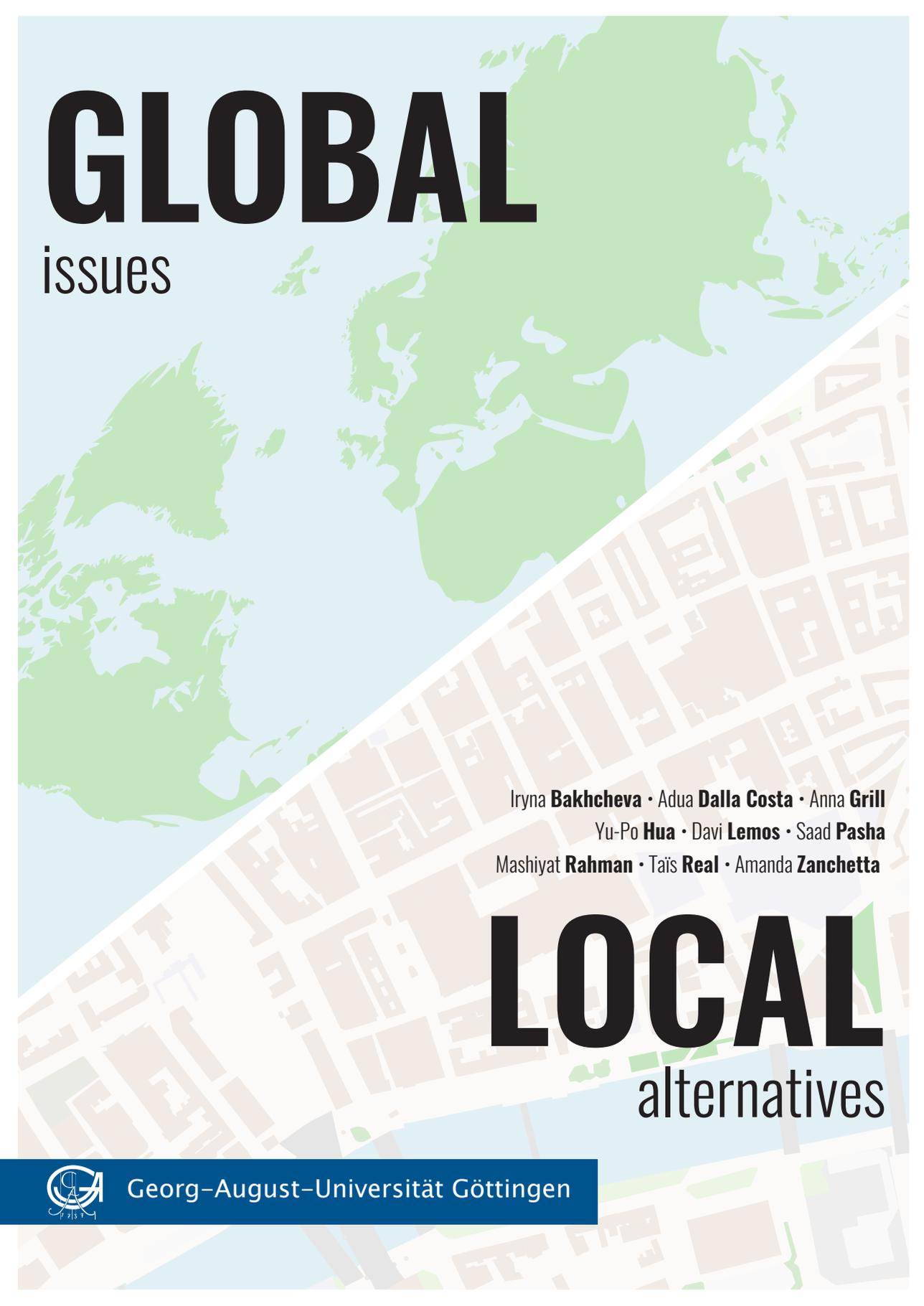


# GLOBAL



issues

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# LOCAL

alternatives



Georg-August-Universität Göttingen



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Global Issues – Local Alternatives

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*“The ultimate, hidden truth of the world is that it is something that we make, and could just as easily make differently.”*

*David Graeber*



## Preface

It is both a great pleasure and an honour to have been appointed by my former *Global Markets, Local Creativities* (GLOCAL) students as a preface for such a book.

Anyone who is a teacher, or a lecturer, will understand my feeling of pride to be faced with this mission. Of course, in these feelings it lays a piece of individual egotism, but above all this book is moving because it is an outcome of blended curricula, resulting from the joint Erasmus Mundus Master's initiative of four public European universities – Glasgow, Göttingen, Rotterdam and Barcelona.

Being just a book, this very volume is evidence of how good students around the world can become outstanding citizens if they are properly intellectually stimulated along their educational process. Actually, this volume is the result of the vision of young students who believe that high-quality academic education implies responsibility towards society. That is why they each decided to transform their respective Master's thesis into a selection of short disseminative non-academic essays with the aim of sharing the knowledge they gained at university with all kinds of readers. Unambiguously, the selection is aimed at young, open-minded people who would like to tackle what the authors define as the “urgent needs of our generation: climate change and social inequalities”. On this basis, the writings are grounded in critical thought and are ethically embedded.

The actual content of the book is a set of contemporaneous local case studies. These, in a sort of epistemological dialectical relationship, are at the same time the result of globalisation (or the present-day stage of the capitalist system) and are then transferable to “the Global”. Therefore, all eight chapters of the volume are simultaneously an explanation of why something is happening – in most cases neoliberal thought and capitalism – what are its consequences – changes in the space, flows of people and capital and alteration of institutions – and what global lessons can be drawn from these local case studies.

The book is divided into three sections, which share the leitmotiv that I just named as the consequences of the globalisation.

The first section is the most extensive and includes four chapters with the common point of **changes in space**: rural community land in Scotland; public space in Kyiv; tourist paradise in Barcelona and urban queer areas in Brazil.

The authors use these four geographically scattered cases to answer a single question: “What can space tell us about globalisation?” Reading one case after the other, my own conclusion is that the main change that global capitalism has inflicted on space is de-politisation by dispossession. The first chapter explains how and why common ownership doesn't necessarily mean common management, if this ownership is grounded on *alien* regulations; the second and third chapters tell us about the marketisation and commodification of the city, with two-fold consequences: the privatisation and gentrification of public spaces and the new

grassroots methods of citizenry politisation, as a response to such events, and the fourth chapter tacitly shows the failure of the city – as the political *locus* for tackling with conflict and diversity – because of the setting of separate spaces for amalgamated communities.

The second section focuses on global dynamics with the aim of questioning the implications of interconnected global networks to find out who the winners and losers are. This section is shaped by two chapters, focusing on the effects of the **flows of people and capital**. The first chapter of this section (Chapter 5) deals with refugee-centred social enterprises in Germany as a likely way of integration, while Chapter 6 tackles with the way in which social accountability audits may legitimise exploitation in global capital chains.

In my personal view, the speculum effect of the choice of setting these two chapters together reflects an awkward image of global capitalism. Both chapters to some degree show that global capitalism is just national capitalism on a higher scale, with the outcome of high scaling its effects on people (exploitation and migration) and into the territory (environment and world power asymmetry). However, the logic of their conclusions is quite the opposite. The case study of social enterprises in Germany is a story that inspires optimism, since it shows that in the Global North both political will and sound institutions may transform a flow of refugees into the germ of a creative intercultural integration, while the other story, named by the author “Inferno”, inspires the opposite: pessimism. It shows the darkest face of global flows, since it displays how the lack of both political will and structural barriers in the Global South do not allow the flow of capital to transform into a fair and sustainable development. Therefore, after reading these two chapters, I dare to give an answer to the question posed by the authors: “Who are the losers and winners of global capitalism?” The reply is unmistakable. Losers, classified by class, are the workers and classified by territory, the periphery in the Global South; the winners, therefore, are the capital and the centre in the Global North.

To conclude the book, the third section deals with how **institutions are transforming themselves** while facing some of the most compelling contemporaneous challenges of modern-day capitalism. Again, as in the former, in this section there are two case studies, one from the Global North (the car industry’s trade unions in Germany) and the other from the Global South (the Central Bank in Brazil).

The two chapters (7 and 8) that make up the closing section of the book tackle such cases in a very fresh, heterodox and thought-provoking way. Chapter 7 explores how the environmental claims are reshaping the goals and narrative of German car trade unions, and Chapter 8 wonders about the effectiveness of Brazil Central Bank’s initiative to improve the population level of financial literacy.

In my own reading, the former chapter’s setting of class struggle and environmental struggle together opens the door to an extremely thought-provoking debate which is the future of labour unions (or the working class) as the subject of historical transformation; while the latter one closes the door to the further debate of the individualistic explanations to the financial crisis: the Great Recession was not caused by irresponsible individual behaviour due to financial illiteracy but by systemic inequality and poverty.

As a preface, I apologise if some readers think that I am acting as a book spoiler. I am not.

What is written above is a deliberately incomplete highlight of what the book is about, and some of its main theses and conclusions. The volume has many possible readings, and I am quite sure my own interpretation as a middle-aged lecturer will be quite different from that of the readers to whom this book is mainly aimed at. Anyway, the goal of this preface is to act as an aperitif to whet readers’ appetites, and I am quite confident that you, dear reader, will enjoy, as I did, the whole menu suggested by “our” five-star GLOCAL students.

Last but not least, I would like to end this preface by extending my congratulations to all my colleagues, who likewise are GLOCAL teachers, since this book is also the outcome of their outstanding work as university lecturers.

Aurèlia Mañé-Estrada  
GLOCAL Lecturer  
University of Barcelona



## Introduction

Dear reader,

If you believe that climate change is a hoax or that success in this world is only determined by the amount of effort and hard work one puts in, we sincerely regret to inform you that you did not make it to our pool of sublisted audiences.

This book does not intend to convince you of the reality of the climate emergency, nor of the need for a world less structurally divided between Global North and South. It instead bases itself on the scientific consensus that coastal cities, breathable air, drinkable water, biodiversity and forest supplies are all on the verge of collapse. And that the human race must take responsibility for the vast majority of this disaster. Renowned institutions embrace this fact and so do we: prognostics by the Intergovernmental Panel on Climate Change are dire for even the most optimistic of temperature-rising scenarios.<sup>1</sup> The time for convincing is long gone and the call for action long awaited. Global activist movements like Fridays For Future or Extinction Rebellion repetitively highlight the gap between the low impact of political measures and the scale of change needed to turn this emergency around. The COP25 in Paris in 2015 saw heads of states signing up for global cooperation to keep global warming under 1.5°C. However, greenhouse gas reduction has yet to become a reality in many of these signatory countries. But the effects of the first wave of COVID-19 lockdowns on CO2 emission reduction and biodiversity renewal were spectacular and show that political will can yield impressive results. The next steps should be to seek similar consequences without damaging the social webs of everyday life. Unfortunately, the vaccine race in the Global North after promises of global solidarity already shows signs of a path looping back to where we started from.

For many of us, the isolation of the last year served as a reminder of our essence as social creatures, of how fundamental it is to create social ties and rituals, to share with one another, to love and to create meaning together. For this vital aspect of existence to thrive, we need to fight against the global inequalities which mean that millions of people cannot satisfy their basic needs. We need to build more functional democracies where individuals feel part of an empowered community. We need to remember that the functioning of society is not merely based on our ability to exchange material goods but rather on our need and willingness to communicate and share experiences, as healthy and connected human beings.

The tragedy of COVID-19 unravelled in front of our eyes in an atmosphere of fear, pain and chaos. The concept of a virus spreading across continents was something most of us heard before maybe in school and definitely in some post-apocalyptic movie. Hardly anyone was expecting to have to deal with it over their lifetime. And yet a pandemic started and we were forced (or allowed) to stop, breathe, look up from everyday life and watch the world slow down alongside us.

From one day to the next, countries like Italy began shutting down and asking their people to not leave their houses to avoid spreading the virus and putting lives at risk. Others, on the contrary, waited weeks before enforcing lockdown on their nations. The UK was highly criticised for this choice, and scientists even said that imposing stricter measures a week earlier than they were actually adopted could have saved up to 20,000 lives.<sup>2</sup>

Deciding the best course of action wasn't an easy task, but it surely was political in nature. What started off as an obvious health emergency was destined to evolve into an economic crisis, and a trade-off between the health of the economy and the health of people became soon apparent. On the one hand, the option of locking down the nation to improve the safety of citizens entailed income uncertainties for workers, especially those who were left unprotected by "flexible" jobs or by the absence of contracts. On the other hand, the choice of delaying the enforcement of strict measures may have smoothened an otherwise sudden economic shock – but at what cost?

Circumstances that no one should ever be put in became more and more frequent. Together with those who had the possibility to work from home and protect themselves and others, there were people who had to make a choice between putting their lives and others' at risk or providing for their families. Their fear and desperation are fully understandable, that's why only one question remains to be asked: could it have been different? Could we have made better choices that ensured people's safety and wellbeing, as well as economic security?

The pandemic brought up many of the issues that have been troubling our time. First of all, it exposed societies' inequalities along race, gender, sexuality and class factors that allowed a disproportionate impact of the crisis among the population. COVID-19, which was assumed to be blind and unbiased in its consequences, was found to affect African Americans three times the rate of white people in the U.S. Unemployment, on the other hand, had a worse impact on women than men – women who often had to bear the weight of home-schooling, too.<sup>3</sup>

Even the mantra of "stay at home", as simple as the message it carries can be, started to puzzle people when social media allowed us to sneak into the houses of the wealthy and compare living conditions with the less well-off. Workers who used to be better known as "unskilled" labourers were suddenly seen for what they truly are: essential. People without whom we couldn't have survived were asked to continue working on a wage that surely didn't reflect the danger to which they were exposed, nor the fundamental role they play in society.

But the effects of the pandemic and the necessary economic slow-down that followed brought some good news on the environmental side. Reduced economic activities, road and air travel brought down CO2 global emission by 8.8% in the first half of 2020.<sup>4</sup> Given the climate emergency that has been declared by 1,769 jurisdictions around the world<sup>5</sup> and the warnings of scientists stating that continuing on a business-as-usual pathway may cause irreversible damages to the environment, threatening the ecosystem stability that for thousands of years has maintained the conditions necessary for life on earth to prosper,<sup>6</sup> this was welcomed as good news. On this note, the arrival of COVID-19 gave us a glimpse of what the world could be like if we changed the way we do things: less pollution, cleaner air, clearer waters.

It is in this context that we, a group of young researchers from a Master's in *Global Markets, Local Creativities*, began researching for and writing our Master's theses. As the name suggests, our programme has obviously had a great influence on the origins and development of *Global Issues, Local Alternatives*. Studying the dynamics between the evolution of markets, and the third wave of globalisation and its effects with the way local realities have transformed and adapted to it, be it cities, businesses or labour policies, laid the ground for this project. Between a course discovering the concept of precariat<sup>7</sup> and another questioning the way governments, or rather markets, are responding to one of the greatest challenges of our times – the environmental crisis – and between learning about the power intrinsic to money and the risk of leaving the energy transition into the hands of the few and of jeopardising the democratic process, the same

thought sparked in our minds as, we believe, in the minds of many students: we don't like what we see and we are concerned. **What can we do?**

One evening at Schillerwiese Park in Göttingen, our last destination of our itinerant course of study, we started yet another conversation on the topics of our dissertations. Four of us took to heart the subjects of our work, as they reflected our main interests that emerged during the two-year pathway. We exchanged thoughts and doubts, asked for opinions on the research angle that we were adopting and suggested different perspectives to one another. In the middle of these dialogues, which were among the most valuable moments in the whole university experience, we realised that all of our topics had a common thread: they were tied to environmental sustainability. None of us was very much surprised, really, given that care for the environment and the role it plays in our lives has always been a frequent subject of conversations among us, not least one of the main topics that brought us together in the first place. "We should write a book!", one of us joked. "The bible of sustainability." We kept fooling around. We had a good laugh, which made the whole socially distanced picnic feel a lot warmer and cosier, and dived back into our ubiquitous thesis discussions.

A few weeks afterwards, we were informed that Göttingen University together with the AKB Foundation were providing funding to support students who had interesting ideas for creative projects and wanted to develop them further. Well... you know where we're going. Did we think the bible of sustainability was an interesting idea? Did we want to make it happen? Could this be a chance to **do something** about all the things that we see and don't like? And if so, what is it and how do we do it?

We thought about what it meant to be students with the privilege of attending three prestigious European universities and educating ourselves. For us, this opportunity translates into responsibility for taking action to face and fight the urgent concerns of our generation: the environmental emergency and social inequality. In the here and now with what we had in our hands – our Master's theses – this meant making use of our privilege to increase access to academic research by sharing our work in a language that could be accessible to everybody. This book, indeed, is a collection of short reads, each one consisting of a short re-elaboration of our own dissertation that summarises our scientific findings in less academic language. All of the chapters fit the broader umbrella topic of social and environmental sustainability and offer a different perspective on some of the big issues affecting our modern society, while attempting to put forward alternative ways in which the problem could be looked at and, eventually, tackled. Other colleagues from GLOCAL, the short name of our degree programme, joined this initiative, and we proudly count eight collaborations within this manuscript.

We all believe that knowledge as a common good is a powerful tool for society to improve itself as it can be defined as capacity-to-act.<sup>8</sup> We hope that this project could contribute to inform innovative processes of solution-finding to social and environmental problems. We acknowledge the need to empower individuals and build collective agency as key factors to drive change, and we think that sharing knowledge is a step in this direction. We hope to offer a word, a concept, an idea that will inspire action and support change.

The connecting thread of the eight chapters in this book is **sustainability**. The word has been used, abused and subdued many times over through essentially meaningless greenwashing, but we believe it can still powerfully represent and carry our wishes. To think in terms of sustainability is to accept an invitation to look beyond the present, to contemplate the future of our planet and the life of all things now and then, humans and friends, on it. It means embracing a moral compass where equity matters not only between current and forthcoming generations but also across regions, religions and income thresholds. We want to reclaim sustainability because we care about leaving a legacy for those not yet born, where life is respected, privilege is acknowledged, diversity encouraged and fairness constantly sought. Or, in simpler words, because we care.

It is this desire to look ahead which informed our choices of research themes. Yet our studying journey through the GLOCAL programme taught us mostly how to observingly look back. We plunged into the modern histories of globalisation, marketing, money, immigrant entrepreneurship, energy, capitalism and more! Shedding light on yesterday gave us the tools to understand the shapes of today. With this valuable insight, we aim to explore the present to grasp a deeper understanding of the social and environmental dynamics of this world because we believe that understanding the present as it unfolds can enable us to shape it in a way that makes room for a resilient future. We do not believe that progress is an inherent characteristic of our capitalist societies, nor that we have reached the end of history. We do, however, believe in the possibility of earning a better tomorrow through collaborative reflection and collective action.

The precise means to attaining this future are far from clear, and this book does not offer the tutorial guide to achieving an all-around utopia. But we believe the brighter future to exist somewhere down a road made of two broad pathways: human and natural sustainability. On the one hand, human sustainability calls for satisfying levels of wellbeing, equality and dignity for all people across the globe. On the other, natural sustainability demands a thriving and diverse ecosystem cleared of the numerous ecological catastrophes threatening our present. These two pathways are closely interconnected: there can be no satisfying human wellbeing without environmental wellbeing, and vice versa. This interdependency is illustrated by the concept of climate justice, which emphasises that we need an answer to the climate emergency that deeply unroots the very foundation of this ecological disaster; an answer which questions the necessity of endless growth and recentres itself on how to provide in fairness and for all.

