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This is a pre-peer reviewed version of the article "'Mortgaged Lives': the biopolitics of debt and homeownership in Spain" that has been submitted to Transactions of the Institute of British Geographers in April 2014 and is currently under review.

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# **"MORTGAGED LIVES": THE BIOPOLITICS OF DEBT AND HOMEOWNERSHIP IN SPAIN**

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Keywords:	biopolitics of debt, financialisation, housing, subprime mortgages, Spain, land rent
Abstract:	<p>The article aims to expand the theoretical framework within which we examine mortgage debt, by focusing on the role that mortgages play not only in financialising housing, but also in promoting a biopolitics of financialising life itself. Conceptualising mortgages as a 'technology of power over life' (Foucault 2003, 246), we expose the biopolitics linked to mortgaged homeownership in order to broaden the scope of analysis on the dialectics between the production of biological futures and the production of future profits. Our analysis is grounded in a historical geographical examination of the biopolitics of mortgage debt in Spain, where, during the most recent real estate boom (1997-2007), mortgages were employed as a technique that was supposed to optimise income by enrolling livelihoods into the cycle of real estate speculation. But as 800,000 mortgages per year were issued as average wages fell by 10 per cent, mortgages also became a punitive/disciplinary technique, which made the population itself the object of financial speculation. Whilst livelihoods became closely connected to the rent extraction mechanisms of global finance, their very existence followed the fluctuation of financial markets with disastrous effects, including the eviction of over 200,000 Spanish families from their mortgaged homes between 2008-2013. This way, we argue, mortgaged homeownership became central in enrolling biological life into the process of rent extraction, in two distinct ways. First, by making hundreds of thousands of livelihoods 'mortgaged', that is, directly dependent on the success or failure of capital accumulation strategies rooted in the built environment. Second, by producing hundreds of thousands of indebted subjects who have to be embedded continuously in the production process in order to meet their debt obligations, and who often remain indebted even after they are evicted from the home they used to own.</p>

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**ABSTRACT**

The article aims to expand the theoretical framework within which we examine mortgage debt, by focusing on the role that mortgages play not only in financialising housing, but also in promoting a biopolitics of financialising life itself. Conceptualising mortgages as a ‘technology of power over life’ (Foucault 2003, 246), we expose the biopolitics linked to mortgaged homeownership in order to broaden the scope of analysis on the dialectics between the production of biological futures and the production of future profits. Our analysis is grounded in a historical geographical examination of the biopolitics of mortgage debt in Spain, where, during the most recent real estate boom (1997-2007), mortgages were employed as a technique that was supposed to optimise income by enrolling livelihoods into the cycle of real estate speculation. But as 800,000 mortgages per year were issued as average wages fell by 10 per cent, mortgages also became a punitive/disciplinary technique, which made the population itself the object of financial speculation. Whilst livelihoods became closely connected to the rent extraction mechanisms of global finance, their very existence followed the fluctuation of financial markets with disastrous effects, including the eviction of over 200,000 Spanish families from their mortgaged homes between 2008-2013. This way, we argue, mortgaged homeownership became central in enrolling biological life into the process of rent extraction, in two distinct ways. First, by making hundreds of thousands of livelihoods ‘mortgaged’, that is, directly dependent on the success or failure of capital accumulation strategies rooted in the built environment. Second, by producing hundreds of thousands of indebted subjects who have to be embedded continuously in the production process in order to meet their debt obligations, and who often remain indebted even after they are evicted from the home they used to own.

**Key words**

Biopolitics of debt, financialisation, housing, subprime mortgages, Spain, land rent

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**“MORTGAGED LIVES”<sup>1</sup>: THE BIOPOLITICS OF DEBT AND HOMEOWNERSHIP IN SPAIN**

*“A debtor is a debtor for life. Even if they work twenty-four hours a day they will never repay that debt. It is the perfect form of extortion and slavery. [In case of payment default] the bank can keep everything that has been deposited, plus the house at a ridiculously nominal price. Then, they can immediately put the house on the market for sale at a higher price ... on top of this, they demand further debt repayments. It is the contemporary form of slavery.”*

(Ada Colau, Activist and spokeswoman of the Plataforma d'Afectats per la Hipoteca (PAH), quoted in Muriel 2012, no page number)

**The role of mortgages in governing life ... or the biopolitics of financialising homeownership**

The article aims to expand the theoretical framework within which we examine mortgage debt, by focusing on the regulatory and disciplinary role that mortgages play not only in the financialisation of housing, but also in promoting a biopolitics that financialises life itself. Our analysis is grounded in a historical geographical examination of the biopolitics of mortgage debt in Spain, from 1936 to date. Bringing into dialogue Harvey's contention that “only the kind of land ownership that treats the land as pure financial asset will do” (Harvey 1982, 361) with Foucault's proposition that the development of capitalism “would not have been possible without ... the adjustment of the phenomena of population to economic processes” (Foucault 1978, 141), we aim to illustrate how the enrolment of biological life into the process of rent extraction through homeownership

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<sup>1</sup> The paper borrows its title from the title of Ada Colau and Adrià Alemany's (2012) book “Mortgaged lives: From the housing bubble to the right to housing”. Original Title: Colau, A. and Alemany, A., 2012. Vidas hipotecadas: De la burbuja inmobiliaria al derecho a la vivienda, Barcelona: Cuadrilátero de Libros.

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mortgages is essential for the success of recent capital accumulation strategies rooted in the built environment.

