of realistic hardships.

Segments of population exist, in fact, that for their demographic condition alone prove more at risk than others (the elderly, large families, unmarried mothers, the disabled, etc.). If the grid of economic situations (unemployed, pensioners, temporary workers, etc.) is superimposed on the previous breakdown, then the conditions of hardship are multiplied but their features become clear. The formation of a map of hardship

conditions should be a reference point for organising Local Authorities' interventions. But this singling-out operation is not always carried out.

The conditions the local boards work at concern: the universality of collective services (even if weakened by part-payments and the like), progressive nature of taxation (never respected), liability towards creditors (more or less upheld depending on the power of the creditor), administrative transparency (virtually a fantasy), proper administration ('after' spreading corruption), defence of common assets (often neglected and abandoned), democratic nature of decisions (subordinate to the power of strong contracting parties), responsibility for urban quality (best not mentioned). These conditions are expressed and applied in a variety of ways in the different situations and actually contribute to determining the quality of the different cities, also creating their capacity to intervene.

"Good politics" in this situation should suggest to the Local Authorities that they increase their economic availability and aim at reducing their citizens' claims. Neither of which is easy.

Regional Authorities, encouraged by the European Community and the government, as well as being drained by mass media pressure, picked out the sale of their property assets as the first operation to be carried out. The sale of these assets (social housing, abandoned buildings, ex barracks and factories, land and endless other kinds) is truly absurd: it impoverishes the seller (i.e. the community) giving short-lived "relief" that cannot be repeated (a part of these assets, not actually useful at an operative level and insignificant from the cultural and historic point of view, could also be sold with discernment).

But precisely because the seller is "forced" to get rid of some assets, the buyer finds he has a handful of good cards that he uses first of all to undervalue the property and then to place "straightjacket" conditions. The Public Authorities (local and national) are practically forced, in these conditions, to undersell rather than sell. But this is not enough, the buyer's interest, as is obvious, is to transform the acquired property functionally and volumetrically, so the purchase is strictly tied to a change in intended use and an increase in size. Change in future use and volume is not a "crime" in a city that is changing, but it is nevertheless a case of very delicate operations, which change the pressure of population in that specific zone (including traffic), requiring services to be provided that were not envisaged, etc. Altogether, "changes in use" do not respect a "project for the city" but are just an opportunity to make "cash".



With discerning politics Local Authorities' property assets (but also national ones) could partly be reactivated for collective, social and productive purposes without the need to sell, perhaps by proposing self-restoration and self-renovation mechanisms on the part of those who will use them in the future (housing, handicraft production, innovative businesses promoted by young people, etc.).

But the municipalities' assets do not only consist of property, under the greedy eye and claws of finance; there are also many services that the authorities provide for citizens through their own, or participated, companies (water, electricity, refuse collection, etc.).

It was stated in a report submitted by the Deutsche Bank to the European Commission (2011) that Italian municipalities show high potential for privatisation. This bank, as is well-known, is an expert in financial operations that dispossess peoples. Essentially, the European Union suggests this and the national government presses for it; they would like many of the services provided by local companies belonging to the municipality to be privatised, too. A trend all to the advantage of the citizens: services will be managed better, companies will achieve adequate levels of efficiency, citizens will have better services and, perhaps, will pay less for them. Moreover, the possible losses of these private businesses will not weigh on the Local Authorities' budgets (but will end up weighing on family budgets). This efficiency-minded ideology has been contradicted by experience: private companies that took over to achieve the desired levels of remuneration for capital invested have raised tariffs or caused services to decline (contradicting the fact that privatisation is to the advantage of the people).

We cannot fail to acknowledge that management of these services has often constituted centres of waste (and not infrequently of corruption); departing from this situation, however, it would be easy to improve their efficiency and the satisfaction of families. The fiscal crisis of the organisations and the subsequent reduction in the capacity of Local Authorities to create investment in these companies have thus become the justification for boosting privatisation.

It is precisely the lack of resources that tempts Local Authorities to put these companies on the market, with a consequent impoverishment both of the Authority and the citizens forced to cope with rising tariffs. We are basically faced with an attempt to take the companies providing services away from the communities, so as to make money machines of them, with no respect for meeting the needs of the people, especially the weaker strata.

The situation of indebtedness to the banks is different ('rubbish' bonds included) and constitutes another painful issue in their financial circumstances. Reorganisation of the debt should at least be obtained: repayment periods, reduction in rates, etc. But the contractual power of the Authorities is weak also due to the absence of central support from the State. As already said, many are the authorities on the point of collapse.

Expenditure reduction that many municipal authorities are "forced" to take into consideration causes deterioration in services and makes the economic situation worse (less employed, less consumption, more depression). To counter the reduction in expenditure some municipalities are adopting an increase in tariffs (for example at nurseries), thus causing exclusion of strata of population unable to pay possible increases.

Help for needy families is also being reduced: authentic assistance for poor families, rent contributions, "credit" vouchers, home-helps, etc. This phenomenon also tends to affect employment, with cuts in a large number of "auxiliary" staff, even if temporary (ranging, for example, from traffic controllers, refuse collectors, nursery school teachers, etc.).

Moreover, municipalities in difficulty tend to reduce investments in city maintenance (public spaces, public buildings, etc.). This non-intervention trend not only affects the quality of the city but also employment levels.

Confined between the lack of resources and pressure from citizens (electors) and lacking in instruments coded for suitable intervention, the scarcity of resources tends to prevail, namely a "cuts" policy. Consequently, the hardships caused by the critical situation tend not to be counteracted in the work of local government. There is therefore an accumulation of negative situations of the crisis upon individual citizens: unemployment, reduction in available income, etc., to which cuts in Local Authority services are to be added.