We willingly step aside from the usual threefold definition of sustainability which considers environmental, social and economic aspects as equally important, as even its alleged father, John Elkington, admitted in 2018 the failure of his concept. He observed that what he brought forward as a Triple Bottom Line strategy to start up a deep-enough structural transformation was instead often turned to a Single Bottom Line: more often than not, the economic one.<sup>9</sup>

The emphasis often placed on sustainable economic development points to a perception of well-developed economies as necessary to a good social life. Yet we believe economic encounters to be first and foremost a form of social encounters – and not the other way around.<sup>10</sup> To recentre the debate on the human and the natural worlds prevents sustainable economic development becoming an end in itself, as it too often does in green-growth discourses. Seeking sustainable economic development should only be a valid political request when it serves human and/or natural sustainability goals.<sup>11</sup> For instance, seeking economic development in a country whose national wealth does not allow for the population to rise above poverty levels can be justified. But it must come hand in hand with an insurance against unequal development, where a handful would see their wealth increase while the majority remains in living standards below the dignity line.

The journey through our case studies starts with a consideration of space. The four chapters of the first part of this book portray examples of the dynamics of space appropriation in the age of globalisation. We invite you to reconsider the localised impacts of neoliberalism from the rural glens of Scotland to the gentrified heart of Barcelona, exploring on the way the marginalised LGBTQ+ spaces in Rio de Janeiro and Kyiv's public space. As a concept, space is both hard to grasp and extremely tangible, and it carries great potential as a field of study to understand how environmental and social dynamics interact. Space is where things grow, it is where people meet and it is what some own: understanding the production of social space gives us a precious comprehension of the characteristics of our system, of what it values and prioritises.<sup>12</sup> Only with this better understanding can we ask ourselves if we want to stick with these values and priorities, or if it isn't time we decided on some new ones, as the new generation, aware of the mistakes of the past and the errors of the present.

Firstly, *Scots' Sustainable Land* analyses the environmental discourse behind the community land reforms that have been happening in Scotland since 2003. Tais Real questions the supposed

connection between these market-friendly reforms and the sustainable management of the land, by examining the property rights paradigms underpinning landed property and the idealisation of rural communities and identities. Much emphasis is given to the unreasonably heavy weight given to the economic angle of the sustainability triad, and to the manipulation of the community empowerment discourse to neoliberal ends.

*To Whom Does the City Belong?* switches from the rural to the urban scene, where Iryna Bakhcheva ponders on the power dynamics governing the post-Soviet city, by studying Kyiv's public space after the fall of the Soviet Union. She brings together the visual, structural and functional transformations of public space with the social, political and economic transitions of those times.

In *(Housing) Trouble in Paradise*, Mashiyat Rahman takes us to Barcelona – one of the cities on the path of the GLOCAL Master's programme. She delves deep into the modern history of city planning around the old city (Ciutat Vella district) to unravel the current gentrification dynamics and residential segregation in the popular Mediterranean metropolis. She connects these issues to the bigger picture of neoliberal housing markets in the era of globalisation and takes a critical stance on the city planning's former choices for place promotion strategies and recent attempts to counter residential segregation.

Davi Lemos' *Unraveling the Brazilian LGBTQ+ Urban Geography* closes Part 1: *Space*, by exploring and mapping the LGBTQ+ urban geography in Rio de Janeiro. He enriches the current queer research by illustrating the intersection between gender and sexuality issues and the processes of urban geography in a Global South city. Rio's present scenario produces paradoxical relationships concerning the LGBTQ+ groups and their spaces, therefore giving it a pertinent glocal outreach and bridging the gap between North and South academic research.

Part 2: *Social Scene* particularly looks at the impact of globalisation on the everyday actors of this economy, on the many lives who face its consequences on the front line. From one study of precarious workers in a Global South country on the "lower" end of global value chains to the adaptation of displaced populations in one of the economically strongest countries of the Global North, Part 2 questions the implications of our interconnected global market and leaves us with a better clue about the power dynamic between different actors in this system, who the winners and losers of this system might be.

*In Response to the Refugee Crisis* holds a magnifying glass over the development of German social enterprises which aim to improve refugee integration in their host country. Yu-Po Hua studied and classified the different types of social innovations observed in this emerging sector (community building, economic integration, digital solution and complementary systems), and in this chapter, she shares insights on the new self-perception, solution-finding strategies and operational management within the area of social entrepreneurship.

Syed Saad Ali Pasha follows and closes Part 2: *Social Scene* with the narration of *The Ali Enterprise Inferno*. It provides a tale of the effects of neoliberal reforms and local political economics on production regimes in Pakistan. The focus on this specific enterprise enables him to unveil the asymmetrical power relations between the Global North's capital and Global South's labour, through contested spaces of power and squeezed workers' rights. The author addresses a sharp criticism to corporate Social Accountability schemes, denounced as smokescreens against systemic control and unfair buying practices from retailers.

Part 3: *Institutions* presents two case studies of institutional responses to the social and environmental crises: the trade unions in the car industry in Germany, and the OECD's advice on financial education in Brazil. It examines the dominant narrative within these powerful institutions and leaves us pondering on the ability of these structures to kick-start the paradigm transition that we so direly need.

*A German Trade Union and the Transformation of Work Towards a More Ecological, Social and Democratic Future* observes the contradictory dynamics in the transformation currently at play within the car industry in Germany. By analysing the transition to electric cars in a sector known

for its strong trade union, Anna Grill asks whether the institution will remain stuck in a “job vs the environment” logic, or whether it can become a positive actor of change by seeing them as complementary objectives.

Finally, *Central Banks and Financial Literacy* takes us to the heart of international game changers like the OECD, the G8 and the G20, to understand the roots of financial literacy programmes. Taking an astute stance on the questionable necessity of such programmes in Brazil, Amanda Zanchetta invites us to reflect on the inability of global policy recommendations to address the dynamics that led to the structural issues they are trying to solve.

We sincerely hope you will enjoy this book. If you felt inspired while reading through the chapters, please tell us, we’d be more than happy to know! We are equally open to any comments, feedback or questions related to this book and/or project. To get in touch, don’t hesitate to reach out at [glocalalternatives@gmail.com](mailto:glocalalternatives@gmail.com).

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## Notes

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10. See Polanyi’s *Great Transformation*, where he criticises the 19th-century market economy ideology for believing and assuming that economic gain could be the primary driving force of human societies. Karl Polanyi, *The Great Transformation*, 1st Beacon paperback ed. (Boston: Beacon Press, 1957).
11. Kate Rayworth develops a similar approach in her famous Doughnut Economics, which she names *life essentials*. The concept offers a re-evaluation of wellbeing goals and strategies, while leaving room for economic aspects as necessary to deliver minimum requirements for a good life. Kate Raworth, *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, Paperback edition. (London: Random House Business Books, 2018).
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**Section 1: Space: How Is Space Occupied?  
Urban and Rural Dynamics of Spatial Appropriation.  
What Can Space Tell Us About Globalisation?**



# 1. Scots' Sustainable Land: The Environmental Discourse Behind the 2003 Community Land Reform

*Based on the thesis "Scots' Sustainable Land: The Environmental Impact of Post-2003 Community Land Reforms on Agricultural Land Management"*

*Real, Taiis*

## Introduction

Despite suffering from population depletion, the Scottish landscapes are embraced by the nation as identity signifiers. Rural dwellers portrayed as authentic carry the tradition of the country and convey a sense of genuine Scottish identity. The assumption of cohesiveness in the imaginary world of rural communities, especially remote ones, is bound together with an assumption of vulnerability. In this narrative, rural space holds the fort of diversity against the homogeneous metropolis, and must be protected against the pervasive effects of globalisation<sup>1</sup>. This makes a study of the relationship between rural communities and their natural environment rich in insights about the relative influences of economic globalisation and local specificities, outside of the urban scene.

In 2003, the Scottish parliament instituted a groundbreaking legal reform to enable rural communities to purchase the land they live and work on. The Land Reform (Scotland) Act 2003 allowed geographically cohesive communities to place a priority bid when the relevant land comes into the market, and even to force a sale in certain circumstances. Significantly, the ministry cabinet was reshuffled in 2014 by Scottish Prime Minister Nicola Sturgeon and gave birth to the Ministry for Environment, Climate Change and Land Reform. Connecting these topics within one ministry alludes that the Scottish land reform agenda carries environmental purposes – and indeed, parts of the legislation aim to connect environmental rural policy with land ownership diversification.

This chapter explores the connection between ecological land use and communal land ownership in light of these reforms. It asks whether the Scottish land reform targeting rural communities offers the possibility of a transition to environmentally sustainable land uses – and if so, under which terms and conditions. The focus is on discursive framing rather than practical impact measurement. In other words, this research investigates which environmental discourses frame the Land Reform Act (LRA) and how they influence communities' take on sustainability.

In order to do so, the history of Scottish land from the Highland Clearances to today will be briefly laid out, to better understand the moral foundations of the LRA - which will then be more closely explained. A glimpse into the history of private property within the economics

discipline will then help to grasp the allocative efficiency and productivity requirements embedded in modern land reforms. A third section will dive further into resource economics and which conclusions it has reached on environmental land management, from the Commons to their so-called 'tragedy'. This will enable the construction of ideal types of human stewardship over land in a fourth section. The last part of this chapter will take a closer look at the paradigm of Sustainable Development, through studying the way in which Scottish legislators and Ministers understand and apply this globally dominant conservation concept.

## 1 Scots and lands

The Clearances are the Scottish version of the agrarian transition experienced by all economies transitioning to a capitalist system of production. It is interdependently bound to the urban boom in need of natural resources and human labour to feed its industrial appetite. After the defeat of the Jacobite uprising at Culloden in 1746, British victory ensured the annexation of rebellious peripheries into the industrial expansion of the Kingdom<sup>2</sup>. The following century saw the incorporation of the fertile hinterlands from independent and feudal farming into consolidated sheep estates. Inhabitants were removed sometimes through non-renewal of tenancy lease, sometimes through large-scale brutality whose accounts still resonate in popular Gaelic songs and poetry. However, most commoners were not initially "cleared" but relocated to seaside towns where they could use their labour in the kelp and fishing industries. Thus came crofting to life, a Scottish form of agriculture where small parcels of land (crofts) are organised around a township and common grazing areas for the tenants' livestock. Crofts were kept small on purpose, to ensure that their tenants would have to provide their labour force to the township industry. Crofting is treated as an old Scottish tradition – and indeed, the term can only apply to specific regions in the Highlands and islands. It is, however, not to be confused with old Gaelic culture, as it was born with the first wave of the Clearances.

The evictions which made the Clearances sadly famous were yet to come, as the initial effect of relocating peasants was rather one of impoverishment. Well into the 1830s, as wool became cheaper and land more expensive, the need for financial rentability of sheep farms meant increased consolidation of estates and expansion of sheep territory into newly formed crofting townships. Additionally, land titles had transitioned from over-indebted clan leaders and lowland nobility to landlords from the financial elite of the South: London and Edinburgh tycoons, bankers and merchants who ran the estate from afar<sup>3</sup>. Absentee landlordism, still considered a major hindrance to Scottish rural development, came to be associated with deer estates, where the British business elite enjoyed their annual Northern hunt. Pressured both by the rentability imperative of consolidated farms and the growing demand for aristocratic leisure land, crofters were evicted en masse through organised (and sometimes forced) emigration to Australia and Canada<sup>4</sup>, giving to what was elsewhere known as Enclosures the weight of Clearances.

This century-long escalation of conflicts over land use rights between sheep, people and deer, came to a peak in the 1850s when mass rural uprisings took hold of landscapes nowadays cherished for their peace and quiet. The power struggle between the titled aristocracy and the Highlanders ended with the Crofters' Holdings Act in 1886 which established a significant power redistribution away from the landed elite. It provided reliable security of tenure and ensured fair rent levels as defined by the newly formed Crofters Commission. Crofting now usually comes with grazing rights applicable to a common grazing areas, and is regulated by a Grazing Committee. It is usually of a modest size (5 ha on average) and can come with or without housing facilities<sup>5</sup>. Overall, the Crofters' Holdings Act symbolised restorative justice for the history of abuse of the Highland population, twice evicted on the whims of the landowning elite.

Perhaps due to these measures' single focus on crofting, which is a weakening tradition in an urbanised world, the struggle for land equality regained momentum in the last decades. The violent events of the Clearances were revived by renewed historical interest since the 1960s<sup>6</sup>.

Reopened wounds of dispossession allowed the construction of a collective identity under the symbol of land<sup>7</sup>. New visibility emerged about the previously opaque land distribution – for instance, a widely shared figure indicated that half of all Scottish rural land is owned by less than 500 people<sup>8</sup>. The convergence of the increased awareness of land inequality with the new historical accounts of the Clearances as a national trauma gave way to the great land debate that agitated the political arena at the time of the devolution of the Scottish parliament in 1999 – eventually leading to the groundbreaking Land Reform Act 2003 (LRA).

In the years leading up to the reform, several communities gained momentum in purchasing land independently from the government, such as the Assynt Crofters Trust community buyout of 1993 and the isle of Eigg in 1997. This community-led impulse came at a similar timing to the uptake of conservation ownership, and both can be understood as “social ownership”. The John Muir Trust, Scottish National Heritage, the Royal Society for the Protection of Birds, etc. also started actively financing some community-led buy-outs, thus enlarging the scope of action for underfunded communities and enriching the social ambitions of these land transfers with environmental stewardship.

The LRA initially set up two measures impacting land markets: the Community Right to Buy, and the Crofting Community Right to Buy. The first one concerns communities of over 10 residents, initially rural but now spread to the whole of Scotland. It gives to clearly constituted Community Bodies the right to register an interest in a piece of land where they live, to which they have a priority right to buy if *and only if* it ends up on the market. It means that the Community Body is the first one asked to purchase, and that the land only enters the open market if it refuses. If it decides to proceed with the purchase, the Community Body has eight months to gather funds and complete further criteria for the Scottish Ministers to approve the transaction. This right to pre-emptive acquisition is market-friendly, as the price of the land is valued at current market level by an independent expert. As it requires full compensation and is not confiscatory, the registration of interests has been relatively modest: 246 applications in 17 years<sup>9</sup>.

The Crofting Community Right to Buy is however much more controversial, because of its confiscatory nature. It applies to communities based in crofting townships, and must include all residents of the said township, where crofters might even be in minority<sup>10</sup>. If such a community manages to both complete an application, which has been described as administratively very complex, and to satisfy the strengthened criteria of the Scottish Ministers, the landowner's consent to the sale becomes irrelevant. In 2020, the only two registered interests in the Crofting Community Right to Buy withdrew their applications “after negotiating an amicable agreement with their landowner”<sup>11</sup>.

In both instances, discretionary decision-making power is given to the Scottish Ministers to decide whether or not the application fulfils both criteria to be “compatible with furthering the achievement of sustainable development” and “that it is in the public interest”<sup>12</sup>. The definitions of sustainable development and public benefit were left purposefully vague, therefore increasing the discretionary power of the Ministers. In all legislation, Scottish Ministers must carefully respect Article 1, Protocol 1 of the European Union: “No one shall be deprived of his possessions except in the public interest (...)”<sup>13</sup>. This caveat lies at the heart of the strong public interest criteria in the LRA: only with evidence of public benefit (a most discretionary criteria) can Ministers effectively intervene in land markets.

Recent updates in the legislation have made the sustainability requirement more prominent. In the Community Empowerment Act 2015, non-crofting communities were given the power to force a sale of neglected or abandoned land; or land whose current use “results in or causes harm, directly or indirectly, to the environmental wellbeing of a relevant community”<sup>14</sup>. Part 5 of the LRA 2016 added a further possibility to force a sale: the Community Right to Buy to Further Sustainable Development. Communities must provide evidence and land

management projects that directly address these issues. As this legislation is quite recent, only two community bodies have applied to register an interest under this new Act.

During my research, I came across three dominant justifications for this land reform, which fit the three facets of sustainability. Firstly, social benefits are encouraged by empowering communities to fight for social justice on grounds of collective restitution and community empowerment, against the historical backdrop of the Clearances. Secondly, the breaking up of monopolistic estates is envisioned as a reparation of a market failure, which would therefore enable the economic potential of localities to unleash, and rural development to flourish and enable new population influx. Finally, environmental benefits, highlighted by the involvement of conservation bodies, are expected to rise on the basis of community knowledge of the local environment. In political speak, the environmental angle is perhaps the least clearly defined of these three facets of sustainability. In fact, my research proved time and again that the economic factor dominated both theory and practice of the LRA, as illustrated by this statement from the Land Reform Policy Group<sup>15</sup> in 1998 which describes the need for landownership diversification “as the best way of dealing with damage to the local community or environment which can result from monopoly ownership, and of encouraging the fullest possible exploitation of rural development opportunities”<sup>16</sup>.

In order to better understand the interaction between economic interests and land reforms, the next section will explore some of the history of private property rights in land and how those have informed modern-day land reforms, specifically in the strong productivity requirement apparent in most of them – including the LRA.

## 2 Private property: allocating space efficiently

Private property rights are consecrated as a foundation of capitalist society in the European Convention of Human Rights: a building block for all other rights<sup>17</sup>. The intellectual findings of the Enlightenment played a significant role in assigning to private property the importance it has today. Inalienable rights of property were defended as the base stone of individual liberty, pitched against the coerciveness of communities<sup>18</sup>. A new social contract emerged between state power and individual liberty. It ensured social equality by providing wealth as a result of labour, in the form of assets – provided those were protected from alienation. The model of one truthful owner emerged in opposition to a feudal structure of embedded hierarchies and compounded titles. Boundaries provided new exclusion mechanisms, such as the criminalisation of trespassing. The practice of mapping and surveying developed into detailed sciences, thus abstracting space from ethical relationality<sup>19</sup>. This *entitlement* model unifies a bundle of different ownership rights: the rights to access, to harvest, to manage, to exclude and to alienate are gathered under the control of one individual onto which no social responsibility befalls by default. We can oppose this concept of property as permanent, apolitical, abstract – in one word *absolute* – to one where ownership is embedded in dynamic and highly ethical relational ties<sup>20</sup>.

That these rights are conceived of in absolute terms does not mean that they are, in fact, absolute: they remain in practice the expression of social ties – for example by the courts whose role is to judge where one's property rights stop and another's begin<sup>21</sup>. Another example, land development controls for conservation purposes, is allowed to reshape management rights in the bundle of supposedly absolute ownership rights.

Laying out the theoretical ground for Smith's forthcoming invisible hand, political theorists of the Enlightenment envisioned private ownership as a strategic incentive for increasing productivity, such that the market integration of private properties would increase efficiency. The commodification of land rights therefore became considered a pre-condition of modernity. As demand for wool surged in Scotland during the Industrial Revolution, the abhorrent waste of good soil by the aristocracy became intolerable. Under the cloak of egalitarian

redistribution was hiding a plan for land productivity, which was to provide cultural elevation and societal progress<sup>22</sup>.