Conceptualising mortgages as a ‘technology of power over life’ (Foucault 2003, 246) which is both regulatory and disciplinary/punitive, we argue that mortgaged homeownership became central in enrolling biological life into the process of rent extraction, in two distinct ways. First, by making millions of livelihoods ‘mortgaged’, that is, directly dependent on the success or failure of capital accumulation strategies rooted in the built environment. Second, by producing millions of indebted subjects who have to be embedded continuously in the production process in order to meet their debt obligations, and who often remain indebted even after they are evicted from the home they used to own.

The commodification and financialisation of housing as a key engine of urban capital accumulation (Harvey 1978), and as an ideal object of speculation is well documented in academic literature (see, amongst others: Forrest and Williams 1984; Butler and Robson 2003; Fenton et al 2013).

While the use and exchange values of housing function in ways similar to any typical market commodity, housing has the additional potential to act “as an investment and an asset not only for the capitalist that produces it, but also for the homeowner that ‘consumes’ it”(Ivanova 2011, 862). Therefore, housing can affect the speculative aspects of the real estate market not only through its potential to stimulate investment and accumulation (Aalbers 2008; Harvey 1978), but also through its potential to affect the structure of consumption in general.

Over the last decade, a pioneering body of work by Aalbers, (2009; 2011; 2013), Gotham (2009), Wainwright (2009), Baldauf (2010), Ashton (2012), Rolnik (2013), Christophers (2011) and Rossi

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(2013), amongst others, has started systematically theorising and documenting how key policy and legislative interventions in pursuit of the expansion of homeownership combined with the liberalisation of the mortgage sector have been key drivers for the further commodification and financialisation of housing, and for the expansion of speculative real estate markets at unprecedented rates over the last decades. This body of work has extended the scope of analysis of mortgages well beyond the domain of economics, and provided insightful details on the financialisation the housing market through mortgages.

However, we argue, mortgages play a regulatory role not only for the financialisation of the housing market, but also for the financialisation of life itself. And this important role that mortgage markets play in promoting a biopolitics of financialising life itself remains understudied. By a biopolitics of financialising life itself, we mean the process which deepens the dependency between the creation of surplus value on the one hand, and the production of embodied biological futures on the other. This intimate relationship between the creation of surplus value and the reproduction of biological life has recently begun to receive scholarly attention in medicine, biomedics and biotechnology (see, for example, Vatter (2009); Cooper (2008) and Rose (2007)). In this article, we aim to extend the scope of this analysis, in order to demonstrate that biological life as the prerequisite for accumulation of future surplus value is not to be searched for only in the specialised fields of biomedics and biotechnology; it already exists at the level of the 'everyday'. By focusing on housing and mortgages, we illustrate how the connection between biological life and surplus value creation is deeply interwoven in the political economy of everyday life.

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In the sections that follow, first, we historicise the process through which homeownership became normalised in Spain in the decades that followed Franco’s dictatorship (1939-1975) through legislative changes and a series of discursive and material practices. Subsequently, we explain how in the period that followed the end of Franco’s dictatorship (1975-1990) the liberalisation of mortgage lending became the key means for accessing housing, but also the key lever for capital expansion, as the construction sector acquired increasing importance within Spain’s multi-scalar political and economic reconfiguration. Finally, the article illustrates how during the most recent real estate boom (1997-2007) and subsequent crisis, it was not just the real estate sector, but human life itself that became a subject of speculation and control. During this period, mortgages became a regulatory technique and a disciplinary mechanism that both enrolled the population into the financial sector’s rent extraction mechanisms and subjected life itself to debt servicing practices. Mortgage lending became a key instrument through which markets could capitalise “not simply the public sphere and its institutions, but more pertinently the life of the nation, social and biological reproduction as a national reserve and foundational value of the welfare state” (Cooper 2008, 9).

Apart from expanding the theoretical framework within which we can analyse the socio-economic consequences of mortgage debt, the article also enhances recent key analysis on Spain’s mortgage crisis (Colau and Alemany2012; Coq-Huelva 2013; García 2010; López and Rodríguez 2010; 2011; Naredo 2009; Palomera 2014; Puig Gómez 2011; Romero et al. 2012; Sánchez Martínez 2010) with additional original data from the National Institute for Statistics (INE), the Spanish Tax Agency (AEAT), the Bank of Spain and the European Mortgage Federation.

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**“A country of homeowners, not proletarians”: the politics of normalising homeownership (1939-1975)**

The culture and practice of housing in Spain has undergone significant transformation over the past decades (Table I). Although the contemporary dominant perception is that desire for homeownership comes ‘naturally’, almost like “a code written in the DNA [of Spaniards] that differentiates [them] from other mortals and determines [their] behaviour” (Colau and Alemany 2012, 33), homeownership has actually not always been a desirable or feasible option for Spanish people (Naredo 2004). Instead, homeownership became normalised as desirable and feasible after several decades of complex ideological and institutional changes.

(Insert Table I here) -- Table I: Housing tenure, 1950-2010 (percentage of households)

Over half a century ago, homeownership rates in Madrid, Barcelona, Seville and Bilbao were as low as 5, 6, 10 and 12 per cent of the cities’ population respectively. In 1939, after the end of the civil war and the establishment of Franco’s dictatorship, the accelerated rates of rural to urban migration, combined with the scarcity and poor quality of urban housing stock led to the mushrooming of shanty towns at the urban fringe, and the proliferation of subletting and overcrowding in city centres (Naredo 2010). It was during that period that the National Housing Institute was created (1939) and mandated to coordinate the production of state-subsidised housing for lower income households.