Is it possible to follow different paths to meet the needs of the people halfway? We would need to reject the "realism" ideology" (this is the situation and nothing can be done) to face "reality" (a line that some Authorities are trying to follow, albeit with some contradictions). These are the paths that should be followed:

- take resources where they are available;
- temporarily suspend the universal nature of collective services;
- develop and increase democratic mobilisation processes.

Territorial Authorities have very limited tax-raising ability (nowadays on the increase) and are therefore not able, even if they wished, either to follow equalising, forward-looking politics and thus have an influence on growing inequality, or to collect enough resources. Various paths could be followed in this case.

If, for example, one of the factors causing hardship was the housing question (eviction, impossibility of access to the free market, etc.), the Authority could lead some initiatives for agreements with property owners, fixing lower rents, suspending evictions, etc. or, in the absence of collaboration from property owners, proceed to requisition empty houses, assigning them to the “homeless” (at agreed rents). The opening up in this case of a possible dispute should not be feared, also because it might be the opportunity to make it clear that “ownership” does not solve the problem of housing and that the reduction of social hardship in this sector constitutes a priority element in a responsible society. It would, moreover, be a case of an intervention aimed at opposing the unjust inequalities that are criticised in words both from the point of view of “civilisation” and because of their depressive effects on the economy, but which are actually on the increase.

Those measures that momentarily suspend the universal nature of the rights of citizenship assured of collective services should move in the same equalising direction. The new conception of welfare that is trying to find a way into our society envisages that collective services be guaranteed only for the “needy”, a decidedly adverse conception of the rights of citizenship which violates the principle of universality, uniformity and accessibility to those rights. What is proposed does not exclude anyone from the use of collective services but should temporarily modulate rates in relation to the economic condition of the family and the individual, especially because of the crisis. Poor transparency of the distribution of wealth creates doubts on the applicability of this principle, but the Local Authority might have direct knowledge of the economic situation of each family and try to define parameters that will be more accurate than tax statements very often are.

Furthermore, the cost of many municipal concessions, such as, for example, stall-renting, could be modulated following an evaluation of the differences in profitability such concessions produce.

These and other similar measures may be deployed based on the wide-ranging group of activities and services provided by the Local Authority. In order that these initiatives do not take on overtones of arbitrariness,

however, commitment is needed for considerable development in democracy, which is not to be assumed just as an instrument of “control” over who is governing, but for the positive contributions it can produce in terms of reciprocity of solidarity.

By this term we wish to denote something very different from what the simple term solidarity refers to, i.e. in this case individual members of the community taking on tasks, including management, which guarantee everyone collective continuity and quality of, for example, a service, and direct support of the action of the population following the paths mentioned above.

Mobilisation of the population is meant, aimed at enhancing the democratic tone of a given territorial reality by means of specific instruments and initiatives. Concrete forms of “direct democracy”, with a deliberative capacity, can be linked and related to the traditional forms of “delegated democracy”, reviving the latter. Just as forms of direct collaboration in the administrative management of services and the different operative functions of a territorial board can enable greater levels of efficiency and efficacy.

Nowadays an aversion to delegated democracy, historically given, is increasingly manifest; I do not believe we can do without this form of democracy but it needs to be revived, linking it with forms of direct democracy (decisional and managerial).

Voluntary experiments that have been carried out over time are well-known, such as the “time bank”, and also the good “council” results (think of schools), as long as these had power; just as well-known are the chances to save created voluntarily by the “farmers’ markets”, or by the autonomous organisation of the GAS (ethical purchasing groups), etc. We have no problem with the capacity of single groups to voluntarily organise themselves and be operative, but a leap in quality and quantity seems necessary, precisely because of the crisis: local Authorities can and must help these initiatives with contributions to organisation. It is not a case of a route out of the crisis or of outlining different social set-ups, but they do undoubtedly contribute and help to alleviate the discomfort.

It is with extended mobilisation engaging the different groups in specific actions and functions at the disposal and for the use of everyone that what we have called reciprocity of solidarity comes into being.

### 3. CONCLUSIONS

If people who find themselves in growing numbers in conditions of discomfort, on the one hand, hope and request global solutions (national and international), they can, on the other, immediately transform their discomfort, so to speak, into demands to the Local Authorities (the close level of government). Local Authorities, however, have been hit by the same fiscal crisis as the State, with a reduction in resources. Growing “demands” and lower “resources” constitute the claws that tend to crush the Local Authorities’ capacity to operate.

The latter are the stage upon which the devastating effects of the crisis are more obviously manifest and where, with just as much evidence, the incapacity and impossibility of giving satisfactory answers to the situation are shown. Authorities also tend to follow lines of intervention that are not only ruinous but tend to worsen the present situation (reduction in services, increase in tariffs, exclusion of maintenance, etc.) and the following one (alienation of own assets). National governments have unloaded the growing social contradictions the crisis was producing onto the Local Authorities (politics has an unbearable level of cynicism).

From what has been said, it is clear that the Local Authorities are not able either to combat the crisis, or to tackle the hardships generated by it. Yet some slight possibility of alleviating the discomfort does exist: by rejecting the prevailing pathways, opposing privatisation processes, using one’s own property assets appropriately and appealing to the social forces on the grounds of a principle of reciprocity of solidarity, administrators can mitigate the effects of a crisis, the end of which, despite the predictions, is not in view. Some Authorities are trying, but they are few.

### REFERENCE

O’Connor, J. (1973) *The fiscal crisis of the state*. New York: St. Martin’s Press