Today still, the quest for allocative efficiency (the resource distribution which leads to the most productive outcomes) is a crucial driving force of many aspects of the economy, not least of all land reforms. Constructed around a *discursive* rejection of the state<sup>23</sup>, neoliberalism defines private property as the most reasonable practice towards economic efficiency – hence its persistent support for privatisation policies<sup>24</sup>.

As stated by the International Agency for Agriculture Development in 2001, “previous land reform programmes have been unduly confiscatory, statist or top-down. ‘New wave’ land reform, which is decentralised, market-friendly and involves civil society action or consensus is sometimes feasible and consistent with just and durable property rights”<sup>25</sup>. Under “just” property rights, land commodification is desirable, but only up until the (subjective) point where supposed allocative efficiency is safe from the rent-seeking behaviour of the unproductive classes. In the emergence of the LRA, the newly exposed monopolistic power of landowners was targeted as pervasive to the well-being of the economy, because it prevents allocative efficiency<sup>26</sup>. “Regardless of perceived historical injustices, the rationale for government intervention in land is based on neoclassical concepts of economic efficiency and market failure”<sup>27</sup>.

The Clearances provide key insights into the emergence of the productivity requirement, as Scottish land served as training grounds for the societal ideals of Enlightenment philosophers and early economists. Crofting was indeed conceived first and foremost as a technical utopia for rural land: a new world was to replace the outdated, inefficient one. As fertile hills were dedicated to profitable sheep enterprises, the planning of entirely new townships for relocated peasants allowed administrators and landowners to practise the art of designing an efficient sub-society. This colonising project envisioned on the one hand the betterment of nature by overturning peat moss into productive farmland, and on the other hand the betterment of the Gaels from uncivilised savages to respectable inferiors. The ability to transform nature into a productive resource was in fact the opportunity where the Gael could prove himself a man of morality.<sup>28</sup>

Fast-forward a couple hundreds of years, and the productivity mantra has taken a radically different shape. With textile industries long abandoned for the service sector, rural productivity is now considered best achieved with a dynamic local economy, preferably diversified. Emphasising values of *locality* and *community* stresses human agency over deterministic frameworks. They are widely interpreted as positive concepts and therefore loaded with a normative superiority which makes them consent-gathering – and therefore highly vulnerable to co-option. The rhetoric of a dynamic local economy based on local communities grew strong in the 1990s in British rural policy-making, where the state stepped away from being a leader of rural development. It shifted its focus to communities, but rather in an expectation of pre-existing communities than an ambition to help build cohesive social networks. To certain researchers, the rise of community and locality in policy-making is mainly the result of a discursive shift to legitimise the withdrawal of the state from matters of welfare<sup>29</sup>. The role of the government is limited to that of enabling, as further intervention is considered invasive and infantilising<sup>30</sup>. As stated by Scotland’s First Minister Jack MacConnell in 2003: “Land reform is not about righting wrongs inflicted centuries ago. Nor is it about hills or heather. It is about enabling people in today’s rural communities to be ambitious and to take responsibility for improving their own lives”<sup>31</sup>. This brings forward the question of whether the LRA does give communities the tools necessary for enacting a local democratic system, or if the participatory rhetoric is limited to community washing.

In the meantime, Scotland struggles with the consequences of growing rural gentrification, which brings in an elderly population resistant to change on grounds of preservation (cultural and environmental). Many incomers invest in property to enjoy rural qualities: stillness, quietness, wilderness – all fairly incompatible with new business<sup>32</sup>. Yet this gentrification is itself

a result of making the countryside more attractive, as efforts for rural financial viability turn to the tourism sector. Indeed, in a context of subsidy-riddled agriculture, expecting financial viability off the Scottish countryside implies a heavy shift to the tourism industry – a consumptive economy, but one that contributes to GDP.

The Scottish Government pushes for further productivity of a space which the tendencies of a globalised and urbanised world have turned into a commodity to be consumed. There is indeed a dichotomy between the encouraged consumption of the countryside through tourism attraction, the most financially rewarding rural activity, and discourses of diversified productivity through dynamic local communities. The LRA suffers from never making this dichotomy explicit, while trying to offer solutions to the dilemma of the Scottish countryside.

We now turn to the concept of community through the lens of the Commons and a further exploration of private property through resource economics. It is specifically the interaction between community ownership and environmental stewardship which will here be discussed, in an attempt to shed light on the strong community focus of the LRA – but also to determine if the community empowerment it seeks to defend is given the means to its own end, or rather used as a discursive justification.

### 3 The commons: tragedy or utopia?

The concept of externalities was originally developed by Arthur Pigou to refer to positive or negative effects of a specific contract onto third parties. As solutions, he suggested either taxation or financial liability from the emitters. Externalities have become a key concept in economics to analyse environmental damages, where the third party is often society's benefit at large.

Ronald Coase, a prominent figure of Resource Economics, dismissed externality payments as solutions since they impede productivity incentives, and therefore undermine the very objective of economics to maximise production<sup>33</sup>. His social choice theory advocates for a contractualisation of use rights through well-defined property rights. Private property titles should therefore be inclusive of all third parties, so that conflict resolution can happen through renegotiation of an unsatisfactory contract, rather than through penalty costs: the Coasian bargain. Extensive contractualisation permits the eradication of externalities, as those become internalised in the contract. The individual's agency to transact is key to obtaining economically satisfactory solutions – a statement which excludes considerations of social or environmental well-being. Yet much of the follow-up Coasian literature focused precisely on the ability of private property to provide environmentally satisfying solutions. It is seen as a mitigating force against ecological disasters, because of facilitated bargains between polluters and polluted<sup>34</sup>. Common property rights advocates argue the exact opposite: that Coasian bargains, based on direct negotiations, are in practice impossible across generations and therefore incompatible with sustainability<sup>35</sup>.

Garrett Hardin's tragedy of the commons pinned the narrative of the disastrous environmental consequences of commonly-owned resources, to which the only solutions are centralised authority control, or private property and its ability to internalise externalities. Its influence is far-reaching, despite its fundamental misconception: what Hardin calls 'commons' are in fact open-access resources, not commonly managed<sup>36</sup>.

The institutional school of economics countered the simple narrative of internalised externalities with influential works in the 1990s on the potential of *managed* commons to provide satisfactory environmental management of natural resources<sup>37</sup>. They accepted the problem clumsily posed by Hardin: the free-rider issue. They brought up the question anew in the context of institutions: how can acknowledged systems of rules and enforcement encourage sustainable resource management? They embraced for this purpose a *dynamic* approach to property rights,

characterised by the division of assets and use rights. The right to sell commonly grazed land (asset), for example, needn't be combined with the right to use the grass on that land (utility).

Literature in Community-Based Natural Resource Management applauds rural communities for their assumed stewardship of the land they inhabit. Pushed to its extremes, this resonates with the tale of the “ecologically noble savage”: traditional communities possess such a deep connection with the land that they internalise conservation norms in their behaviour<sup>38</sup>. For instance, to prevent rent depletion, the community must prevent system exhaustion. Because it has a “built-in incentive to stay well within the biological limits of the resource which have been learnt by experience”<sup>39</sup>, the community is its best own environmental manager.

This indigenous ideal contrasts with rural reality in Europe: “In the Western world, the majority of these secondary collectives are disintegrated, eradicated, or disempowered and will have to be reinvented”<sup>40</sup>. From the trend of decentralisation and community empowerment thus arises a key issue: who can we devolve to, if those communities are gone?

The optimistic message of community empowerment must avoid the traps of “hefty doses of nostalgia for a once-upon-a-time, supposedly moral economy of common action”<sup>41</sup>. Land stewardship by local and traditional communities has come to embody new hopes for the deeply needed transition towards environmentally friendly land uses. As such, the way these communities are constituted must guide our understanding of their stewardship potential. Is the LRA and its community empowerment discourse a mere show of intention, without consistent attempts to enable a significant shift of power structures towards communities? Or is it part of a broader political agenda which cautiously considers communities as a third way into a sustainable productivity of rural land?

The transfer of landownership is an effective power transfer, and therefore sways the balance of intentions by the Scottish Government towards genuine empowerment. There lies, however, an overarching contradiction between the practice of externally informed norms of behaviour and the idealisation of communally *internalised* norms. In the case of the LRA, both community boundaries and concepts of conservation are defined in distant centres of power. The Act overlooks the devolution of institutional processes, which are crucial to safeguarding community coherence in the long run. “Specifying the concrete content of rules at different stages goes against the very notion of community-based management (...). Typically, community-based conservation programs devolve to local actors only the authority to implement rules created elsewhere”<sup>42</sup>. This top-down community construction and the previously identified political discourses surrounding community empowerment in the UK, points to the government using community as a *gesture*<sup>43</sup>. Emphasis on self-reliance and resourcefulness are deprived of their depth if not accompanied by genuine empowerment: transfer of control over resources and processes, and substantial support in constructing community cohesion and identity before relying on it to replace services formerly provided by the state.

Dynamic property rights on an allocation basis are necessary to adjust to rapidly growing scientific knowledge on the human environmental impact. They better incorporate the social components of ownership than an absolute property model, and they avoid the promises of static ownership rights which environmental regulations disrupt. In practice, the LRA imposes a pre-emptive condition to ownership and a central control on stewardship. However desirable the sustainability requirement may be for the benefit of the planet, it is significant that no other land purchasers in Scotland must constrain their property rights so explicitly. That this burden falls unilaterally on communal property perhaps derives from the “internalised externality” theory: individual ownership is assumed to serve environmental stewardship to the best of its ability due to its inherent incentives, but communities must demonstrate their ecological performance to actively disprove the tragedy of the commons.

## 4 Environmental stewardship

Each term referring to Mother Earth is loaded with specific preconceptions of nature and humanity's role in its upkeep. *Mother Earth* provides as children receive and respect. Meanwhile, *wilderness* fascinates and frightens, at a distance. *Sustainability* underlines the length of the relationship to come between humans and nature, and *biodiversity* embraces complexity, including humanity's. *Preservation* indicates a desire to protect nature from the growing damages of mankind while *restoration* idealises a past where nature did not suffer at the hand of man. Each of these terms is an entire environmental discourse carrying a network of ideas on how nature functions and the potential of man as its steward<sup>44</sup>. Behind such constructs often lie hidden *terrains of power*<sup>45</sup>, as each comprehension of the world implies winners and losers. Three perspectives are here described, one of each associated with a certain perspective on the relationship between man and its environment, between culture and nature. These categories can help us understand which level of human agency is given by the LRA to the Scottish land-buying community, to become a steward of its natural environment.

### 4.1 Nature vs. culture

The preservationist perspective depicts mankind as the archenemy of ecological well-being, thereby making culture and nature enemies. Practices of preservationist conservation tend to elevate the past into a utopia. A treasured age before human impact is vaguely dated to pre-industrial times, in a before-and-after model which ignores millennia of interaction between Earth and men. Preservationism was dominant in environmental discourses throughout the 20<sup>th</sup> Century<sup>46</sup>. It found a mascot in John Muir, a Scotsman emigrated to the United States who, bewildered by the pristine landscapes before him, set out to prevent human impact on American landscapes. Yet the adaptation of this discourse back to Europe gave birth to anthropogenic preservationism, as conservationists sought to preserve landscapes already long transformed by humans<sup>47</sup>.

Indeed in Scotland, centuries of sheep farming and overgrazing have left the British landscape bare. This northern country used to be covered with 80% of woodlands, in 6,500BC. Since then, species have gradually gone extinct to make way for wheat and sheep, and more recently for deer and grouse hunting. Yet overall, Scotland is acclaimed for the unique wilderness emanating from its barren glens. Celebrating it as “the last great European wilderness”<sup>48</sup> amounts to silencing protests against an eroded soil and a devastated ecology caused by land uses historically marked by high inequality<sup>49</sup>. As such, the antagonism between nature and culture can easily be “hiding the way in which power operates”<sup>50</sup>.

Despite its idealistic flaws, the preservationist discourse is powerful in that it exposes the catastrophic consequences that human land use *can have* and *has had* on the environment. It risks a world deprived of human agency in the purpose of fighting off the very real damages caused by the extracting hand of the market. If human impact means current and ever-growing levels of exploitation to serve the needs of economic growth, there is relevance in defining nature and “culture” as incompatible.

### 4.2 Nature & culture against external threats

The Scottish version of the *ecologically noble savage* exists through the indigenisation of crofters. While the perception of the farmer as the steward of the land gradually erodes with rising awareness of negative environmental impacts of agriculture, crofters withhold the status of bearers of traditional knowledge on how to care for the land. However, crofting is a relatively recent practice in the Highlands, which makes formal claims to an indigenous status relatively weak. Statements which present an “indigenous Scottish and Highland green consciousness”<sup>51</sup> carry the informal power to associate the fate of the Highlands with the one of crofting.

Both cultural and natural heritage are deemed fragile and in need of protection from the pressures of modernity – either through top-down conservation or bottom-up resilience with system diversity. Indeed, if at times abused, *diversity* has the potential to embody the unification of cultural and natural interests towards overall resilience increase. “For the natural world and its exuberant biodiversity can provide a basis for collaboration between ecologists and crofters that does not set a narrow reductionist view of science against traditional culture and crofting practice”<sup>52</sup>.

#### 4.3 Culture for nature

The LRA’s emphasis on sustainable development encourages a vision of a “working public” over purely preservationist considerations<sup>53</sup>. It therefore reinforces agency and notably crofting agency, by providing crofting communities with a significant comparative advantage to others. Crofting enjoys the support of the Scottish Executive as an essentially productive land use, where less traditional small-scale farming has failed. Crofting legislation makes an explicit productivity requirement, with a mandatory duty to cultivate the croft or “put it to another purposeful use” for owner-occupiers<sup>54</sup>. Interestingly, it adds an exemption for conservation purposes, “where the owner-occupier crofter, *in a planned and managed manner*, engages in, or refrains from, an activity for the purpose of conserving (a) the natural beauty of the locality (...); or (b) the flora and fauna of that locality”<sup>55</sup>. It is noteworthy that planning and managing the natural environment are here necessary conditions for recognising conservation activities.

Unused land is treated quite differently depending on the level of human involvement behind it. On the one hand, land abandonment is considered as neglect and misuse, and on the other hand, orderly set-aside land is considered beneficial to the renewal of natural resources. While they rest on opposite ends of the normative spectrum, their main differentiating characteristic is an aesthetic consideration of maintenance and tidiness – thereby fitting the productivist logic according to which value creation requires human labour, even environmental value.

There are tremendous appealing factors to giving crofters agency in land management, one of which being that it deconstructs the preservationist opposition between nature and culture. This agency is, however, not without risks: to automatically associate the benefits of nature and culture can be just as harmful as opposing them. Either way, there are slippery slopes to avoid, and none of these models can be considered fundamentally fixed: social reality is first and foremost a perpetual construction.

While it seeks to include the proponents of the second category, the LRA is clearly defined from a perspective of strong and beneficial human agency over the natural environment. This discourse is embedded in the Sustainable Development paradigm, which the next section will analyse into further details both as a fundamental player in international conservation policy, and within our case study of Scottish bens and glens.

## 5 Sustainable development

Sustainable development has reached a dominant position in environmental policy terminology in numerous countries, including Scotland. It came to light to express the concerns of environmental degradation in a way that could easily resonate with human empathy. As formulated by the 1987 Brundtland Report, “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Countries of the Global South embraced sustainable development as an insurance against restrictive conservation measures that would inhibit the social and economic development they needed<sup>56</sup>. Yet, as sustainability delivered the important promise of climate

justice alongside climate protection, its vagueness also caused the ecological focus to lose its sharpness.

Scientific expertise now dominates the realm of conservation policies. Together with economic principles, applied natural sciences form a “rational-legal authority” which through inaccessible jargon and technocratic procedures makes the field of environmental governance seemingly apolitical and off-putting for non-experts<sup>57</sup>. The prevalence of the economics discipline in this area is made evident by the focus on sustainable *development*, which places a particular emphasis on the economic aspect of the economic-social-environmental triad. Subsumed into goals of GDP growth and social equity, the environment now rarely stands alone to be defended. For its harshest critics, the strong focus on utility maximisation makes sustainability incapable of delivering sufficient environmental standards<sup>58</sup>.

Self-constructed as a science which determines the best allocative efficiency, much of economics follows a productivist agenda within environmental policy. Environmental Economics studies the environment, but seeks market efficiency first and foremost. It required the heterodox school of Ecological Economics to give a defining role to biophysical limits, and therefore to the criteria of respecting regeneration thresholds<sup>59</sup>. Still at the periphery of economic thought, Ecological Economics remains largely ignored by advocates of green growth, whose enthusiasts are optimistic about the compatibility of exponential economic growth and environmental well-being. The anthropocentric environmental discourse which pictures creative and technological innovations as sufficient solutions to the climate emergency is messianic at best<sup>60</sup>. This model fits with the allocative efficiency model, as defined by Resource Economics, since the resolution of environmental problems lies in clearly defined private property rights. In other words, growth in a sustainable fashion is attainable through further commodification and privatisation.

The dominant sustainability paradigm prioritises economic aspects over social and environmental ones, as it seeks to enable further economic growth by labelling it as sustainable. This model equates GDP growth with social well-being and treats environmental considerations as an attitude to adopt, while aiming to achieve other goals. It is therefore possible that the social nature passage opened by the initial intent of sustainable development has become obstructed by a systematic preoccupation with productivity and economic performance.

The genesis of the LRA defined sustainable development as “geared towards assisting social and economic advances, that can lead to further opportunities and a higher quality of life for rural people whilst protecting the environment”<sup>61</sup>. This phrasing fits a weak sustainability model, where conservation is not a goal but rather a way to achieve other ends.<sup>62</sup>

The official Guidance on Community Right to Buy is explicit that not all three pillars (economic, social, environmental) must be compatible with sustainable development, but rather “the acquisition of the land as a whole.” According to this logic, “proposals to prevent any development or those that aim simply to maintain the status quo (...) will be construed as not being compatible with furthering sustainable development”<sup>63</sup>. This criterion is insisted upon in several instances: this legislation is not intended for community action which aims to impede development, commonly framed as “NIMBY” movements<sup>64</sup>. While environmental sustainability “is not a trump card in among the three interrelated elements of economic, social and environmental goals”<sup>65</sup>, economic development is given an indirect trump card in that opposition to it is not tolerated. This might be equally true of social and environmental considerations, but it is not as explicitly formulated and repeated.

The friendliness of the Act with economic development is further to be found in its funding requirements. First of all, much funding is channelled through the Highlands and Islands Enterprise whose very purpose is to support businesses, and whose output measures are focused on productivity<sup>66</sup>. Second, community bodies are strongly encouraged to provide evidence of financial viability in the long term, therefore filtering out non-profitable projects. The reluctance of the government to remain an active agent in rural development other than an

enabler therefore leaves little room for other options than a shift to the profitable tourism industry.

Despite a tendency to put the environmental aspect on the backburner of the sustainability triad, the LRA is a revolutionary piece of legislation in the field of environmental policy, in that it treats sustainability as a primary duty<sup>67</sup>. This became even more prominent with the Community Empowerment Act 2015 and the LRA 2016. Indeed, the former provides the clearest guidance to Scottish Ministers since it refers to “environmental harm”, defined in previous legislation as: “(a) harm to the health of human beings or other living organisms, (b) harm to the quality of the environment (...), (c) offence to the senses of human beings, (d) damage to property, or (e) impairment of, or interference with, amenities (...)”<sup>68</sup>. That “damage to property” directly qualifies as environmental damage strongly resonates with the thread of this research: the influence of property rights paradigms on the stewardship abilities of communities.