Although the production of new homes encountered difficulties due to a “combination of an inefficient public sector and unattractive economic returns for private developers”(Belsky and

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Retsinas 2004, 4) these policies nevertheless succeeded in increasing significantly the rates of homeownership. And despite the fact that, as Llorden Miambres (2003, 150) documents, the underlying political economic objectives of Franco’s housing policy aimed to create “profitable conditions to open up a new field of capital accumulation”, these policies proved very popular and quite efficient. When Spain’s first national building and housing census was performed in 1950, it recorded the national rate of homeownership at 45 per cent (see Table I)(Naredo 2010).

Although a full critical account of Franco’s housing policies and practice lies outside the scope of this article, it is important to note here that it was this period that lay the foundations for radical change in the practice and perception of homeownership in Spain. The Subsidised Housing Act (1954) and the creation of the Ministry of Housing (1957) instituted housing policy as the cornerstone of national coherence and stability, as a key indicator of social status, but also as a key driver for economic development. The Subsidised Housing Act in effect guaranteed profits for private capital invested in housing construction (Cayuela Sánchez 2010), whilst the appointment of the Falangist ideologue José Luis Arrese as first Minister of Housing signalled the beginning of a process that would link the promotion of homeownership to the promotion of family and patriotic values. Arrese took to heart the task of building the Ministry of Housing as:

“a true mission, inspired by the ideals of the social revolution of the Christian and Falangist *genre*: the family is the first fabric of coexistence that man forms and the principle guarantor of stability; the home, the sublimation of the house, is the only -indispensable- medium through which the family can grow; at a higher level, the homeland (*la patria*) is the home of all Spaniards. Family, Home and Homeland are, consequently, the foundations of the regime and this is what the protection and development [of the Home] respond to” (Arrese, cited in Maestrojuan 1997, 173).

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Arrese also linked the provision of housing to the plight to maintain law and public order: “Man, when he has no home, takes control of the street and, impelled by his bad mood, becomes subversive, bitter, violent...” (Arrese quoted in Naredo 2010, 18). Arrese’s strong belief in the social benefits of homeownership is epitomised in a famous statement delivered during his first ministerial speech: “We want a country of homeowners, not proletarians” (cited in López and Rodríguez 2011, 6). Within this spirit, the promotion of a policy of subsidised homeownership in Spain after the 1950s went hand in glove with the promotion of an ideology that depicted renting and subleasing as socially unacceptable, and “homeownership as the cornerstone for social stability” and harmonious national development (Maestrojuan 1997, 183). Colau and Alemany (2012) underline how the project to create homeownership through private property offered Franco’s regime two significant benefits: first, it sidestepped conflict between the state and tenants that could potentially challenge the regime; and second, it acted as a mechanism of discipline and social control that could convert potentially insubordinate spirits into orderly home-owning civilians.

**From social housing to mortgaged housing: creating a nation of indebted homeowners (1975-1990).**

Franco’s socio-political project to build a nation of homeowners was crowned with success. By 1970, 63.4 per cent of Spaniards qualified as homeowners (Table I). In the decades that followed the end of Franco’s dictatorship (1975), the project to expand homeownership continued, albeit through a very different rationale and institutional framework. López and Rodríguez (2010) note that whilst the 1960s were characterised by the need to house large populations of rural-to-urban

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migrants at the outskirts of cities, during the transition to democracy, priority was given to boosting a by then depressed construction sector.

While housing policy focused increasingly on stimulating homeownership through private construction and mortgages, the provision of social housing dropped off policy agendas. In statistics provided by the Ministry of Housing prior to its abolition in 2010, social housing accounted only for two percent of the total housing stock in Spain (Rodríguez Alonso 2009, 106). Renting as a form of tenancy had been progressively attacked by two key institutional changes in previous decades. The first was the 1978 Individual Income Tax Law which offered significant tax breaks for the purchase of primary and secondary residences, and fiscal reductions on mortgage repayments (Cabré and Módenes 2004). The second was through the 1985 Boyer Decree, which removed rent control and tenancy protection clauses from new rental contracts (see Observatorio DESC and PAH 2013, 53).

With an unstable and expensive rental sector, and with limited provision in social housing, after the 1990s mortgages became the most attractive option for access to housing for low income and vulnerable groups (López and Rodríguez 2010; Pareja Eastaway and San Marín Varo 2002). Palomera (2014, 3) notes that “the Spanish working classes gradually found themselves with virtually no alternative other than to opt for the private property market in order to solve their housing needs, thus becoming the target of financial institutions.” This led Hoeskstra et al. (2010, 129) to assert that “Spanish policies for the provision of both private and social housing have been shaped more by the desire to stimulate economic activity than [by the desire] to implement social policy per se.”

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Although the 29/1994 Law on Urban Renting reinstituted some basic protection for tenants, important changes in the practice and imaginary of homeownership were by then firmly established. Mortgages had become an attractive and popular alternative to rentals, and the institutions and legal changes that would lead to the progressive indebtedness of Spanish households had come to pass (Tatjer 2008).