The Government’s 2016 Land Use Strategy encourages “responsible stewardship of Scotland’s natural resources delivering more benefits to Scotland’s people”<sup>69</sup>. Ecosystems are valued primarily because of their economic and social services. In the meantime, the focus on stewardship attempts to reintroduce social responsibilities which are missing in an absolute property model, and it depicts landowners as the essential providers of solutions, in this case environmental.

The publicly available notices of the Scottish Ministers to accept or decline communities’ requests to register a land interest were studied, to understand which vision of sustainability prevails in the Scottish Parliament. A common phrase in such notices would state the benefits of the community body “through improving and upgrading the site” and “environmental improvements”. When rephrasing community objectives into standardised sentences, the most frequent goals were the attraction of tourists and the subsequent benefits to the local economy and employment opportunities. For example, “...steps to manage and develop the planting and maintenance of the wooded area could lead to improving the biodiversity of the land and these steps could make the site more attractive to locals and visitors in the future”<sup>70</sup>. This phrasing indicates the subjugation of environmental goals to social ones, themselves serving the economy. Productivist terminology is abundant in the notices, especially the idea of improving the environment or to put the land “back to use”. In 2017 alone, five notices applauded the plan of communities to bring “a currently underutilised area of land back into productive use ensuring its long-term future sustainability” – therefore perfectly aligned with the statutory condemnation of “neglected” land in Part 3A of the Act. This utilitarian framing imposes a moral condemnation on the absence of productivity and equates the resumption of use with sustainability. Because it defines inactivity on land as inherently detrimental, this assimilation excludes the possibility of natural regeneration without human intervention. It contradicts a further statement from the Ministers concerning another application: “From the owners’ comments it would appear that the land is effectively ‘set aside’ and that the land is being allowed to regenerate”<sup>71</sup>. This double standard indicates how much moral judgement penetrates the question of land *use*. As the hegemonic paradigm of private property was constructed on ideals of increased efficiency, productivity persists as a highly normative concept to abide by.

Overall, the strength of the productivist requirement within the LRA increases the likelihood that economic development and environmental conservation are contradictory objectives. That is to say that nature is not inherently incompatible with human activity; it may be, however, hard to combine with the incessant productivity required by an economic system assessed by growth levels.

## Conclusion

This study showed that the approach of the Scottish Government risked, first of all, delivering superficial empowerment opportunities to rural communities. This is because it views communities as a given rather than a political exercise of accompanying and supporting local governance initiatives; and it devolves ownership entitlement but retains centralised management responsibilities.

Secondly, the LRA has been shown to reproduce many principles and assumptions from private property rights discourses, which poses problems when applied to communities. The Act is stuck in an impasse between a discursive support for community stewardship and underlying assumptions of absolute property rights. The latter excludes all forms of social responsibilities, which precisely define stewardship: the two are inescapably incompatible.

The clear productivity bias in the legislation aligns with crofting interests, in that it morally condemns inactivity. Yet the stringent prerequisite for financial sustainability, required to support the withdrawal of the state from rural service provision, implies a further shift to a tourism-based economy in the Scottish Highlands. As crofters fight to prevent rural gentrification, the diversification agenda follows market demand into a further commodification of the passive Scottish wilderness. These tensions get portrayed as examples of a fundamental incompatibility between nature and culture; yet it may be, quite on the contrary, that it is the prioritisation of economic goals (in terms of productivity and growth) which alienate both nature and culture into opposition. Sustainability defines a trilogy which sometimes equates social and economic development, and often alienates environmental sustainability. The LRA makes no exception to this trend observed at the government level: it treats environmental sustainability as a means to an end and economic growth as an end in itself.

Yet the promise of a salvation from ecological disasters through an increased faith in the current economic system, whether by technological innovation or by empowering creative communities to become financially sustainable, offers little resolution to the current ecological crisis which is a consequence of that very economic system.

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## 2. To Whom Does the City Belong? How Kyiv's Public Space Has Changed Since 1991

*Based on the thesis "Whose City? Transformations of Public Space in Post-Soviet Kyiv since 1991"*

*Bakhtcheva, Iryna*

### Introduction

Urban public space is composed of many layers and reflects tangible and intangible inheritance from the different historical epochs. Kyiv, the capital of modern Ukraine and the third biggest city of Eastern Europe, has faced three different politico-economic periods over the last century. Such historical twists many times transformed the city's appearance and its public space. The former power centre of the medieval Kyivan Rus ushered in the 20<sup>th</sup> century as a peripheral city of tsarist Russia. During the Soviet era, Kyiv regained its capital status: this time it became the capital of the Ukrainian Soviet Socialist Republic but still remained rather "a second city" on the USSR map. In terms of urban development, the new Soviet period brought to Kyiv rational grid planning, modernist architecture and enormously big public squares and streets, which suited Soviet pompous parades. In 1991, the declaration of Ukraine's independence turned Kyiv into the biggest city and the administrative, political and economic centre of an independent country. The Soviet makeover brought many radical changes to Kyiv and Ukraine that previously were isolated. Since 1991, not only was the economy redirected towards the free market, but also the city and its public space were reoriented towards the new way of thinking. Public space became full of redundant advertisements, many public and green spaces were turned into commercial and fast consumption places and urban space itself became a commodity. Ultimately, more recent transformations after the Revolution of Dignity in 2013–14 added the new elements on the "body" and "soul" of the Kyiv city in the form of attempts by locals to return the public space back to the public, which resulted in a rising number of small community-driven public spaces.

In this chapter, I would like to tell a (hi)story of Kyiv's public space transformations over the last century and to analyse in what ways Kyiv's public space has changed since 1991.

### 1 Why public space matters

Public space is the key element of the urban environment. It surrounds us almost everywhere in our everyday life: small cafes and municipal libraries, narrow sidewalks and broad avenues, bustling street markets and quiet museums, grandiose central squares and tiny yards. The different types of public space have common features; however, it still would be difficult to

provide a precise universal definition of public space because the nature, role and the boundaries of its publicity vary substantially between different societies. Still, public space can be interpreted via its dual nature.

Firstly, public space is both a conceptual and physical phenomenon. On the one hand, space is a built environment. Space is represented by shapes, colours and the composition of elements, which forms the “body” of the city. On the other hand, the soul of the city is captured in the social interactions and ties, which emerge and strengthen in public places. These different dimensions of space have reciprocal influence, and it is a tightly-knit phenomenon where public space is shaped by the people, but then created space shapes its dwellers. In other words, public space is a product of human activity and simultaneously a means of production<sup>1</sup>. This is particularly relevant for understanding the Soviet public space, including Kyiv’s public space of the 1930–1990s, full of ideological symbols and surrounded by oversized monumental architecture. Created by people, the environment was controlled for ideologically proper social behaviour, creating a feeling of surveillance in a George Orwell’s sense that “Big Brother is watching you”.

Being a place for communication, public space becomes a platform to form a collective political position. In this context, urban space is the “space of appearance” that has a collective nature: “to men, the reality (...) is guaranteed by the presence of others” and could be replicated each time, when individuals gather publicly in the groups<sup>2</sup>. Here, however, arises a question of power relations and who has access to the enjoyment of public space. For example, the Soviet public space was cleaned of “unreliable” Soviet citizens and sometimes post-Soviet central and municipal authorities tried to limit the public appearance of groups who are disloyal to those in power, as in Ukraine on 19 January 2014 when Yanukovich tried to impose legal restrictions for gathering in public to stop the Euromaidan protests. By eliminating some groups from the public, the dominant power makes these people silenced and invisible, thereby turning the complex nature of public space into an illusion of public life.

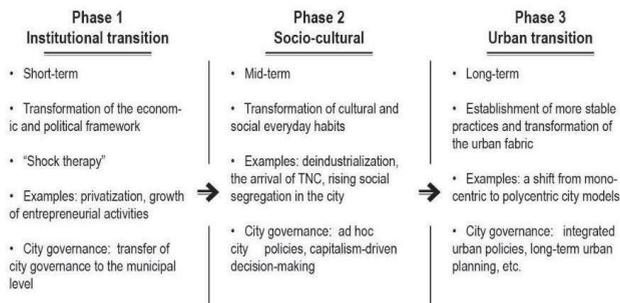


Figure 1: Multiple levels of post-socialist transition

*Author's own elaboration<sup>6</sup>*

Owing to its multi-faceted nature, public space could serve as a lens to analyse political, economic, social and cultural transformations in societies. The changes were particularly evident during the post-socialist transition, which occurred in many countries and cities of Central and Eastern Europe since the late 1980s to early 1990s, including Kyiv. These cities became “cities in transition”<sup>3</sup> and often attempted to make this transition faster by means of “shock therapy” policies and fast adaptation of foreign best practices. While formal institutional transformations occurred during the first years after independence, the social and urban transformations occurred slowly and in many post-socialist cities are still ongoing. As a result, the cities for a long time kept mutated features of both the socialist and capitalist cities, which made them an exceptional case for analyses<sup>4</sup>. The different levels of transformation are depicted in Sykora’s model of

multiple transitions (Figure 1), which conceptualises a “specific temporal sequence”, claiming that politico-economic changes cause the socio-cultural transformations and in turn stimulate the subsequent urban transition<sup>5</sup>. On the following pages, using an example of Kyiv, this article will analyse the role of public space in a Soviet socialist city and how it has changed in the post-socialist city.

## 2 Ideology meets the city: the Soviet paradigm of urban development

Urban planning policy is tightly connected to the dominant political and economic paradigm. The revolution of 1917 and the creation of the USSR in 1922 introduced the drastic ideological changes that required radical institutional reforms. Driven by an ambition to build the first communist state, revolutionaries shifted state governance towards a one-party regime under the leadership of the Communist Party and introduced a rationalised command economy, based on five-year plans<sup>7</sup>. In this ideology, the urban lifestyle and urbanisation were of particular importance. Firstly, because Marxism praised cities as a progressive force, fostering a collective way of living whereas rural life was considered backward and should be decreased to a needed minimum<sup>8</sup>. Secondly, as the Soviet Union had been a latecomer in industrialisation and urbanisation became an enabler in accelerating economic development in the first half of the 20<sup>th</sup> century. The central authority stimulated the construction of industrial and residential facilities in large numbers; this was often associated with the “construction” of a new Soviet state. Therefore, active urban development and construction received an ideological connotation and was openly honoured in popular culture, including agitation posters, films and musical compositions. Soviet posters highlighted the importance of constructors and engineers and declared the main priorities for socialist urban construction – fast, cheap and good.

Urban planning was considered as an instrument of achieving communist political, economic and ideological goals and the nationalisation of land and property helped to accumulate power for decision-making on the urban development issues in the hands of the state institutions. Before the mid-1950s, the planning of the Soviet cities occurred in the small cabinets of the central planning bureau *Gosstroy* in Moscow and Leningrad. This was often done without field studies, therefore it fully ignored the local topography, climate and available materials. Later, the central state delegated authority to plan the cities to the republic institutions, such as *Kyivproekt* or the Kyiv Research Institute of Urban Design in the Ukrainian SSR. Nevertheless, such institutions remained limited in their creativity to produce a genuinely tailor-made and unique urban design. Party decision-makers considered that the production of a small set of typical designs and its multiple replications across the Soviet cities was a more rational and affordable option and better suited to prudent communist ideology. During the Soviet period, mainstream architecture was standardised, monotonous and anonymous. A 1976 top Soviet film “*The Irony of Fate, or Enjoy Your Bath!*”, directed by Eldar Ryazanov, told a preposterous story of a person who mistakenly entered a wrong flat in another Soviet city and did not recognise his mistake because everything, starting from the visual image of the district and street name to the keys and sofa in the living room, looked so familiar. A film opened with a subtle ironic phrase:

“In the old days, when people found themselves in a new city, they felt lonely and lost. Everything around was alien: houses, streets, and even life. But now it has changed. A person comes to a new city but feels there like at home. How absurd were our ancestors! They cudgelled their brains over every architectural project! But now a standard movie theater “Rocket” is erected in each city, and you can watch there a standard feature film”<sup>9</sup>.

Except for the economic benefits of standardisation of urban design, the party also saw an ideological advantage. As people could find the typical views in their cities, it was easier to create a collective feeling and foster affiliation with the Soviet rather than national culture.

### 3 The public life and public space of 'homo sovieticus'

We should pay special attention to public space in the Soviet city. Firstly, there was no clear demarcation line between public and private in the USSR. The term of private life seemed to be incongruent with the ideological praise and constant call for the public life of Soviet citizens and sharp withdrawal of private property. Still, we need to acknowledge that even state-owned property, such as small single-family flats known as *kbrushchevkas*, provided some privacy for its final users and offered the luxury of not being publicly visible. Therefore, it did not perform a function of the public space in any traditional understanding. This example shows us that in fact the differentiation between public and private space existed, however, was not actively used in the official rhetoric. Secondly, in the Russian language, the Soviet *lingua franca*, the collocation "public space" did not have the same meaning and weight as in the Western context. In the Soviet period, where every open space in the city was considered to be public by default, labelling space as public created undesired parallels with private. The Soviet planners and architects more often employed the terms "open space" or "free space", meaning that a square or a street was a space without any buildings. Such categories, however, referred to physical space rather than to human interaction in public, which is vital for defining public space.

Communist ideology defined a special status of public spaces in a Soviet city. Soviet policymakers and planners clearly defined a hierarchy of urban areas, giving priority to public space over "private" residential places and to the centre over the periphery<sup>10</sup>. This hierarchy is obvious when contrasting the ascetic design of the residential neighbourhoods (*microrayons*) to the big-scale and massively decorated representative buildings and the central open-air places. The administrative buildings along with the central squares and avenues formed an urban core, which was planned as the "heart" of socialist life with a concentration on the cultural, commercial, public and administrative activities. If the motto for the housing development and public spaces on the periphery was building cheap and fast, the construction of the central squares with the monumental architecture on its perimeter took time and financial resources. Such planning reflected the prioritisation of showing off communist power over the satisfaction of the primary needs of the Soviet citizens<sup>11</sup>.

The primary purpose of the Soviet central public spaces was to be a visual demonstration of the superhuman power of the Party, thereby, the key characteristic of the Soviet public spaces was its scale. The omnipotence of the communist regime was embodied in the design of the wide boulevards and oversized central squares, which were built as a "grand stage for numerous political parades, festivals and public celebrations", the salient goal of which was to demonstrate the advantages of the socialist way of living<sup>12</sup>. For old historic cities, such as pre-Soviet Kyiv with its relatively narrow streets, some of which originated from medieval times, socialism brought a new appearance. A vivid illustration is Kyiv's central street Khreshchatyk, which over the Soviet period grew from a narrow street to a central ceremonial avenue, surrounded by Stalinist architecture. During the Second World War, Khreshchatyk was destroyed<sup>13</sup>. This gave architects more opportunities to design a central street that would be worthy of the Soviet capital. While in 1910 the street looked quite provincial, a photo from 1967 represents a wide street (the width was increased from 47m to 75m during the post-war reconstruction), offering much more space for the large-scale parades and Soviet celebrations (Figure 2).



Figure 2: Khreshchatyk street in Kyiv in pre-Soviet and Soviet times<sup>14</sup>

*Two pictures demonstrate radical changes in Kyiv's main street. On the left picture, one can see a quite provincial street of Khreshchatyk in 1910 and on the right photo a viewer observes a much wider avenue (Khreshchatyk street) in 1967*

The newly widened streets and central squares were full of communist symbols and statues of glorified communists and their achievements. Visual symbols of the communist party were present in abundance in every Soviet city, starting from the Sovietised names of the streets, the Red Army stars on the top of the buildings and the hammer and sickle (here is the reference to the Soviet coat of arms) on the bas-reliefs and building mosaics. During the ceremonial parades, the central square of Soviet cities, such as Zhovtneva Square in Kyiv (currently Maidan Nezalezhnosti or Independence Square) literally became red due to the abundance of red Soviet flags. In everyday life, an oversized statue of Lenin served as a communist reminder and an inspiration for the proper behaviour of the Soviet people<sup>15</sup>. In large cities such as Kyiv, comrade Lenin was present in many incarnations. One more bronze Lenin should have appeared on the government hill in 1935, however, it was not an easy task to find a suitable position:

“If he faced the river, which made sense given the bluff-top perch, then his back would be to the parade ground, which made no sense. Alternatively, if he faced the parade ground, then he would also be extending his arm, as seems to be his favorite pose, not just to the parades but also to St. Sophia. That would definitely be a no-no. Even worse, if he faced the parade ground, and even if Sophia were to be removed from the scene altogether, as was also an option, his butt would be aimed at Moscow”<sup>16</sup>.

In the ideologically tense atmosphere, the party's dissatisfaction would have resulted in “a ticket to Siberia” (this meant political exile to a Siberian forced labour camp for ideologically unreliable Soviet citizens) for everybody involved, thus, no one dared to propose a solution<sup>17</sup>.

Such a properly planned environment of central public spaces demonstrated the party's desire to control the citizens and their activities in public. While the Soviet public space was not genuinely apolitical, there definitely was no place for political dialogue or disagreement with the ruling party. This environment was also cleared of unwanted groups, among which were troubled youth, alcohol or drug addicts, while the rest of the citizens were watched by police officers and other citizens. Under such circumstances, social communication was the only possible activity, even if it was restricted by the norms of what it was possible to discuss while being in public<sup>18</sup>.

Besides the lack of the political function of the Soviet public space, it also lacked the commercial infrastructure. The commercial function was destroyed by curbing private entrepreneurship and limiting trade activities to a few state-managed commercial centres in the city centre<sup>19</sup>. The authorities tried to fill this gap with the development of alternative leisure and recreation activities in the city, supported by burgeoning green spaces and public domains, such as libraries and community clubs<sup>20</sup>. Green spaces had been a mantra of the Soviet urban rulers and planners and, as a result, the number of green spaces in the Soviet cities was almost double the number of what existed in American cities<sup>21</sup>. Behind this “green” subject of pride of the USSR stood centralised policy decisions on “voluntary-compulsory” public works. For example,

in 1969, the Kyiv's bureau of the Communist Party decided that "every able-bodied person should work for no fewer than two days on the provision of ... greenery in the republic's capital" and this became an obligatory annual contribution of Kyivans to the beautification of their city<sup>22</sup>.

Thus, although the Soviet cities were not market-oriented, they were not "cities for the people". The party aimed to form a new Soviet citizen, however, this citizen was still not involved in the decision-making on how the city he lived in should look like or how it should function. The governmental agencies had an exclusive monopoly on setting the binding ideological principles and norms, backed up by centralised top-down decision-making, and therefore, if the capitalist cities were "for-profit", the socialist city was "for-power"<sup>23</sup>. The Soviet period created many discrepancies between what was planned and what was built and many of the dysfunctions of the cities and the dissolution of the Soviet Union only exaggerated the problems of public space in post-Soviet cities<sup>24</sup>.