**Mortgages as a “technology of power over life”: from financialising real estate to financialising life (1990-2007)**

From 1990 onwards, private homeownership through mortgages became established as the dominant housing provision mechanism for Spain. After several decades of policies promoting homeownership, Spain had become a nation of mortgaged homeowners. By the end of the 2000s, 85 per cent of the country’s population qualified as homeowners. During this period, Spain’s expanding levels of homeownership became a dominant means for capital expansion and accumulation, through a series of legislations and practices that liberalised the mortgage and land markets, and instituted “a state under the supervision of the market rather than a market supervised by the state” (Foucault 2008, 116).

As Etxezarreta Etxarri (2010) notes, all periods characterised by growth and expansion of the Spanish economy are associated with significant growth in the construction sector and speculative increases in housing prices (see also (Coq-Huelva 2013). However, the 1997-2007 real estate boom far outstripped any previous period of real estate-led growth in Spain. During that period, the provision of new housing stock rose to over 6 million units (Naredo et al. 2008; EMF 2011; García 2010) whilst house prices skyrocketed to over 200 per cent of their value in previous years. Both

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phenomena were directly linked to the increase in availability of mortgage credit. Sanchez Martinez records that the total amount of housing credit available in Spain rose from €82,347 million in 1992, to €934,172 million in 2006 (Sánchez Martínez 2008, 184). By 2008, Spain featured high on the ranking of countries with large net capital imports, with foreign capital mainly fuelling the speculative boom in the country’s real estate sector (García 2010). Indeed, between 1997 and 2005, approximately 60 per cent of the total housing credit available in Spain was absorbed in financing the purchase of around 9 million housing units (Sánchez Martínez 2008, 184; see also Naredo et al. 2008).

This explosion in credit availability was made possible in part through the liberalisation of mortgage financing systems. Up until the 1980s, mortgages were only available through publicly controlled channels, namely the Spanish Public Mortgage Bank. The 1981, however, the Mortgage Market Regulation Act enabled for the first time private operators to enter the mortgage market. During the same time, public banks were being privatised one after another. The 1981 Mortgage Market Act also increased the loan-to-value ratio for mortgages from 50 to 80 per cent and introduced variable interest rates for mortgages. The Act also instituted the first step to the incremental integration between financial markets and mortgage markets (Alberdi 1997) by allowing banks to issue asset-backed mortgage bonds (*cédulas hipotecarias*), which allowed banks to expand the financing basis of mortgage lending.

The 1992 Act on Securitisation Vehicles took the liberalisation of the mortgage market to the next level, by authorizing for the first time the use of special purpose vehicles (SPVs) to securitise mortgages. SPVs operate as a “subsidiary company with an asset/liability structure and legal status

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that makes its obligations secure even if the parent company goes bankrupt”<sup>2</sup>. By allowing SPVs to operate in the national mortgage sector, the Spanish government allowed for the expansion of the financing basis of the mortgage sector beyond the availability of bank deposits and bonds (Martín-Oliver and Saurina 2008). According to the Statement of Purpose issued in relation to the 1992 Act, the Act would foster greater “competition and specialisation in issuing and administering mortgage credit ... [and would therefore] contribute to reducing the price of mortgages for house purchases” (Statement of Purpose, Law 19/1992, cited in López and Rodríguez 2010, 288). The 1998 Royal Decree 926 further expanded the range of financial instruments, allowing SPVs to securitise assets other than mortgages (Fuentes Egusquiza 2007).

Analysing securitisation trends in Spain over the period 1999-2006, Oliver-Martín and Saurina (2007) note that the main drive behind instituting loan securitisation was to respond to increasing liquidity needs, and to enable financial institutions to mobilise greater amounts of cash for mortgage loans. The Bank of Spain’s 2006 annual report notes that in 2005, covered bonds and securitised loans could cover only half of the credit demand, as the growth in household savings was “insufficient” (Banco de España 2007, 147).

The 1992 Act has to be seen not as part of a national project of economic restructuring alone, but also as part of a broader European-wide liberalisation of the banking sector that followed the Maastricht Treaty (Rullan 1999; López and Rodríguez 2011). When Spain entered the European Monetary Union in 1999, the adoption of the euro and the subsequent significant decrease in

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<sup>2</sup> See <http://www.investopedia.com/terms/s/spv.asp>.

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interest rates (from 16 per cent in the early 1990s to 3 per cent in 2004) contributed further to making Spain attractive for international investors in real estate, as the spectre of the devaluation of national currency that had affected previous property booms was now removed (Rodríguez and López 2011).

Indeed, the liberalisation of the banking and mortgage sector became pertinent in Spain whilst the country was undergoing a massive crash in its vacation housing market (1992) leading to falling housing prices, corrective adjustments, devaluations of the national currency and a growing gap in the balance of trade (Naredo 2004). But the liberalisation of the mortgage sector led to a swift ‘recovery’ from the 1992 real estate crisis, and the opening of a new speculative real estate cycle in Spain.

Indeed, the 1992 Securitisation Act, the 1998 Royal Decree combined with the introduction of the euro in Spain created the institutional conditions for expanding real estate investment at a scale greater than ever before. By 2007, 36% of Spanish mortgage debt was securitised, a place that Spain held second only to the UK within the European Union (Naredo et al. 2007).

However, this unprecedented expansion in foreign capital investment could not have happened without the parallel liberalisation of land policy. Spain’s legislation on land was first instituted with the 1956 Land Act, which subordinated individual interests to social interests through regulating the social function that private property would play in planning decisions. The subsequent modifications of the original Land Act (1975 and 1990) were also characterised by a spirit of strong public interventionism and extensive state control over land use and land rent. During the 1990s, however, fierce criticism against the tradition of strong public interventionism in the land market

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3 from both the liberal right (who obtained majority in 1996) and the Socialist party, resulted in the  
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5 adoption of a new Planning and Land Act in April 1998, whose overall objective was to reduce land  
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7 prices, in order to stimulate land supply (Roca Cladera and Burns 2000). The Act decreed that “all  
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9 land as yet unincorporated into the urban process is considered eligible for development, when no  
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11 objective reasons for its preservation arise” (Act 6/1998, *Exposition of Motives* cited in Roca  
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13 Cladera and Burns 2000, 548).  
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20 By removing the earlier distinction between ‘developable’ and ‘non-developable’ land, the 1998  
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22 Land Act deregulated planning and, in effect, made all land across the country potentially available  
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24 for urban development (Romero et al. 2012), under the sole condition that infrastructure had to be  
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26 already in place, or partially built (Coq-Huelva 2013). The 1998 Act also gave local government  
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28 authorities full planning jurisdiction, at the back of other legislative reforms that reduced tax  
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30 income for local government (Puig Gómez 2011). Inevitably, this meant that taxes tied to land and  
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32 housing development became a key income stream for local authorities, stimulating a barrage of  
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34 approvals for aggressive urban development plans, and an extensive network of corruption in local  
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36 governments across the country (Naredo 2010).  
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43 While in theory liberalising the land market was expected to lead to a drop in land and housing  
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45 prices through market self-regulation mechanisms, quite the opposite happened. Fuelled by easy  
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47 credit availability and low interest rates, the price of land and housing rose exponentially and the  
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49 anticipated large profit margins produced immediate supply effects: the number of housing starts,  
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51 which was recorded at 500,000 units in 1999 climbed steadily from 630,000 in 2003, to 729,652 in  
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53 2005 and 865,561 in 2006 (EMF 2011). These figures were higher than housing production in the  
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55 UK, France, Italy and Germany combined at the same time (Rodríguez and López 2011).  
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In conclusion, the 1981 Mortgage Market Regulation Act, the 1992 Securitisation Act and the 1998 Land Reform Act put in place the key institutional changes, which, combined with the adoption of the euro, facilitated the rapid flow of international capital into Spain’s housing market. These processes paved the way for enabling land and housing to become a form of fictitious capital (Christophers 2010) and for property titles to be freely traded as a pure financial asset (Harvey 1982). With financial institutions mobilising mortgages as a speculative form of rent, and land and housing titles given to ‘homeowners’ as claims on their future labour, the financialisation of housing generated a speculative cycle that was further removed from real production than ever before. The coordinated policies and discursive strategies to normalise homeownership both as the main tenancy regime and as a mechanism for market expansion led to an oversupply of housing stock. Although, as noted above, by the end of the 2000s 85 per cent of Spain’s population qualified as homeowners, around 3.5 million new housing units remained unsold and empty during the same period (INE 2013).

As legislative frameworks and European monetary integration fed the mortgage led building frenzy in Spain, housing prices kept rising, animating further the narrative of housing as a safe investment, and the demand for home ownership through mortgages. In its 2006 annual report, one of the most significant Spanish savings banks, *La Caixa*, notes: “despite the escalating price of housing and rises in interest rates, mortgage credit demand is kept high thanks to demographic factors and factors related to the social environment” (La Caixa 2006, 37). This ‘social environment’ the bank’s statement refers to is directly linked to the systematic promotion of home ownership as a safe investment. But it also refers to the re-invention of the Francoist narrative that had promoted homeownership as a desirable option for Spanish people. This time,

however, homeownership was not promoted as a national ideology and a means to build a coherent, secure nation; it was promoted as a safe investment, a desirable lifestyle, and a means to acquire elevated social status. Colau and Alemany (2012, 29) document how, from the late 1990s onwards, the same mantra was chanted by public administrations, real estate agencies, developers, builders, financial institutions and mass media alike: “the price of housing never falls, housing is a safe investment”. The safe investment message was complemented by media articles representing the desire to own a home as a kind of “genetic predisposition for Spanish citizens”(Palomera 2014, 3), and making a direct link between elevated social status and home ownership: “every Spaniard who earned a salary, even if this was one thousand euros per month, had to have a privately owned house “because if not, you are nobody”” (Córdoba 2010, 1).

And so long as interest rates were falling and housing prices were rising (Sánchez Martínez 2008, 182) the message that promoted housing acquisition through mortgages as a safe investment was a winner. The number of mortgages issued per year climbed steadily from over 600,000 per annum in the early 2000s to over 1.3 million per annum in 2006 (INE 2014), as seen in Table II. During the peak period of the mortgage frenzy (2003-2006) many financial institutions even dropped the requirement for a down payment and offered mortgages for 100 per cent, and in some cases 120 per cent of the value of the home, mainly through issuing additional ‘renovation’ loans.