#### **4 Transition to the "brave new world" post-Soviet transformations and its impact on public space in Kyiv**

Since 1991, Ukraine started a journey to a democratic society with a market economy which brought many institutional and structural changes. Firstly, it was an ideological shift that moved society from the idea of "building the bright communist future" to the individualistic, entrepreneurial and competitive ethos of capitalism, which we call a "market economy"<sup>25</sup>. Secondly, the new institutional framework was based on a particular capitalist philosophy – a neoliberal market economy that proclaimed the rule of the "invisible hand of the market"<sup>26</sup>. The new neoliberal course was seen as the only way to create "a wealthy, economically efficient and socially just" country whereas state interventions in the market were depicted as "the root of principal harm to society and the economy in particular"<sup>27</sup>.

Urban development has been changed too: decentralisation reform transferred the mandate of urban development to the level of cities, making the local bodies responsible for dealing with their problems. The delegation of responsibilities to cities, however, was done without the proper creation of national policies, which led to the predominance of short-term programmes of urban development, based on ad hoc decisions. Combined with the constant lack of funding and decreasing amount of subsidies from the national budget, the city authorities perceived this situation as a green light for employing entrepreneurial strategies for urban development. In other words, the mayor of the post-Soviet city resembled the CEO of an enterprise, whose main goal was to attract investment and stimulate economic growth<sup>28</sup>. Under these conditions, any type of economic development that was promising in terms of increasing the city's GDP, creating new jobs and developing the services sector (as opposed to the highly industrialised post-Soviet economy) was seen as a blessing<sup>29</sup>. This philosophy led to the formation of market-led urban development where public spaces were turned into a profitable economic commodity. A vivid illustration might be an official narrative on privatisation that has been presented as an attempt to avoid the decline of facilities and increase the budget inflows for improving the urban infrastructure such as roads<sup>30</sup>. In fact, however, privatisation of the state and municipal enterprises generated quite meagre volumes due to the low selling prices that were greatly below market prices<sup>31</sup>. The share of privatisation income in city budgets did not exceed 10% per year and frequently the actual income was much lower than the planned one.

Privatisation caused the decay of the public domain quantitatively and qualitatively. Along with the transfer of many municipal assets to private property, a new economic model of financing urban development arose. In the Soviet era, when the state owned the majority of urban assets, it centrally managed the investment flows and reinvested extracted economic value from more productive agents in less economically productive sectors, such as public spaces and public services. This was contrary to the logic of the new market-oriented system, driven by the

desire to maximise profit<sup>32</sup>. In contrast to commercial and residential real estate, traditional public space and social infrastructure have not been profitable for the investors and developers, which naturally drives them into attempts to minimise the quantity (and often quality) of public places. For the city, it meant that more and more profitable real estate buildings mushroomed (especially in the lucrative central locations) without the respective increase of public places. This was very different to the Soviet period, when the quantity of public infrastructure was calculated based on rational norms per person. I need to acknowledge, however, that according to the law, developers in Ukraine are also obliged to build social and public infrastructure, however, such legal obligations sometimes result in box-ticking and creating non-usable spaces (as illustrated in Figure 3).



Figure 3: A playground in a residential area, which is facing the road<sup>33</sup>

*According to the national building standards, the building cannot be put into operation if the adjacent territories are not landscaped and equipped*



Figure 4: Advertisement on buildings in Kyiv<sup>34</sup>

*On this building in Kyiv, only 10 out of 98 advertisement billboards were legal*

Privatisation of real estate and the growth of entrepreneurial activities since the 1990s brought more functional diversity to the city and, particularly, a growing number of commercial entities<sup>35</sup>. The growing commercialisation of space aimed to eliminate the imbalance between supply and demand of goods and services, which originated from the Soviet economic system. Once citizens gained a right to start a business, urban space started to be filled up with business entities. As a result, many districts changed their appearance, where ground floors were turned into shops, hair salons and small studios, while in the parks, multiple cafes and small food and beverage outlets appeared. In the central district of Old Podil, 65% of ground floors are used for commercial purposes<sup>36</sup>. While there is “nothing clearly Ukrainian” in this, I would claim commercialisation has a rather chaotic pattern in Kyiv due to an absent or ineffective regulatory framework. For example, until 2017, there were no effective enforcing mechanisms to control outdoor advertising in Kyiv. This resulted in the coverage of many buildings, including historical ones, with advertising banners and shop signs<sup>37</sup>. If earlier the public space of cities was filled with ideological symbols, now their place has been taken by advertising (Figure 4). Another manifestation is the proliferation of kiosks. Since independence, their number has mushroomed and they often remained unregistered at the city council, meaning these businesses evaded taxes and practiced shadow employment. From an urban point of view, the unregulated expansion of the kiosk network in the streets and squares of Kyiv led to consumption dominating particular places.

Another side effect of increased individual consumption was the automobilisation of the streets and squares. Since the dissolution of the USSR, car ownership rocketed, driven by the availability and affordability of cars and public transport's decline<sup>38</sup>. Moreover, for many post-Soviet people, the automobile has been more than a means of transport, it has been a status symbol representing the material measurement of social success. Each third Kyivan owns a

private car and there is a tendency towards a steady increase<sup>39</sup>. The inevitable consequences of this mind-shift made the city car-oriented and less pedestrian-friendly. This affects urban ecology, increases social stratification and contributes to the degradation of public spaces<sup>40</sup>. The increasing amount of cars needed large territories for parking, which were often constructed on the place of former public space. This creates tensions between pedestrians and drivers, as in the case of Kontraktova square and adjacent Sagaidachyi street in the Old Podil. Before 2017, it used to be a busy car street with the majority of the free place occupied by cars. A temporary experiment on closing public space for cars, initiated by the city administration, caused hot social debates and even brought some Kyivans to court to sue the city authorities for infringement of their rights as car drivers<sup>41</sup>. While such protests display changing attitudes of Kyivans towards public space and their readiness to raise their voice in urban planning, a problem is that such bottom-up protests push the city's development policy towards further automobilisation which might be beneficial to only one-third of Kyivans who own private cars but does not add to the comfortability of Kyiv.

To describe the urban space transformation as only being market-driven would be an oversimplification of Kyiv's urban development. The dissolution of the Soviet Union and the disorganisation of the early transitional period engendered many malpractices in urban governance, which made decision-making tightly connected to nepotism, *blat* and corruption. A high level of corruption has its roots in the shadow schemes of the privatisation of the 1990s when the reallocation of power and capital created a vicious cycle: initially power was converted in assets ownership and later this ownership added more power<sup>42</sup>. In terms of Kyiv's urban development, corruption affected the city in many ways: the issuing of building permits in violation of national building codes and masterplans, lack of publicly available information on the type of development, patronage of the construction companies by the state and municipal high-ranking officials and the biased court decisions on scandalous construction, made by judges with immunity status. All these aspects undeniably contribute to the degradation of public space in Kyiv and should be further researched as a stand-alone topic.

To sum up, the composition of public spaces in post-Soviet Kyiv differs qualitatively and quantitatively from the Soviet predecessors. The driver of the post-Soviet development was the neoliberal shift in urban policy and planning, embodied in the "city space must work" mentality. Market-led urban development transferred the reins of government to private land-owners and investors and urban policy tried in every possible way to adapt the city's development to the needs of investors. In the new paradigm of urban development, public space was often perceived as not belonging to anyone, and with the individualisation of society and the priority of private space, the quantity and quality of public space have been decreasing.

## 5 A turning point: the role of the Maidan revolution in claiming the city back

The 2013–14 Revolution of Dignity, or simply Maidan, is often considered as a turning point for modern Ukrainian society, as a push to genuine democratisation, civil society mobilisation and reform processes, including those in urban development. While analyses of the causes and consequences of the revolution is a complex topic that might be a research subject for a separate book; this chapter seeks to demonstrate how the revolution and the following development of civil society initiatives tried to challenge the dominant balance of power in Kyiv's urban development.

First of all, the revolution affected society at the level of values. It shifted the focus of attention from the individual mode of existence to being there for others and serving the common goal: it pulled the individuals from different linguistic, ethnic, cultural and religious backgrounds together in one public space for achieving a common goal. This mobilisation changed the attitudes towards civil movements. During the post-revolution time, 67% trusted volunteering movements and 43% trusted CSOs as opposed to 7–11% who trusted the state

agencies<sup>43</sup>. The renaissance of grassroots activism led to the emergence of a new powerful stakeholder – activists.

Secondly, the feeling of empowerment turned into concrete actions and persevering demand for more systematic changes in the process of urban development. For example, in 2015 the city council approved the reconstruction of the fountain on the Kontraktova Square. The project with an estimated cost of eight million hryvnias should have been sponsored by a commercial enterprise. Even though the project did not envisage the commercialisation of the public square, the local community insisted on the organisation of a public hearing so that the voice of locals would be taken into account. This case represented the maturation of civil society and its willingness to participate in urban planning proactively. The local dwellers were driven by the principle of “nothing about us without us” that proclaimed a new model of urban governance. For the post-Maidan community, it was important not only to preserve the status of public space but also to be a part of the decision-making process from the very beginning.

Bottom-up mobilisation also evoked changes in local governance. In many cases, the state and municipal agencies were forced by civil society to be more accountable for their actions, become more transparent in the decision-making process and more progressive in their approach to urban planning. A vivid illustration was the Terra Dignitas, an international architectural competition for the commemoration of the revolution. Soon after the revolution, there was a top-down attempt to install the new memorial of the Heavenly Hundred, impertinently copied from the Chernobyl Memorial in Prypyat<sup>44</sup>. The civil resistance which followed resulted in the political decision to launch several rounds of public discussions in the Ukrainian House and further open competition among international and interdisciplinary teams. While many Kyivans took part in the public discussion on how this urban project should look like on a conceptual level, not all actors were happy to witness such a shift. Particularly, the professional community, represented by renown architects, openly and harshly criticised the winning projects as architecturally questionable concepts. There was a case with Anatoliy Kushch, a famous Ukrainian sculptor. The honoured artist insisted on the implementation of his idea on the Maidan square, which might be a professionally correct solution for the central public square, however, it rather went in line with socialist monumentalism and did not resonate ideologically with the values of the renewed Ukrainian society<sup>45</sup>.

Although the municipal authority has been more willing to invest public funds into the creation and development of public spaces in Kyiv, the nature of the preferred projects has often been large-scale grandiose projects that are expensive for the city budget. Being a politically interested actor, the local authority aims at the “wow-effect”, which will grab the attention of a large number of citizens and the mass media and ultimately benefit their political rating. A vivid example is the re-development of “Natalka” Park, 1.4 hectares of which was transferred to a private owner for the construction of a commercial sports complex during the Chernovetskyi mayorship in the early 2010s. Even though the park design was developed with large-scale public participation and now is loved by many Kyivans, I need to acknowledge that the park “Natalka” is still a large-scale and very costly project on the map of Kyiv and is often used for political PR by the current mayor<sup>46</sup>. Moreover, a financial audit showed that some prices in the total budget were overstated and the budget much exceeded the initially planned one.

In contrast, many new small public spaces have not only been initiated but also implemented by the efforts of the locals. Such projects were usually created with a very small budget, however, they required the mobilisation of a large number of people. In 2015, local activists created a guerilla minipark “Samosad”. The land was leased for 50 years to the Russian embassy in 1998. Since 1998, the land has become a wasteland, and the problem cannot be regulated by the city authorities because of international legal regulations. On the other hand, there was a problem with the lack of green and social spaces for residents. Neighbours decided to create a mobile vegetable garden, which might be de-installed in a couple of hours in case the legal owner would demand access to the land; and initially, it only required a few boxes of soil,

pallets and seedlings that were gathered via crowdfunding. The minipark became a place where neighbours can arrange a neighbourhood party and strengthen the relationship between people living next door and sharing one territory. This not only changed the spatial dimension but also strengthened the social capital of the neighbourhood because neighbours spent time together during gardening and social events for locals. Another implication is that such projects created a successful precedent on how good public social space could be created with a minimal budget, and this will definitely attract the attention of the city authorities.

To sum up, Maidan embodied a large-scale Lefebvrian “appropriation of space” that aimed at shifting the paradigm of “space production” from the corrupted market-driven model to a more democratised and people-oriented one. The main driving force for the reforms was civil society, for whom it was important not only to preserve the status quo of public spaces but also to change approaches to its planning. Even though after the revolution, there were many systemic changes and significant reforms, the bottom-up planning of public spaces in Kyiv still faces some challenges. In the case of partnering with local authorities for project implementation, the administration was often interested in projects with a “wow effect”, which is beneficial for their political image. If the community initiates a project on its own, then problems with long-term project support arise. Overall, volunteer mobilisation has been declining over the last few years and for the further effective work of civil society, it is necessary to rethink its role and modes of operation.

## Conclusion

This chapter demonstrated that Kyiv’s urban development was turbulent during the last century whereas Kyiv’s public space was changed repeatedly and radically under the influence of ideological, economic, political and social factors. Modern Kyiv is not a tabula rasa; its public space consists of many cultural-historical layers from different historical epochs. In pursuit of the more pro-Western appearance of Kyiv, there were many attempts to erase the Soviet traces both physically (e.g. visual decommunisation of public space) and conceptually (e.g. social value shifts, the awakening of civil society, etc). While, to a certain extent, this contributed to the formation of a new Ukrainian (and Kyivan) identity, the mere goal of leaving Sovietness behind does not bring Kyiv closer to the cherished dream of becoming a more democratic and comfortable city. Instead, a deep re-thinking of Kyiv’s urban past and present to find a path to Kyiv’s unique identity is needed. The policy implications of the findings of this study for the further urban development of Kyiv will be to call for more integrated and participative planning of public space and the city as a whole. Planning the balanced development of Kyiv will be impossible without building a dialogue between different stakeholders on the terms of equal partnership.

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### **3. (Housing) Trouble in Paradise: How the Historic Urban Renewal of Barcelona Influenced Tourism Gentrification**

*Based on the thesis "Gentrification in a Tourist City: Exploring Residential Segregation in Barcelona"*

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#### **Introduction**

Urban travellers today display an eagerness to veer away from mainstream tourist bubbles and find experiences that they consider off the beaten track<sup>1</sup>. In the process of looking for paradise in destination cities, such visitors often end up consuming spaces that were not designed for them. Resultantly, long-term residents get displaced to make space for tourists, and there results a competition for the right to urban space. This phenomenon has been much compounded by housing financialisation instruments which enable the conversion of residential housing into short-term rentals – giving rise to tourism gentrification.

Generally, there is a gap in practical research when it comes to the interaction of tourism gentrification and housing financialisation. This chapter aims to narrow this gap through the case study of a tourist city that has been widely shaped by financial capitalism. Given the Spanish city of Barcelona's nonpareil reputation as a destination city, award-winning urban planning strategies, place promotion mechanisms, and financialised housing market, it seemed to be the best example to study for this chapter. Together, these characteristics have resulted in a "perfect storm" for the city's housing crisis and radical gentrification, which this research questions through a historical analysis. Although there are studies that have analysed these developments in Barcelona<sup>2</sup>, literature on the aforementioned perfect storm and the overall impacts of housing liberalisation, politics, and place promotion on Barcelona's gentrification dynamics is scarce. The main goal of this chapter is to study how Barcelona's politically and commercially motivated urban renewal strategies and neoliberal housing market have influenced tourism gentrification in the city, especially in its primary tourist district, Ciutat Vella ("Old City").

As described by Raquel Rolnik, former United Nations Rapporteur for the Right to Housing, Barcelona's housing crisis is "the result of a more extensive structural condition of the current stage of capitalism's development"<sup>3</sup>. The actual needs that are fulfilled by a home are separate from its financial value for large investors who "exploit [property] as an investment fund"<sup>4</sup>. With more landlords seeking to profit from short-term rentals and speculation in the real estate market, working-class citizens have found themselves displaced. Inevitably, the city's commercial fabric has also been altered, as shops focusing on tourist consumption replaced

those that focused on residential consumption<sup>5</sup>. For Barcelona, this occurrence is most apparent in the Ciutat Vella district due to its aesthetic value and spatial design.

## 1 Gentrification

The word “gentrification” was first used in an academic text by Ruth Glass<sup>6</sup>. Lees et al. state that gentrification typically materialises after a period of social and/or economic decline when working-class residents are displaced by more affluent ones<sup>7</sup>. The three most common types of change caused by contemporary gentrification are:

- a) Economic: significant increase in the cost of living in the gentrified neighbourhood;
- b) Social: marked change in the social background of residents (profession, educational background, wealth, age, nationality); and
- c) Symbolic: rise in prestige or reputation of the area in question.

### 1.1 Tourism gentrification and transnational migration

The term “tourism gentrification” was first discussed in literary sources by Kevin Gotham in 2005 in an article about the conditions driving gentrification in the Vieux Carre neighbourhood of New Orleans<sup>8</sup>. Gotham may have coined the phrase, but the influence of the tourism industry in gentrification had already been noted in earlier articles (e.g. Smith<sup>9</sup>). As per Gotham’s defence, tourism gentrification happens when a working-class neighbourhood is converted into a more opulent one due to the expansion of commercial entertainment and tourism spots. Freytag and Bauder, instead of following Gotham’s top-down theory, presented their hypothesis of a bottom-up process of tourism gentrification in Paris<sup>10</sup>. In their approach, tourists were shown to be contributing to the gentrification process through activities such as shopping and commuting. In 2018, Gotham updated his definition of tourism gentrification to imply that it is a construct which “focuses theoretical and analytical attention on how the interlocking nature of consumption-led economic growth, cultural identities linked to gentrifier status, and global circulations of real estate financing can produce unique local configurations of tourism and gentrification”<sup>11</sup>.

Recognising the role of tourism in gentrification is important for understanding what Cocola Gant and Lopez-Gay term “transnational gentrification”<sup>12</sup>. Transnational gentrification occurs through the international movement of people seeking better lifestyles or consumption opportunities rather than work<sup>13</sup>, for instance retirees, students or digital nomads. Such migrants have a high likelihood of relocating to attractive tourist destinations in pursuit of the life advertised by place promoters<sup>14</sup>. Therefore, the growth of urban tourism is often accompanied by a rise in transnational migrants or “residential tourists”<sup>15</sup>.

## 2 When financialised real estate interacts with tourism

Since the 2008 global financial crisis, many large metropolitans in the Global North have overseen the financialisation of urban housing<sup>16</sup>. The financialisation of housing refers to the expansion of speculative real estate investments through financial markets that help to temporarily address fundamental contradictions in the real estate market<sup>17</sup>. Such contradictions mostly arise due to the differences in the characteristics of real estate and capital – while real estate is fixed, capital is abstract and placeless.

Within housing financialisation, a growing form of investment has seen the rise of Real Estate Investment Trusts, or REITs. REITs are publicly listed companies that own, manage or finance income-producing real estate under special tax allowances. REITs allow local real estate to be traded on global financial markets, where investors purchase stocks with the expectation of

increased dividends from rental income or property sales. However, the increased generation of such instruments often leads to real estate bubbles that can swell out of control<sup>18</sup>. One of the most ironic examples of this phenomenon is the 2008 global financial crisis.

REITs have often been noted for exploiting vulnerable populations. In Spain, mortgage foreclosures occurred largely in peripheral neighbourhoods that hosted working-class immigrants, especially in Barcelona, which is said to be a “city of global interest for investors”<sup>19</sup> due to its attractiveness as a destination city.

## 2.1 Regulating short-term rentals

One of the most prominent effects of tourism gentrification may be observed through the increase of short-term rental apartments in residential neighbourhoods<sup>20</sup>. This is particularly facilitated by the fact that short-term home-shares can be set up practically anywhere without the need for special permits, unlike hotels<sup>21</sup>, making it easier for them to exist in the historic centres of cities. REITs have been increasingly taking advantage of this in destination cities, making it impossible to isolate the housing market from tourism.

According to some studies, the economic return of renting apartments to tourists is much higher than renting to long-term tenants<sup>22</sup>. Therefore, to maximise rents, landlords prefer to set higher prices and find short-term tenants. Cocola Gant and Gago found that apartments for long-term tenancy in central Lisbon were practically unavailable; however, a quarter of its housing stock was listed on Airbnb<sup>23</sup>. Similarly, in Berlin, Schäfer and Braun discovered that all available rental accommodation in central areas was rented to tourists<sup>24</sup>.

Subsequently, several city governments realised the importance of regulating short-term rentals and home-sharing platforms. Among them, in 2014, the municipal council of Amsterdam stood out as the first to establish an agreement with Airbnb. However, their deal witnessed frequent hiccups and eventually fell apart when Airbnb stopped cooperating with the council<sup>25</sup>. In Toronto, the city council witnessed a spurt of “ghost hotels” – buildings bought up by investors and taken out of the residential market to be rented to tourists for higher prices<sup>26</sup>. As a consequence, the city government was forced to tighten its leash on short-term rentals and home-sharing platforms. Meanwhile, the local government of Berlin opted for more drastic measures. A court ruling against home-sharing platforms strengthened the power of Berlin’s municipality, which has sought to curb residential segregation by banning tourist rental accommodations entirely<sup>27</sup>.

## 3 The historical roles of city re-imagining Barcelona’s segregation dynamics

### 3.1 Mid-19th century – 1936: “Barcelona Cosmopolita”

In the mid-19<sup>th</sup> century, through a city expansion project, Catalan urban engineer Ildefons Cerdà was handed the responsibility of designing the expanded parts of the city of Barcelona (what is known today as “Eixample”). His plan became one of the first neoliberal urbanisation schemes that redesigned cities against the backdrop of ‘the rising commercial needs of entrepreneurial classes’<sup>28</sup>. However, this was affected at the end of the 1800s when Spain was experiencing significant turmoil in terms of its colonies. As Spanish colonies were the primary market for Catalunya’s industrial produce, the loss of Spain’s colonial empire meant that the region had to find new markets. At that time, Barcelona was infamous for its history of drugs, prostitution and violence, often described using terms such as “the city of bombs”<sup>29</sup>. One of the key events that set off the city’s crisis response was the 1888 World Fair, during which the local government put the city on display to the rest of the world<sup>30</sup>.

Between 1878 and 1926, Barcelona experienced the Catalan “Renaixença” (Renaissance) – a period in which Catalan-speaking regions saw a rise in cultural consciousness<sup>31</sup>. In 1901,

citizens elected the Lliga Regionalista (Regionalist League) party, consisting mostly of young and highly nationalistic industrialists<sup>32</sup>, to lead the municipality. Their policies aimed to amplify the idea of a “Great Barcelona”<sup>33</sup>. To move past the city’s social conflicts, the city council was tasked with creating marketing campaigns that would reject Barcelona’s urban poverty. The Lliga Regionalista then appointed a group of city councillors to form the Commission for the Attraction of Foreigners and Tourists (CAFT). In March 1906, Barcelona became one of the premier Spanish cities to promote tourism from a public standpoint. CAFT established the city’s first destination marketing campaigns with slogans such as “Barcelona, Ciudad de Invierno” (Barcelona, City of Winter) and “Barcelona, Perla del Mediterráneo” (Barcelona, Pearl of the Mediterranean)<sup>34</sup>. CAFT was used by the city’s bourgeoisie to form part of a larger political campaign called Noucentisme, the goal of which was to advocate for an idealised city image using its principles of art, nature, order and civility<sup>35</sup>. Navasi Ferrer’s research on the cartographic production of Barcelona’s city centre between the late 19th century and early 20th century showed that “an image of Barcelona was created by the city’s cultural elite, representing a desire for order and monumentality, that was not only celebrated by the dominant classes but also developed a gaze over the city that remains perpetuated to this day”<sup>36</sup>. The by-product of this was that tourists’ expectations of the city became benchmarks for urban development. CAFT was soon replaced by the Society for Attraction of Foreigners (SAF), which was run by a private–public partnership from 1908 to 1936. The organisation paved the way for several functional changes in Barcelona’s city planning.

In 1903, Leon Jaussely won a competitive bid to design the master connectivity plan for the city. His work presented Barcelona’s first zoning techniques while paying attention to monumentalism and architectural design in the city<sup>37</sup>. Finally, the City Council conducted several demolitions and inaugurated plans to open Via Laietana (a 1.1-kilometre-long thoroughfare lined with neoclassical buildings) in 1908. During the demolitions, housing clusters that had been hiding parts of Barcelona’s Roman past (such as facades) were removed. These Roman parts were then restored and reconstructed to form the city’s “Barrio Gotico” or “Gothic Quarter”<sup>38</sup>. The Gothic Quarter allowed the city to boast an open-air museum of sorts, carrying a collection of medieval buildings and monuments highlighting Barcelona’s past as the capital of the kingdom of Aragón<sup>39</sup>. The grand Plaça de Catalunya had also been built by 1923 as a sign of Barcelona’s growing cosmopolitanism<sup>40</sup>.

The positive experience of hosting a mega-event in 1888 indicated that another international exposition might be helpful for the city’s urbanisation process<sup>41</sup>. As such, the City Council made plans to host an international electrical industries exhibition in 1917 by which it hoped to improve the city’s reputation. The prospect of hosting a glorious exhibition allowed the City Council to speed up construction of major sites such as the Sagrada Família and Hospital Sant Pau while also eradicating homeless people from the streets. PlaçaEspanya and the Montjuïc mountain were urbanised, while the historic centre was further remodelled. However, the actual exhibition was delayed by 12 years due to political disturbances. In the end, the City Council’s initial plans for the 1917 expo culminated in the 1929 Universal Exposition of Barcelona<sup>42</sup>.

To accommodate the SAF’s public image creation process, poverty was stigmatised legally through mass evictions and the criminalisation of begging<sup>43</sup>. SAF expected that increased tourism and urban development would decrease Barcelona’s internal social instability and conflicts.

### 3.2 1936–1975: “La Barcelona Grisa”

Between 1936 and 1939, the development of Barcelona stalled as it witnessed the atrocities committed during the Spanish Civil War. From 1939 onwards, the entire Spanish nation was ruled by Francisco Franco’s dictatorial regime (a time known as “Franquismo”). Catalunya was stripped of its autonomy and Catalans were pushed into 36 years of repression. Barcelona

underwent a period of grave physical neglect<sup>44</sup>, known by many as “La Barcelona Grisa” or “Grey Barcelona”.

Until 1959, Franco’s rule involved isolationist strategies that allowed Spain to remain an autarchy<sup>45</sup>. In 1959, Franco finally liberalised the Spanish economy and welcomed a decade of exorbitant economic growth. This, combined with a rise in tourism, remittances from Spanish citizens working abroad, and economic aid from the United States, paved the way for Spain’s industrial expansion<sup>46</sup>. Industrialised Spanish cities were converted into metropolitan hubs that gained prominence in European goods markets. Simultaneously, rural migrants moved to larger industrial centres. In Barcelona, there was a steep increase in the migrant population, leading to the burgeoning of dense and illegally built buildings with poor ventilation<sup>47</sup>. A significant proportion of the migrant workers settled in Ciutat Vella, where they could find single rooms with low rents<sup>48</sup>. In the following decades, housing shortages were addressed through poorly built housing projects called the “polígonos de viviendas”<sup>49</sup>, which were mostly marketed to low-income households.

Social movements demanding better living conditions and more public facilities had emerged by the end of the 1960s, which subsequently led to anti-regime sentiments. These sentiments, expressed through Barcelona’s neighbourhood associations, turned into protests against the government’s “Plans Parciales” (partial plans accompanying the Spanish government’s 1953 Comarcal Plan allowing landowners to build housing without permission). Two decades after the 1953 Comarcal Plan was implemented, Barcelona’s neighbourhood groups joined forces to fight against a partial plan that would have uprooted 4,370 homes<sup>50</sup>. The protestors barged into the city hall meeting where the plan was to be passed, publicly broadcasted crucial facts regarding the plan, and dropped the central Spanish government into a scathing scandal. Barcelona’s then-mayor, Josep Maria de Porcioles, was fired the very next day. This event later became an important marker of the power of Barcelona’s urban social movements.

### 3.3 1976–1979: post-Franco urban development

Despite the neglect Barcelona witnessed at the time of Franco’s rule, the city bounced back relatively quickly. In 1976, a General Metropolitan Plan (GMP) was approved for Barcelona<sup>51</sup>, which reduced the scope of land speculation<sup>52</sup>. The initial GMP, proposed two years prior, was rejected by neighbourhood associations; therefore, the 1976 GMP was formulated with more public interest in mind. The Catalan government’s urban planning director Joan Antoni Solans took advantage of volatile land markets to purchase almost 221 hectares of land: 86 hectares for parks and gardens; 50 for woodland; 70 for educational sites and public playgrounds; and 15 hectares for public housing construction, for only 3 billion pesetas<sup>53</sup>.

Right after Catalunya’s municipal elections in 1979, a socialist, Narcís Serra, took charge of Barcelona<sup>54</sup>. The new government was tasked with improving the city’s public administration and addressing challenges highlighted by citizen groups. The municipality’s new planning director, Oriol Bohigas, started opening up the city to the sea and expanding Barcelona’s sewerage systems. Bohigas put together a group of talented and young architects and engineers to execute the planning of almost 200 public facilities<sup>55</sup>. With the gradual fulfilment of their demands, most citizen groups lost their momentum and power<sup>56</sup>. Meanwhile, tenant protection schemes were cancelled due to market liberalisation<sup>57</sup>. Homeownership was encouraged through tax deductions for first and second homes, and renting was mostly reserved for residents who could not afford to purchase a home.

### 3.4 1980s–mid-1990s: the Olympic Games and urban rising

In the 1980s, the historic city centres of major European cities underwent a series of “urban renewal” waves via policies aimed at reducing spatial poverty concentration<sup>58</sup>. In this regard, the policies that were put in place by the City Council of Barcelona were no different. In 1981, the Municipal Corporation for Tourism (which was replaced by Turisme de Barcelona in 1993) was set up. The same year, the City Council made a bid to host the Olympic Games of 1992, which was announced as successful in 1986. Following these events, from 1982 to 1997, Barcelona mayor Pasqual Maragall led an intense transformation of the city. One of his most important projects was the “Posa’tGuapa” initiative, through which more than 690 million pesetas was spent on the restoration of the city’s historic Modernista architecture and the external facades in Ciutat Vella<sup>59</sup>. In 1986, the Catalan government issued Decree 317 declaring Ciutat Vella as an “Àrea de Rehabilitació Integral” (Integral Rehabilitation Area) or ARI. This was done to improve the living conditions of residents in the area. The ARI’s key aims were to increase the efficiency of public administration, address pockets of poverty, and promote urban rehabilitation.

Until the late 1990s, urban renewal programmes titled “Special Plans of Interior Reform” (PERI) were executed to lessen visible poverty in Barcelona’s inner-city districts. According to Arbaci and Tapada-Berteli, the PERI programmes were part of a greater Urban Renaissance agenda; precursors of what are known today as the “Barcelona Model”<sup>60</sup>. The basic characteristics of the Barcelona Model included:

- The utilisation of public space to promote social and cultural integration;
- The introduction of cultural values and symbols to public spaces;
- Ensuring connectivity and continuity of newly built facilities with existing infrastructure;
- The renovation of Ciutat Vella without displacing or socially isolating residents;
- Making Barcelona a competitive city through place promotion;
- More public-private partnerships to ensure the best allocation and management of resources.

Additionally, a public–private partnership model, titled “PROCIVESA” (Promoció de Ciutat Vella SA), was created via a mixed-capital management company to allow the City Council to cover its renewal costs<sup>61</sup>. On top of all this, an urban reconstruction approach known as “sventramento” (meaning “to gut”) was adopted by City Council technicians. This approach involved the demolition of parts of the area and rebuilding them again. Sánchez de Juan referred to this process as “creative destruction”<sup>62</sup>. From the 1990s onward, a process called “esponjamiento” (meaning “cleaning up”) was used to deal with the aftermath of the demolitions<sup>63</sup>. Residents affected by the process were given the option of either being rehoused or receiving compensation. However, displaced residents would often not be accepted in new dwellings by building associations<sup>64</sup>, therefore fuelling a process of state-sponsored gentrification through which citizens of lower-income categories were pushed to abandon the city centre. According to Abella, this gentrification was a sign of progress; without it, Ciutat Vella would have remained impoverished and marginalised<sup>65</sup>.

In keeping with Monclús, “a belief that seems to be widespread is that the true success of the Barcelona Olympic Games was a result of the transformation experienced by the city through a series of actions that would normally take decades and lasted only six years.”<sup>66</sup> Indeed, the Olympics acted as a major catalyst for the city’s urban renewal processes. In 1988, the City Council’s “Plan for Hotels” essentially set the stage for the city to grow into a tourist destination, powered by new construction and service industries<sup>67</sup>. The first Strategic Metropolitan Plan of Barcelona specifically targeted the 1992 Summer Olympics. It involved the implementation of several key urban infrastructure projects such as the airport, port, main roads, beaches, public health and education centres, and cultural facilities<sup>68</sup>. The City Council also organised events for

different cultural festivities throughout the city, to present an enhanced notion of citizen participation to the world. Four marginal areas in the city were remodelled and converted into sites for the Olympics. Waterfront development (resulting in the creation of “La Vila Olímpica” or “Olympic Village”) and remodelling of the harbour allowed the opening of several artificial beaches across the seaside. While Ciutat Vella was being restructured, subway lines throughout the city were extended and reworked<sup>69</sup>. New ring roads were constructed to facilitate traffic throughout the city and, more particularly, the four Olympic areas. Meanwhile, the municipality feared that giving a voice to community groups would slow down the application of planned urban projects<sup>70</sup>. Thus, the Olympic Games hype allowed room for the justification of a rigid top-down urban decision-making approach<sup>71</sup>.

Thanks to the Olympics, Barcelona managed to internationalise itself within 13 years of Spain gaining democratic status<sup>72</sup>. The image of Barcelona’s outdoor diving pool with the city as a *mise-en-scène* became known worldwide. However, not all impacts were positive. An interesting point to note here is that Juan Antonio Samaranch, then-president of the International Olympic Committee (and Spain’s Minister for Sport under Franco’s rule), had large real estate interests in Barcelona<sup>73</sup>. As such, the city’s renewal resulted in indirect subsidies for real estate developers and external investment stakeholders. This was accompanied by hikes in housing prices over the subsequent decades, making it difficult for locals to secure social housing<sup>74</sup>. Within two years of Barcelona’s confirmation as the host of the Olympics, housing prices went up by 51% in the Eixample district and by 100% in the neighbourhoods connected to Diagonal and Pedralbes<sup>75</sup>. According to the Center on Housing Rights and Evictions (COHRE), between 1986 and 1992, housing prices increased by 240%<sup>76</sup>. Cumulatively, within the same period, there was a 139% rise in sales prices and a 145% rise in rental prices in the housing market<sup>77</sup>. This was despite a 101% increase in homes for sale. At the same time, the number of public housing units available between 1986 and 1992 decreased by 75.92% on aggregate<sup>78</sup>. At least 624 families were evicted from their homes due to the construction and installation of new Olympics fixtures<sup>79</sup>. The waterfront in Poblenou, which was reclaimed to construct the Olympic Village, was supposed to be released into the housing market for low prices after the event. However, in reality, the plan alienated working-class families even more<sup>80</sup>. The rate of homeownership was, since the 1960s, still on the rise due to low mortgage interest rates and long repayment periods, tax deduction policies, and easy-to-access loans<sup>81</sup>. In turn, this resulted in a slow but heavy mounting of debts for homeowners.

### 3.5 Mid-1990s–2008: trend-setting amid neoliberal policies

From 1995 onward, Spain underwent a decade of intense financial hiccups as it abandoned the Spanish local currency (peseta) and joined the European Monetary System<sup>82</sup>. This was followed by years of falling interest rates, causing real estate demand to shoot up. Meanwhile, in 1998, Partido Popular (a conservative political party) won the Spanish national elections and introduced more neoliberal policies throughout the country, including the mass privatisation of land<sup>83</sup>. A combination of the two laws allowed almost all land to be liberalised and viewed as worthy of being commercially developed<sup>84</sup>. With a mission to privatise land and withdraw from the role of providing social infrastructure, the Spanish government facilitated private actors by deregulating the banking sector. As the country still had an under-utilised rental market, these policies, combined with high real estate demand, produced a housing bubble. In the 10 years between 1998 and 2008, house prices shot up by 175%<sup>85</sup>. To encourage developers, urban planners reduced their regulations regarding environmental goals and maximum housing prices. As there was an upwards-shifting trend in prices of newly renovated establishments, investors who were hoping to take advantage of future prices were able to make speculative investments accordingly<sup>86</sup>.

After the 1992 Summer Olympics, in the opinion of Beloso, “Barcelona had become very fashionable”<sup>87</sup>. The “Barcelona Model” was held in high regard by international policymakers as a benchmark for other cities. In June 1999, Queen Elizabeth II awarded the city the highly sought-after Royal Gold Medal on the counsel of the Royal Institute of British Architects (RIBA). The award was given in recognition of Barcelona’s distinct architecture, “commitment to urbanism”, and “mix of eye-catching landmark projects, small-scale improvements to plazas and street corners, and the teamwork between politicians and urbanists”<sup>88</sup>. The event marked the first time the award was given to a city and not professionals.

In line with its urban regeneration goals, the Barcelona City Council made newer plans that succeeded the first Strategic Metropolitan Plan. The City Council also created “thematic tourism” years, designing the city’s cultural offers around specific areas of interest every year. These themes involved a variety of fields, including names such as the “Gaudí year”, the “Design year”, and the “Science year”<sup>89</sup>. In 2000, the City Council approved a new urban order that would transform the city’s primary industrial district. The project, named “22@Barcelona” but often referred to as “Districte de la Innovació” (Innovation District), drove the ambitious renovation of 200 hectares of land accommodating defunct factories in the industrial district of Poblenou. It has been said that “22@Barcelona” has been transforming Barcelona from a Catalan “Manchester” to “Silicon Valley”<sup>90</sup>.

At the turn of the decade, to promote the historic centre, the City Council launched the “Viubé, viu a Ciutat Vella” (Live well, Live in the Old City) campaign. Turisme de Barcelona embraced creative tourism to promote this image, and public agencies such as the Barcelona Film Commission joined in this effort to diffuse positive portrayals of Ciutat Vella in the media<sup>91</sup>. Simultaneously, the municipal government’s need to remain relevant as an international point of reference led to the creation of the 2004 Universal Forum of Cultures. The Forum, approved by the United Nations Educational, Scientific and Cultural Organisation (UNESCO), intended to promote knowledge on cultural diversity, peace and sustainability. The seaside area that was renovated to host the Forum was developed in such a way that it was “highly disconnected from the urban landscape and local culture” and “generated profound disagreement among locals”<sup>92</sup>. Ultimately, the event failed to generate the attendance expected by the City Council and was boycotted by organisations such as Greenpeace and Amnesty International.