*Insert Table II here*

Table II: Number and amount of homeownership mortgages granted between 1994-2012

In their attempt to capture a diverse clientele within a competitive environment, financial institutions became increasingly aggressive and inventive in their outreach and advertising campaigns (Fernández Rincón 2013). “A multitude of products emerged selling happiness, wellbeing and luxury for all....the super-credit house, the paid mortgage, the open mortgage.” (Ceberio and de Cozar 2013, no page). Mortgages were offered through the Internet, direct-mail advertising, television ads and unsolicited emails. Everyone could potentially become a homeowner since mortgages were supposed to be tailor-made and available for different social groups and social needs: “the young mortgage; the easy mortgage; the free mortgage; the open mortgage; the serene mortgage; the global mortgage; the paid off mortgage; the wild mortgage; the super mortgage; the revolution mortgage” (Colau and Alemany 2012, 66-67). Figure 1 presents one example of such an advertisement from BBVA’s ‘easy mortgage’ campaign. The advertised mortgage promises affordability for all, through prolonged indebtedness: clients can choose to make interest only payments for the first 3 years of the loan. They can also postpone the amortisation of up to 30 per cent of the capital up until the final period of the loan. Within the same spirit *Commerce Bank*, (Figure 2) prides itself for being the first institution to offer mortgages that finance up to 100 per cent of value of the home, whilst at the same time being safe, secure, flexible, and Taylor-made for all.

INSERT FIGURES 1 and 2 HERE

This ‘liberalisation’ of the Spanish mortgage market not only expanded the availability of mortgage credit; it also made borrowing appear more affordable to lower income households (Belsky and Retsinas 2004) thus making it palatable for low income households to become deeply indebted (López and Rodríguez 2010).

At the same time, however, it made mortgaged households vulnerable to losing their homes in case they would default on mortgage repayments (Martín-Oliver and Saurina 2008). With 36% of Spanish mortgage debt being securitised in 2007, (Naredo et al. 2007) and with most mortgaged issued at 80 or even 100 per cent of overinflated home prices, mortgaged households were left vulnerable not only to the fluctuations of the local real estate market, but also to the fluctuations of the performance of complex financial products and global financial institutions.

### **‘Mortgaged lives’: The Biopolitics of debt as fictitious wealth**

Whilst the Spanish population was becoming deeper and deeper indebted, the boom in real estate prices (created partly through the increasing availability of mortgage lending) produced a fictitious increase in the recorded wealth held by Spanish households. As an increasing number of households were becoming indebted for 100 per cent of the inflated market value of their mortgaged homes, their wealth appeared in official statistics to grow from 480 per cent of GDI in 1995 to 800 per cent of GDI in 2006 (Sánchez Martínez 2008). 540 per cent of the wealth recorded in 2006 corresponded to property wealth; a figure that was calculated on the basis of inflated property values (Sánchez Martínez 2008). Owner-occupiers were successfully produced as what Langley (2008) terms ‘leveraged investors’, that is, subjects for whom the shelter of their home would provide the key to future security and stability, as their investment was expected to grow and realise future returns.

However, as noted above this ‘mirage’ increase in ‘wealth’ in effect corresponded to increase in household debt, and was dependent upon a speculatively driven nominal increase in housing

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prices. Indeed, between 1997-2007 total outstanding mortgage debt in Spain increased over fourfold, from 154.5 billion Euros in 1999 to 674 billion Euros in 2008 (EMF 2011). During approximately the same period (1997-2006), the Bank of Spain (2006) reported a rapid rise in household indebtedness from 55 per cent to 130 per cent of disposable income. In December 2009, Spanish household debt was recorded by the European Central Bank at 84 per cent of annual GDP (García 2010), making Spain the country with the highest proportion of long-term household mortgage debt to disposable income in the world (Naredo et al. 2007; 2008).

Moreover, the exponential increase in the number of mortgages and level of indebtedness in Spain coincided with a real average decrease in wages (Table III). Changes in labour law during the 1980s enabled workforce flexibilisation and gave the go ahead for an increased number of temporary and precarious contracts (TAIFA, 2005). These changes took place side by side with the dismantling of traditional industrial activity, and the gradual reorientation of the Spanish economy towards the service sector. By the mid 1990s, what was left of the legacy of Fordism-fuelled labour rights was struggling for survival against industrial reconversion and rapid flexibilisation of the labour force (Rodríguez and López 2010). The construction sector played a key role in the reorientation of Spain's economy and the flexibilisation of its labour force. Out of 8.1 million new jobs created between 1996-2007, 20 per cent were in the construction sector, and over 50 per cent were low-skilled jobs in the service sector (Romero et al. 2012). During the same period, around 30 per cent of new contracts were for short-term or temporary employment, whilst average salaries fell by 10 per cent in real terms, with 40 per cent of wage earners barely reaching a salary of one thousand euro per month (Rodríguez and López 2010).

Insert Table III here -- Table III: Distribution of wage earners by income scale in Spain, 2007

Therefore, despite the fact that, in 2007 one third of work contracts were temporary and 60 per cent of the workforce was living on an average annual salary of €10,935 per year, financial institutions were making mortgages available to an ever broader spectrum of the population, thus making home ownership as precarious as job contracts (Lopez and Rodriguez 2010, 233). Seen within this context, it becomes evident that between 2003 and 2007, financial institutions granted at least one million mortgages to vulnerable parts of the Spanish population (López and Rodríguez 2011). The deregulation of the mortgage market, combined with the fact that the majority of the population holds limited knowledge of the risks involved in buying complex financial products, made it easy for credit institutions to entice large segments of the Spanish population into entering high-risk financial operations, often with no backup, other than the promise of the *ad infinitum* increase in the market value of their mortgage-owned home. In many cases, mortgage contracts requested family members or friends of the signatories to act as guarantors or co-ownership signatories (Colau and Alemany 2012).