After the criticism generated by the Forum, the Barcelona City Council shifted its focus onto other mega-events and the appearance of sports venues<sup>93</sup>. The successes of F.C. Barcelona – the city’s largest sports club – have brought a lot of fame and avid fans to the city along with huge investments into the club’s stadium, Camp Nou<sup>94</sup>. The popularity of F.C. Barcelona has also been used to reinforce Barcelona’s reputation and status as the capital of Catalunya. Barcelona also hosts top-level conventions such as the Mobile World Congress and popular festivals such as the Sonar electronic music festival<sup>95</sup>. The city brand gained further awareness through television and movie references; for instance, the 2008 Woody Allen film *Vicky Cristina Barcelona*.

Meanwhile, up to 2007, swelling tax returns from the booming property and construction markets earned the national government high revenue surpluses. This period was referred to as the “urbanisation tsunami”<sup>96</sup>, when there was more housing built in Spain than Italy, France and Germany combined. The Spanish government also enabled the development of the aforementioned sectors through lesser supervision over the country’s financial markets – as a result of which several banks were able to hide their losses through an accounting technique called “dynamic provisioning”<sup>97</sup>. As the demand for rental housing was still relegated to working classes and immigrants, the rate of homeownership remained high; right before the 2008 economic crisis, the proportion of homeownership in the country reached 80.1%<sup>98</sup>. Upper-class lifestyle migrants utilised Barcelona’s neoliberal housing market to purchase second or third homes and rent them out to tourists.

In less than two decades, the number of overnight stays in Barcelona jumped from 3.8 million in 1990 to 12.4 million in 2008<sup>99</sup>. The growth of the tourism sector inflamed citizens' frustrations, as it induced a contest between locals' "right to sleep" versus tourists' "right to enjoy a Mediterranean lifestyle"<sup>100</sup>. The rising conversion of homes into vacation rentals contributed to mounting neighbourhood tensions; hence, the crisis of vacation rentals was already present before the popular home-sharing platform Airbnb entered the rental market in 2008<sup>101</sup>.

### 3.6 2008–2015: crisis management in the gentrified city

In 2008, Spain entered a deep economic recession and the Spanish real estate bubble exploded as the United States led the global economy into a mortgage crisis. Housing values dropped by half or more, and many households ended up owing more than the actual prices of their homes. Banks, overwhelmed with debt from non-payments<sup>102</sup>, dispossessed households throughout the country by seizing the homes of defaulters<sup>103</sup>. This recession, also known as the "Great Spanish Depression", lasted until 2014. In the years leading to the economic downturn, Barcelona had overseen a huge boost in its migrant demography. When the 2008 recession hit, these migrants were some of the first to be fired from their jobs<sup>104</sup>. Meanwhile, millions of euros from European public funds were being used to save the Spanish financial system. Foreclosed homes and non-performing loans were funnelled into a public asset management company. Debt investors were provided with large discounts, encouraging profit-seekers to purchase exceptionally higher amounts of natural resources and debt<sup>105</sup>.

In 2009, *Sociedades Anónimas Cotizadas de Inversión Inmobiliaria* (SOCIMIs, the Spanish version of REITs) were laid out as a rental market investment instrument by the Socialist government through an 18% corporate income tax fiscal programme<sup>106</sup>. However, three years later, the new Conservative majority in the government declared that the legislation was ineffective. With a new law in 2012, the Spanish state reduced legal obligations and regulatory barriers and removed all taxes for debt investors to "boost and revitalise" Spain's real estate market<sup>107</sup>. Shareholders of SOCIMIs, by this law, were entitled to at least 80% of profits from rental housing and 50% of profits from property sales (the other 50% could be reinvested into eligible assets in the next three years).

Despite the intensity of the national recession, Barcelona's local government continued its pursuit of a growth model that solicited international investment – this time advertising the city as a centre for tourism and smart technologies<sup>108</sup>. This was led by the city's new nationalist mayor Xavier Trias i Vidal de Llobatera, who presided over the City Council from 2011 to 2015, aimed to make Barcelona "the smartest smart city on the planet"<sup>109</sup>. Investors played on this crisis to restructure the tourism sector by commodifying civic culture and physical spaces. A lot of construction work in the city came to a halt, and many abandoned buildings were occupied by criminal networks<sup>110</sup>.

Citizen concerns with the issues of austerity were expressed through nationwide protests in the "15M" movement<sup>111</sup>. In Barcelona, Plaça Catalunya was occupied for two weeks<sup>112</sup>. Urban lobby groups along with left-wing independence party *Candidatura de Unidad Popular* (CUP) gained prominence during this time. One month into the "15M" movement, the municipal council presented plans for Can Batlló, a defunct textile factory that was to be turned into a social centre, to the Neighbourhood Association of La Bordeta and the Social Center of Sants<sup>113</sup>. This was perceived as a victory for the movement in Barcelona, and Can Batlló was made into a home for a non-governmental organisation (NGO) cooperative called *Coópolis*, a public housing initiative, and a library. Still, continued evictions led to multiple suicides across the country by the end of 2012. Subsequently, the housing crisis became the primary cause for alarm throughout Spain<sup>114</sup>.

All of these events and crises did not deter tourist numbers. Since 2010, Barcelona has remained in the top 10 list of most visited cities in Europe<sup>115</sup>. By the end of 2012, due to overtourism, the Catalan government introduced a mandatory tax on tourist overnight stays. The revenue generated by the tax was meant to fund tourism promotion further while improving the quality of tourism infrastructure. As it was fairly easy to rent spaces out through platforms like Airbnb, short-term rental outlets enabled a model of investment whereby private investors (such as SOCIMIs) would rent out properties through the services<sup>116</sup>. Consequently, the increased conversion of housing spaces into short-term rentals forced long-term residents out. This transformation also led to further escalations in housing prices, causing exclusionary displacement for lower-income groups and working-classes<sup>117</sup>. The PERI programmes initiated in Ciutat Vella were also bearing fruit by this time, as the demolitions had triggered an outmigration of mostly elderly Spanish citizens<sup>118</sup>. The gap left by the residential outflow was substituted by a younger population consisting mostly of foreign immigrants and more affluent citizens.

Faced with mounting pressure from anti-tourism protests, the government launched a Strategic Tourism Plan for 2010 to 2015. By 2013, district-based strategies had to be included in the plan to decentralise tourism<sup>119</sup>. Despite this, interactions between the public sector and angry citizens deteriorated. The Strategic Tourism Plan lacked media exposure, and many of the actors included in the policies did not abide by them. Upon evaluation, it was found that more than half of the proposed programmes under the Strategic Tourism Plan of 2010–2015 failed to meet their objectives. This was when *Plataforma de Afectados por la Hipoteca* (PAH – platform for those affected by mortgages) and CUP became crucial players in the municipal and regional governments<sup>120</sup>. Bottom-up social projects such as *El Barri que Volem* (“the neighbourhood we want”) and top-down approaches like *Pla BUTTS* were started around the end of 2012 and early 2013. Notably, *Pla BUTTS* allowed some of Barcelona’s empty spaces and vacant property and land to be used for education, sports, leisure or cultural activities<sup>121</sup>.

In 2014, a new political party named “Barcelona en Comú” was launched to promote participatory democracy. Barcelona en Comú’s campaigns were highly condemnatory of the city’s urban development and beautification process<sup>122</sup>. The party’s leftist discourse was widely picked up by media outlets and long-term residents who believed that Barcelona’s housing crisis was led by tourism and speculation. In mid-2015, the leader of Barcelona en Comú, Ada Colau, was elected as the mayor of Barcelona. Right after assuming power, Colau’s government extended a moratorium on tourist apartment licences.

#### 4 The touristification of Ciutat Vella

Ciutat Vella is home to the youngest people in the city on average<sup>123</sup>, with the least number of family-based households in the city<sup>124</sup>. This has made it an avenue for trendy consumption culture and social media-friendly cafes, shops, murals and other points of interest. In 2014, between 240,000 and 320,000 people walked through La Rambla (a 1.2-kilometre-long pedestrian street in Ciutat Vella) daily, but only 21% of the wayfarers were Barcelona locals<sup>125</sup>. The folium layer density maps of Barcelona (Figures 1, 2, and 3) show the interactions between tourist attractions, restaurants and Airbnb listings in the city. From these maps, it can be seen that the high intensity of attractions in the city centre coincides with the density of Airbnb listings. Locals living in those areas complain that they do not have shops to go to for food or drinks<sup>126</sup>, as businesses in such neighbourhoods sell goods that are unaffordable for locals.

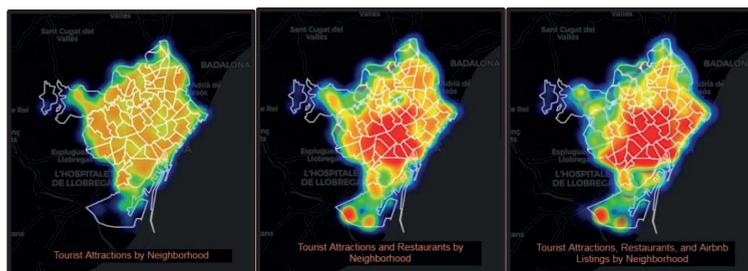


Figure 1 (left): Folium Layer Map of Tourist Attractions in Barcelona by Neighbourhood (2019); Figure 2 (middle): Folium Layer Map of Tourist Attractions, Restaurants and Bars in Barcelona by Neighbourhood (2019); and Figure 3 (right): Folium Layer Map of Tourist Attractions, Restaurants and Bars, and Airbnb Listings in Barcelona by Neighbourhood (2019). Source: Li Zhuang<sup>127</sup>

Analysing heat maps of the most photographed areas of Barcelona, the differences between how Barcelona (Ciutat Vella, in particular) is used by locals versus tourists become clearer. Figures 4, 5 and 6 were constructed by data visualiser Erica Fischer in 2011. Fischer utilised geotagged images from public search application program interfaces (APIs) to create them.<sup>128</sup>

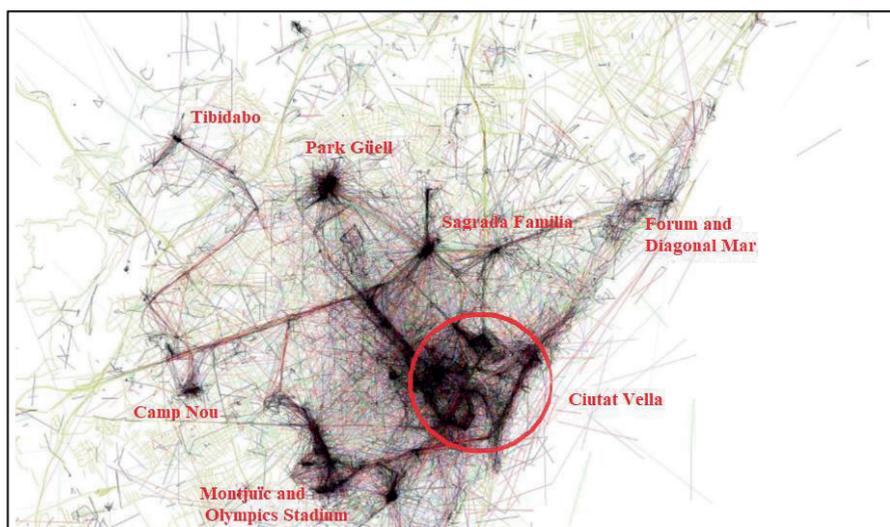


Figure 4: “The Geotaggers’ World Atlas” / Barcelona. Source: Erica Fischer

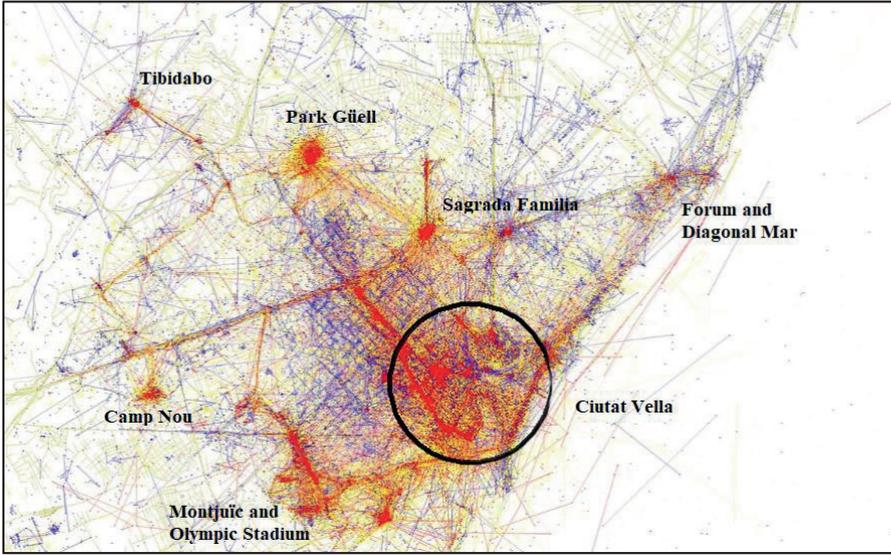


Figure 5: “Locals and Tourists” / Barcelona. Source: Erica Fischer<sup>129</sup>

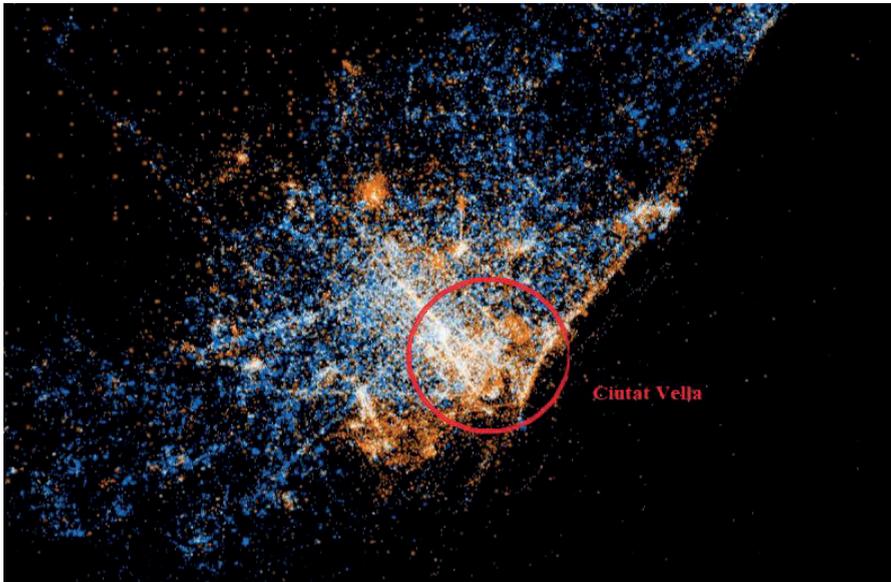


Figure 6: “See Something or Say Something” / Barcelona. Source: Erica Fischer<sup>130</sup>

The first album, “The Geotaggers’ World Atlas”, contains 100 maps of large cities or popular sites mainly from North America and Europe, from which I took the map of Barcelona (see Figure 4). The darker points on the map represent places that have the most number of geotagged photos appearing through the APIs of photo-sharing websites Flickr and Picasa. There are darker clusters near popular tourist spots such as Park Güell and Sagrada Família, and an exceptionally high concentration of geotagged images in and around Ciutat Vella (encircled).

The second album, “Locals and Tourists”, consists of 136 maps, from which I have displayed the one of Barcelona (see Figure 5). The map differentiates between “locals” (blue

points) and “tourists” (red points) by classifying people who took photos in the city for a month or more as “locals” and people who took photos in the city for less than a month as “tourists”. The yellow points are from pictures taken by people who did not clearly fall under any of the two distinctions. While the blue points are more scattered all around the city, the red points form agglomerations in and around tourist spots. The Ciutat Vella area, encircled, hosts many of these red point clusters.

Fischer’s last album, “See Something or Say Something”, consists of 50 maps that were put together using geotagged photos from Flickr and geotagged tweets from Twitter<sup>131</sup>. From this album, I have selected the map Fischer made of Barcelona (see Figure 6). The orange dots are locations of Flickr photos, while the blue dots represent tweets from Twitter. The white dots are places in which both photos and tweets were posted. Again, as can be seen, there is a high concentration of orange dots in and around tourist spots; and there is a great incidence of both orange and white clusters in and around Ciutat Vella (encircled).

## 5 The emergence of SOCIMIs

News articles from June 2019 state that the 70 Spanish SOCIMIs enrolled in the stock market hold properties valued at more than €46 billion<sup>132</sup>. Spain is second in the world (after the United States) in terms of the prevalence of such firms, and one-third of all listed SOCIMIs focus on residential rentals<sup>133</sup>.

By 2016, 43% of all apartments in Barcelona were owned by property investors<sup>134</sup>. Due to a high concentration of SOCIMIs, the growth rate of rental prices in Barcelona is significantly higher than that of other cities in Spain. According to a study commissioned by the Barcelona City Council, renting homes to tourists may be 2.35 to 4.07 times more profitable than renting to locals<sup>135</sup>. Therefore, many SOCIMIs prefer to enlist their apartments in home-sharing platforms to maximise rent-seeking. As the housing market is so deregulated in Barcelona, SOCIMIs can charge as much as they can extract from residents while pushing out low-income tenants. The number of evictions has escalated due to this, with 12,322 evictions taking place between 2015 and 2017<sup>136</sup>. A large portion of these evictions have occurred in Ciutat Vella, because of which the district is facing an intensified yet systemic form of gentrification. If neighbourhood data is analysed, it can be seen that in the Ciutat Vella neighbourhoods of Barceloneta, Barrio Gòtico and El Born, the percentage of buildings that are owned by real estate investors is 86%. As one moves further away from the city centre, the percentage decreases substantially<sup>137</sup>.

## 6 The accumulation of urban renewal, touristification, and gentrification

Arbaci and Tapada-Berteli have found that many of the transnational migrants in Ciutat Vella are concentrated around renewed areas and some PERI demolition zones<sup>138</sup>. Most expatriates have located themselves near cultural hotspots such as the Museu d’Art Contemporani de Barcelona (MACBA), Centre de Cultura Contemporània de Barcelona (CCCB), and the Santa Caterina market. The location of these hotspots in historically deprived areas has led to the formation of “micro-pockets of wealth”<sup>139</sup>, where public services are geared towards cultural consumption. However, there are also “micro-pockets of marginalisation”<sup>140</sup> in the same areas, where the prevalence of non-demolished buildings and residual rental stock has led to the intensification of inequality. These micro-pockets are where many of the PERI’s decanted residents were resettled, and where non-affluent migrants expanded residences and ethnic trade<sup>141</sup>. Due to the segregation dynamics in Ciutat Vella, the district is also the “capital of robberies and crimes”<sup>142</sup>. According to data from the Catalan police force, Ciutat Vella saw 40 crimes for every 100 residents in 2016; whereas the number for the rest of Catalunya usually rests between one and 10 for every 100 residents<sup>143</sup>. Furthermore, since the 2008 economic crisis, flats that had been emptied by banks and SOCIMIs were increasingly being occupied by narco-criminal groups. The SOCIMIs did not

sell the flats as they anticipated the property prices to rise, while drug rings took advantage of loopholes in squatting laws to settle into those same flats<sup>144</sup>.