The fact that 84 per cent of mortgages that were issued between 2003-2007 were of variable interest rates further increased the risk associated with mortgage debt. As most mortgages were contracted at a moment when the interest rates set by EURIBOR were at a historical low (EMF 2012), Spain became the European country with the highest percentage of variable interest rate mortgage credit (Naredo et al. 2007). “Spanish-style subprime” (*subprime a la española*) came to denote the type of high risk mortgages contracted at variable interest rates at a time when the latter were superficially low (Calleja 2008; Colau and Alemany 2012; Naredo 2009). Variable interest rates in effect placed part of the risk of global finance onto indebted households, as periods of global financial turbulence are likely to be reflected in an increase in interest rates

(López and Rodríguez 2010). To top it all up, during the same period, at least 30,000 mortgages were issued in foreign currencies, (mainly Yen or Swiss Francs), as banks offered the option to ‘take advantage’ of the then favourable currency exchange rates. The strategy of issuing mortgages in foreign currencies later backfired, “making mortgage debt repayments for those who signed up to such contracts up to 40 per cent more expensive” (Quelart 2013, no page).

Still, as long as housing prices were increasing, interest rates remained low, and housing construction was booming, the myth of homeownership as the unfailing path towards present and future security and elevated social status for low income households was sustained, and so was the expansion of the secondary circuit of capital.

But as the “Spanish economic miracle” began to crumble after 2007, the disciplinary character of mortgages and the way mortgage related debt enabled financial institutions to take on an important role in social production and reproduction processes took on a dramatic turn. After the recent crisis, the role of mortgages as a ‘secondary form of exploitation’ (Harvey 1983) that, in effect, modifies the real income of workers, became abundantly clear. When housing prices fell, and unemployment was perched at 26 per cent, homeowners were left with very weak rights and security.

As the financial crisis and increasing unemployment left many mortgage holders unable to service their debt, an increasing number of families are being foreclosed and evicted from their mortgaged homes. Statistics from Spain’s justice department (CGPJ) report the eviction of over 216,000 families between 2008 and 2012, whilst the Platform for Mortgage Affected People (PAH, Spain’s grassroots anti-eviction platform) calculates that “the same figure [to be] closer to 360,000

families using a correction factor based on differences in the justice department's data sources" (Colau and Alemany 2013, 3).<sup>3</sup> The everyday violence of financial capitalism manifested in the evictions becomes even more arresting when one also adds the fact that, due to recent collapse in housing prices, evicted households remain liable for their outstanding mortgage debt even after their home is repossessed. Current Mortgage legislation in Spain dictates that a private insolvent debtor cannot cancel their debt even after the repossession and sale of the asset by their creditor, if the sale of the asset fails to cover the outstanding debt, which should also include interest on late payments and administrative or legal costs (Castillo 2013; EMF 2007). So, as soon as liquidity dried up, and housing prices decreased, many mortgaged homeowners unwittingly became either: a homeless proletariat, evicted yet still indebted for life to their creditors; or an indebted proletariat of homeowners who were nevertheless "in material and housing-class terms, barely distinguishable from renters. ... simply paying rent to the new landlord" Wyly et al. (2009, 338), who now exercises new forms of financial violence (see also Marazzi 2010).

Under these conditions, mortgages contribute greatly to the creation of a new biopolitical subject, the "Indebted Man" (Lazzarato 2012) whose life unwittingly becomes dependent in so many ways on the performance of global financial markets and the rise and fall of interest and currency exchange rates. These 'mortgaged lives' (Colau and Alemany 2012) whose production and reproduction rates are heavily dependent on the ability to fulfil one's obligations for mortgage repayments under increasingly volatile conditions, live under a contemporary regime of slavery, as

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<sup>3</sup>"The fact that foreclosure and evictions statistics are not complete is broadly recognised by the government. From 2008 to 2011 statistics were collected by social services, while from 2012 onwards Spain's justice department (CGPJ) began to compile eviction data from the Courts. The National Statistics Institute (INE) will release the first official eviction statistics in July 2014, which will include information on the type of building (principle or secondary residence) and will distinguish between protected, government subsidised housing (VPO) and regular housing" (Díaz Guijarro 2013, no page).

Ada Colau describes it in the opening quote of this paper. It is a situation where an unscrupulous manipulation of life itself lies at the heart of economic and political strategies and decision-making (Rose 2007).

**Conclusions**

The article unravelled the role that mortgage debt plays not only in the financialisation of housing, but also in transforming the politics of governing life. Focusing on Spain, we showed how the financialisation of housing was achieved not only through the liberalisation of land development practices and of financial legislation, but also through the production of a nation of indebted subjects. Between 1997 and 2007 the promotion of homeownership in Spain through mortgages functioned as a regulatory mechanism that subjected life’s production and reproduction forces to an ever-expanding cycle of real estate speculation and capital accumulation. The issuing of about 800,000 mortgages per year for a period of over half a decade, at a time when real wages were falling, simultaneously exposed a large proportion of the population to the rent extracting mechanisms of an increasing volatile financial sector, and worked as an important disciplinary mechanism.

In light of the above analysis, we can argue that from the mid 1990s to the late 2000s mortgages performed three significant functions. First, they stimulated the construction sector, and fuelled real estate speculation and capital expansion during a period of important economic restructuring. Second, they acted as a regulatory mechanism, making the indebtedness of the labour force a form of financial expropriation, as the economic and social reproduction of the workforce became increasingly embedded within the global financial system as part of a broader process of financialisation (Fine 2010). Third, mortgages served as a disciplinary mechanism for a precarious

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3 labour force, which found itself under conditions of growing volatility. As Spanish banks and global  
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7 dispossession came into play (Harvey 2003), that produced a new biopolitical subject: the indebted  
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15 The attempt to sketch a new mode of inquiry into the regulatory and disciplinary role that  
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17 mortgages play not only for the financialisation of the housing market, but also for the  
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19 financialisation of life itself, that we present here, contributes to broadening the scope of an  
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21 emerging analysis on the dialectics between the production of biological futures and the  
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23 production of future profits. Focusing on the biopolitics of the historical-geographical process that  
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25 led to the production of an indebted nation through mortgages exposes the intimate connection  
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27 between life and the production of surplus value. This analysis emphasises that “life is not ...  
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29 external to political decision making; it affects the core of politics” (Lemke 2011, 4).  
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36 The side-by-side reading of the history of housing financialisation with the history of the creation  
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38 of a nation of indebted men and women in Spain, brings into focus another ‘lived’ dimension of  
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40 land financialisation (Kaika and Ruggiero 2013). We argue that more attention should be paid to  
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42 exposing and understanding the biopolitics linked to “channelling the flow of capital onto and  
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44 through land” (Harvey 1982, 361). This can offer a better understanding of the importance of this  
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46 process as a recurrent tactic to overcome crisis and nurture new accumulation strategies. It can  
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48 also better contextualise the increasing importance of resistance strategies and struggles that  
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50 strive to disentangle the web of life from its direct dependency on capital flows.  
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For Peer Review

## TABLES

Table I: Housing tenure, 1950-2010 (percentage of households)

Year	Owned	Private rent	Social rent	Other
1950	45.9		-	-
1960	51.9	41	2	-
1970	63.4	28	2	6.6
1981	73.1	19	2	6
1991	78.5	13.2	2	6.5
2001	80.7	9.3	2	7
2007	87	7.6	1.5	4
2011	82.2	9.3	2.8	5.7

Source: Based on Palomera 2014; additional data (last column) by authors based on data from the INE (2012)

Table II: Number and amount of homeownership mortgages granted between 1994-2012

Year	Number	Amount (1000s of Euros)
1994	429.873	18.312.220
1995	403.587	17.899.907
1996	412.928	19.566.189
1997	479.237	24.338.358
1998	529.565	29.595.681
1999	585.782	36.218.456
2000	612.852	42.325.622
2001	615.703	46.574.600
2002	690.230	58.985.647
2003	989.439	96.175.561
2004	1.107.664	112.147.454
2005	1.257.613	156.946.440
2006	1.342.171	188.339.112
2007	1.238.890	184.427.159
2008	836.419	116.809.939
2009	650.889	76.667.074
2010	607.535	71.041.231
2011	408.461	45.715.937
2012	273.873	28.328.881

Source: Compiled by authors, based on data from the INE, 2014

Table III: Distribution of wage earners by income scale in Spain, 2007

Salary scale	0 - €15,977	€15,977 - 39,942	€39,942 - 59,913	€59,913 - €79,884	>€79,884
Number of wage earners	10,863,957	7,017,173	958,288	275,817	193,796
---Foreigners (%)	16.7	4.6	1.9	2.4	4.2
---Women (%)	50.4	35.4	28	22	14.2
% of total wage earners	60	35.8	5	1.4	1
% of total salaries	25.2	49.2	13	5.4	7.2
Average annual salary	€10,935	€26,175	€47,599	€68,111	€129,852

Source: Compiled by the authors. Data derived from the Spanish Tax Agency (AEAT) 2007 and López & Rodríguez (2010, 233)

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Paga hasta un 40% menos  
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Lo dicen los que más saben:  
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## Y ahora con el certificado de calidad AENOR

En el Banco del Comercio somos especialistas en préstamos hipotecarios. De hecho, fuimos los primeros en quitar el hueso a las hipotecas: con la Hipoteca 100%, que le da hasta el 100% del valor de la vivienda. Pero también nos avalan más de 25.000 hipotecas concedidas en los últimos años. Soluciones innovadoras, flexibles, diseñadas a su medida y con el

máximo nivel de calidad. Por eso, la concesión y administración de nuestros préstamos hipotecarios ha obtenido uno de los Certificados de Calidad más rigurosos: el de AENOR (según la norma UNE-EN ISO 9002: 1994). Para que Ud. cuente con las máximas garantías y la seguridad de que en nuestras hipotecas no encontrará ninguna clase de hueso.

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**FIGURES CAPTIONS**

**Figure 1:** “Go ahead, buying your house is now easier than ever before. Pay up to 40% less on your mortgage repayments during the first years. The BBVA easy mortgage. Buying a house is a decision that requires an important effort, especially during the first years. At BBVA we know this, which is why we offer a mortgage that allows you to pay up to 40% less on your fees; during the first 3 years you pay only interest. In addition you can leave the amortisation of up to 30% of the capital until the end of the loan. We help you choose the fee you want to pay so that you can enjoy what is really important: your house. Come on, visit BBVA and we will make you a personalised offer.”

SOURCE: BBVA Mortgage Advertising Campaign

**Figure 2:** “At Commerce Bank ... we were the first to take the pits [i.e. the hard bits] out of your mortgage: the 100% Mortgage gives you a loan of up to 100% of the price of your home. But we are also backed by over 25,000 mortgages granted in recent years. Innovative, flexible, tailor-made solutions with the maximum level of quality ... guarantee that you will not find any pits [hard bits] in our mortgages.”

SOURCE: Commerce Bank Mortgage Advertising Campaign