## 7 Contradictions between the city, state, and lobby groups

Contradictions between municipal, national and European rulings have added to the difficulty of controlling tourism gentrification and the resultant segregation. Spanish laws have allowed the appropriation of land for capital gains, and the legal creation of tax-free SOCIMIs has exacerbated this issue further<sup>145</sup>. The Law of Urban Leases in 2013, which decreased tenant protections<sup>146</sup>, enabled SOCIMIs to easily displace working-class residents. This law was altered again in 2019 through the Rent Decree Act. Even in such a situation, the Spanish and Catalan governments have refused to limit rental prices. As maintained by the director of the Catalan Housing Agency, Judith Gifreu: “We have to bear in mind that the right to housing may be constitutional but so too are the rights to private property and free enterprise. It is in the middle point that the satisfaction of general interests lies”<sup>147</sup>.

Power struggles between political groups have also limited the capacity of legislation passed by the City Council. For example, an anti-eviction and anti-energy poverty law that was passed in 2015 by Colau’s government was suspended for two years due to an “unconstitutionality” appeal by the conservative Popular Party in 2016<sup>148</sup>. On top of all this, European directives have forced changes in municipal housing laws. In 2019, the European Court of Justice (ECJ) declared Airbnb a digital information provider (a technological platform that merely connects hosts and travellers for a fee) rather than a traditional business, meaning that Airbnb does not have to ensure that landlords comply with local laws<sup>149</sup>. The municipal governments of Amsterdam, Barcelona, Berlin, Bordeaux, Brussels, Krakow, Munich, Paris, Valencia and Vienna have complained to the European Commission about rental gentrification in their cities multiple times – but the ruling by ECJ has rendered their efforts futile. In addition, lobby groups such as the European Holiday Housing Association (EHHA), representing platforms like Airbnb, have manipulated the European Commission into curtailing the Barcelona City Council’s tourist rental policies. According to EHHA, the local government’s efforts to minimise tourist rentals are in breach of the European Union’s single market rules<sup>150</sup>. This has been in response to regulatory actions by Colau’s government in particular, which has fined home-sharing platforms, shut down illegal flats, and suspended licences for new apartments on multiple occasions.

According to InsideAirbnb, approximately 78% of the 18,302 listings in Barcelona are unlicensed or illegal<sup>151</sup>. Although Airbnb and Barcelona City Council reached an agreement in 2017, Airbnb is yet to comply with the terms of the proposals set forth by the City Council. More recently, the City Council imposed a complete moratorium on all new licences for tourist apartments<sup>152</sup>. However, the impacts of the latest tourism and accommodation policies (especially in light of 2020’s pandemic-affected economy) are still too difficult to assess and are beyond the scope of this chapter. Moreover, legislative loopholes are easily misappropriated by private businesses and landlords. The pace at which private investors have displaced long-term citizens calls into question the way housing policies have been designed in the first place.

## Conclusion

Barcelona is a city where the processes of globalisation and financialisation have come together to interact with the city’s historical policies, housing market dynamics and place marketing campaigns, therefore producing a kind of gentrification that is unique to the city. Barcelona’s historic centre, Ciutat Vella, home to the city’s working-class and low-income migrant populations since the mid-19th century, has been a crucial centrepoint for financialised real estate and short-term rentals. During Franco’s rule, Ciutat Vella experienced severe urban

neglect and degradation, and the post-industrial conditions of the 1970s accelerated the district's poverty and crime rates. In the 1980s, the entire district was declared an area of rehabilitation, triggering urban renewal movements. At the same time, the housing market was liberalised and tenancy legislation was reduced by the government. Hence, given the combination of its central location, working-class population, and decaying real estate, Ciutat Vella became the ideal place for gentrification to take place. This was compounded by an increase in internationalisation and place promotion, especially in light of the 1992 Olympic Games -- attracting gentrifiers in the form of tourists and transnational migrants. In the wake of the 2008 financial crisis, the housing market was financialised through SOCIMIs, and equity investors flocked to Barcelona due to its status as a destination city. This contributed further to the city's segregation and overcrowding problems. On top of all this, the steep rise in short-term rentals acutely affected the supply and prices of homes that have been available for long-term tenants.

Given its aesthetic value and heritage, tourists and transnational migrants prefer to relocate to the Ciutat Vella area, while investors and property holders in the district prefer renting homes to tourists and short-term migrants as there is a higher potential to make profit. Affluent transnational migrants have higher purchasing powers than locals, and so are willing to pay higher rents. As such, tourism gentrification has reduced housing supply and displaced local residents to create "micro-pockets of wealth"<sup>153</sup>. At the same time, the district continues to suffer from poverty and crime due to the worsening social conditions of long-term residents who dwell in "micro-pockets of marginalisation"<sup>154</sup>. The urban and commercial fabric of the district has been greatly altered due to the coexistence of such spaces and differences in consumption.

Given the limits in power for the Barcelona City Council, it is clear that local solutions alone are not enough to address its predicament. The City Council needs to establish a greater level of cooperation with the state and the European Union to be able to transparently regulate short-term rentals and speculators. Additionally, the municipal government should promote its policies to generate better alliances from citizens. The economic return from housing financialisation in tourist cities has been largely profitable for investors and property owners, but there has been no visible trickle-down effect in Barcelona's society. What has become apparent throughout this chapter is that rent-maximisation in urban housing has systematically displaced and segregated residents. This displacement has involved the revaluations of homes, intentional degradation of buildings and forceful evictions. Hence, Barcelona's promotion strategies have neither helped low-income citizens nor fully halted urban decay. In the end, the tourism and housing strategies employed by the state and municipal governments have allowed gentrification and monopoly rent collection to prevail. It is clear that the City Council's ability to regulate speculation and vacation rentals is quite limited, and their initiatives have not dealt with the roots of Barcelona's segregation and gentrification crises.

The case of Barcelona and its historic centre indicates the presence of a deeper structural problem, especially given that the municipal government's policies have done little to combat the city's social and spatial inequality. Neoliberal arguments that are used to defend tourism and liberalised housing markets fail to account for the accumulation of profits by property owners, the public costs of the industries, the infrastructural pressure on tourist areas to meet migrants' consumption needs, and the social impacts (such as socio-spatial segregation) on residents. Unregulated tourism gentrification in a liberalised market may radically worsen citizen relationships and socio-spatial segregation.

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## 4. Unravelling the Brazilian LGBTQ+ Urban Geography: Queer Spaces as a Local Alternative in the Fight Against Homotransphobia

*Based on the thesis "Of Other Contexts: A Very Brazilian LGBTQ+ Urban Geography"*

*Lemos, Davi*

### Introduction

Brazil, while ranked as one of the five safest countries for the LGBT population by Travelers Today<sup>1</sup>, is also the one that kills these people the most, according to a report released by Grupo Gay da Bahia<sup>2</sup>. In this way, Brazil's LGBTQ+ population, as well as their worldwide counterparts, have historically had to create innovative and different pathways in order to resist prejudice and be able to express their true selves. Cities, in turn, seem to offer them a higher possibility of getting together in spaces – clubs, bars, cafes, shelters, for instance – where a community/social network can be developed due to its likely higher tolerance, diversity and openness to new experiences<sup>3</sup>. Consequently, the idea of the so-called 'queer space' was born as a local initiative in both London and New York so people could actually make a living, as it was a time when the LGBTQ+ population struggled to find a job if they were 'out of the closet'. Not only did these places let them explore their potential through art, music, dance and fashion, but they also created a sense of belonging.

This research discusses Brazil's queer urban spaces and their dynamics, more specifically in the city of Rio de Janeiro. However, in a macro view, it also aims to analyse the issue of the contemporaneity of how to deal with differences in the face of a societal model and city built on the basis of heteronormativity and oppression. In Brazil, marginalised groups, such as LGBTQ+, black and indigenous people, still struggle with prejudices of their practices and ways of being by conservative and fundamentalist cisgender men that state what is and is not allowed, correct or incorrect. However, for this idealised figure of the 'correct Brazilian' to be constituted, it is necessary that this 'other', understood as the 'constitutive outside', also exists in both the collective and individual identity<sup>4</sup>. The marking of difference, through symbols of representation and practices, helps to transform this 'different' into an 'outsider', contributing to their marginalisation and social exclusion, even within the domestic environment.

Thus, identity-building processes like the Brazilian one help to produce and reproduce ways of being and acting in the world<sup>5</sup>. Even identities that claim to be hegemonic, such as heteronormative ones, need to be constantly renewed, since they are always subject to contestation<sup>6</sup>. The identities based on "race", "gender", "class" and "sexual orientation" have been gaining more and more space in the struggle for a more egalitarian and fairer world. In

Brazil, for instance, severe restraints and acts of violence have befallen those who have attempted to normalise the LGBTQ+ body to an archaic and segregating model of civilisation and identity, brought by colonisation, that does not recognise other ways of being, their cultures or spaces. The latent homotransphobia that infringes on these bodies is being reinforced not only by individual practices, but also by public policies when, for example, homophobia is removed from the Brazilian Ministry of Education's list of prejudices that must be combated through education<sup>7</sup>.

However, even with so much oppression, the presence of the LGBTQ+ community in urban territories is undeniable, and it has been researched and debated, mainly by Euro-American scholars, since the 1980s. Unlike many western cities, Rio de Janeiro and its LGBTQ+ urban geography have not yet been researched in depth. By focusing on this particular city, I ensure the expansion of LGBTQ+ perspectives and realities into mainstream academic while also guaranteeing that our stories, our memories and our lives never be forgotten<sup>8</sup>. LGBTQ+ memory has, universally, always been taken for granted or erased from the mainstream, making it necessary to collect all this data and preserve it for the heritage of our history.

Therefore, this paper aims to define the Brazilian 'LGBT+ Urban Geography' as well as to illustrate the idea of queer spaces being a local alternative in the fight against homotransphobia in countries where the LGBTQ+ community is not broadly accepted. In the next subsection I further illustrate the methodological approach used in this investigation in order to achieve the aforementioned purpose.

## 1 Sources and methods

Qualitative researchers act as participant observers and are seldom neutral in the field, instead embracing this method as a moral discourse<sup>9</sup>. I shall consider this approach as my own due to the explicit political act of being a queer body and, therefore, through my investigation, to compile experiences and practices that have enabled LGBTQ+ citizens to exist – and to resist – in urban spaces. This paper had a mixed quantitative and qualitative research perspective as it attempted to fill a gap in theoretical knowledge about queer society by collecting and analysing various types of data. This data collection has helped me to gain a better understanding of Rio's current LGBTQ+ scenario, its dynamics and its spaces, and to form some general impressions of the LGBTQ+ population that lives in the city.

Furthermore, in order to analyse these urban dynamics, my research also focused on the personal experiences of queers who are/were involved in these specific urban spaces by interviewing LGBTQ+ people and giving them the space needed to recount their lives and experiences. For this research, I conducted 13 semi-structured online interviews in Rio between March and May 2020. The results were interpreted according to content and narrative analysis approaches. In relation to the recruitment of participants, I attempted to select a diverse group of people, prioritising those who do not conform to the hegemonic identity of a cisgender white gay man<sup>10</sup> within the LGBTQ+ community.

I also conducted a survey with 192 respondents who either are from or currently live in Rio de Janeiro, in order to find out more about their impressions of LGBTQ+ spaces in general and, more importantly, in the city. This anonymised data allowed me to have a better collective idea of what LGBTQ+ people in Rio have in mind when they think about an LGBTQ+ space, how this space relates to the city, how they have been using these spaces, how they see the city itself, and the city's relation to queer bodies. In sum, I was able to find commonalities in order to attempt to define collectively – and from our own Brazilian prism – the LGBTQ+ urban geography in Rio and its importance over the last 20 years.

Needless to say, the Covid-19 pandemic had a tremendous impact on my full research. It was also a challenge to conduct many online interviews, to go after respondents for my survey, and to respect people's boundaries, as well as my own, during such a hard and unusual time.

However, the pandemic reinforced many of the issues that are already faced by the community. The majority of LGBTQ+ individuals in Brazil are positioned in a place of vulnerability, especially transgender people and black queers. In sum, this situation expanded my view on academia and queer research, and I affirm that *this is a ‘radical queer urban’ research project that “works across empirical, theoretical and activist work”<sup>11</sup>*.

Therefore, this chapter has the following structure: first, the theoretical underpinnings necessary for the development of the central research argument will be presented. The following section is dedicated to the relation of the city of Rio de Janeiro with its queer population, positioning it within current debates. The fourth section seeks to expand the debate by bringing the understanding of a queer space for Brazilians, as well as to exemplify what I call ‘other spaces’: LGBTQ+ spaces that do have a very important role on queer life but are not necessarily embedded in the night-time status. To achieve this, I selected a queer urban space that is fundamental to the right of existence and resistance for the LGBTQ+ population in the city: NGO Casinha. Thus, this research is a critical analysis of the queer urban scenario in Rio de Janeiro that aims to understand how gender and sexuality issues are intertwined with the processes of urban geography, producing paradoxical relationships in regard to LGBTQ+ groups and their spaces.

## 2 Literature review

Before advancing to the case study, it is important to have a clear understanding of some theoretical discussions and terms presented in this paper.

### 2.1 Geographies of sexuality

LGBTQ+ urban geographies – mainly gay and lesbian geographies – first appeared in academia through North American scholars that attempted to map ‘gay landscapes’ in the U.S., such as Weightman<sup>12</sup> and Castells<sup>13</sup>. These works illustrated that there was already a spatial basis to sexual identities, especially gay men, and inspired many scholars to explore the role of the LGBTQ+ community in urban areas<sup>14</sup>. However, as Binnie and Valentine<sup>15</sup> also state, it is vital to do a “queer reading of the discipline of geography itself”. Alongside some contemporary scholars that have been decentring sexualities as well, my research also deeply analyses a very specific and decentred reality from the Global South.

### 2.2 Queer spaces

Queer space has been characterised as a heroic and liberating space that goes beyond normativity<sup>16</sup>. Queer spaces are ‘unfixed’ and contested, in a constant state of renewal and change<sup>17</sup>. As a particular form of queer space, gay and lesbian spaces in Brazil are currently experiencing deep transformation through the consolidation of a third wave in its LGBTQ+ movement, which centres on parties, activism, new identities, and plurality<sup>18</sup>. These transformations connect with broader urban politics and processes, including struggles over the right to the city<sup>19</sup>.

### 2.3 Intersectionality

The system we are in relies on the basis of difference – that is, it creates many different types of discrimination that spreads across multiple identities. Within each societal group, there is a plethora of subjectivities that, most of the time, are not equally represented in the bigger picture. Consequently, even groups that are marginalised by the hegemonic part of society create segregation among themselves, reinforcing the invisibility of certain individuals<sup>20</sup>. In the LGBTQ+ community, for example, a black trans woman occupies an inferior position if

compared to a cisgender white lesbian, emphasising that this hierarchy worsens when categories such as race and class are thrown into the discussion. Intersectionality, therefore, is the intersection point of different types of discrimination at the same time<sup>21</sup>. A contextual analysis is necessary as these categories have their own historical context and are intertwined with their social, cultural and political context<sup>22</sup>.

## 2.4 Heterotopias

Michel Foucault, in *Of Other Spaces: Utopias and Heterotopias*, presents the concept of a heterotopia as spaces in contemporary society that have been overlooked by Western culture by showing deviations from the norm. According to the author, Western rationality, in search of the universal and the same, suppressed multiplicity (that is, the different), creating a common idea of life commanded by what he calls ‘sacred spaces’<sup>23</sup>. As he states:

“These are oppositions that we regard as simple givens: for example, between private space and public space, between family space and social space, between cultural space and useful space, between the space of leisure and that of work. All these are still nurtured by the hidden presence of the sacred”<sup>24</sup>.

Heterotopia<sup>25</sup> translates into the space of the other, where different power relations are exercised and geared towards the normalisation of this ‘other’, like sexuality, prisons, schools, and so on. Foucault illustrates that in every culture and civilisation there are real places that work as “counter-sites, a kind of effectively enacted utopia in which the real sites [...] are simultaneously represented, contested, and inverted”. Society itself produces heterotopias<sup>26</sup> and to analyse these spaces is to understand conflicts and tensions behind their existing power relations<sup>27</sup>.

After a brief overview of the main debates and concepts of this research, the next section will provide a short context of the city of Rio in relation to its LGBTQ+ population.

## 3 Rio De Janeiro’s LGBTQ+ context

The LGBTQ+ community, especially gay men, has become an important driving force for Rio’s nightlife economy. In 2009 a survey conducted by the University of São Paulo (USP)<sup>28</sup> in 10 different state capitals in Brazil found that in Rio de Janeiro 19.3% of cis men were gay or bisexual and 9.3% of cis women were lesbian or bisexual<sup>29</sup>. Even keeping in mind that other members of the community were not represented in this research, such as transgenders, the percentage alone shows that there is a large LGBTQ+ population in the city, about 1,000,000 people out of almost 7,000,000, which makes these individuals visible and extremely important for the municipality’s economy.

In the Brazilian context, even when analysing queer subjectivities, an intersectional approach is indispensable. This is because hierarchies related to racial and social issues are also internalised by this minority group in many different times and occasions. It creates, thus, another unequal system within an already unequal system. Most LGBTQ+ individuals that have a higher income and a similar point of intersections – that is, gay, white, cisgender, upper classes – seek richer and more central areas of the city to live in as well as for attending spaces of mutual identification<sup>30</sup>. These neighbourhoods are known for their better infrastructure<sup>31</sup>, security and ‘supposed’ hospitality towards LGBTQ+ population. As De Jesus states, in many poorer areas, the lack of security coupled with a more conservative education contributes to a hostile environment for queer bodies. However, as he says, even in safe zones, a performance coined by Miskolci<sup>32</sup> as ‘closet regime’ is constantly reproduced by homosexual men in richer areas. That is, the reinforcement of heteronormativity through attitudes and behaviours in a way to become “invisible” to violence and intolerance<sup>33</sup>.

Even in the face of a situation of violence that directly affects homosexuals, there is a homopatriarchy patent in the role of gay, white, cisgender and upper middle-class men, when analysing access to the consumption of goods and services available in the [LGBTQ+] night economy, which relegated lesbians, bisexuals, transgenders and gay men of other races and social classes to the background, for example<sup>34</sup>.

In Rio de Janeiro, the LGBTQ+ population creates spaces of sociability and a unique culture, as most of the time they are carriers of a “social stigma resulting from a degenerative process of cultural labeling”<sup>35</sup>. Moreover, in these queer spaces, they also organise themselves for political acts and claiming purposes<sup>36</sup>. The city of Rio, due to its diversity and national importance, places itself in a different position in relation to other Brazilian cities. Rio was able to consolidate a locus for the most varied social identifications – even if they are stigmatised most of the time – being, therefore, considered a liberal environment<sup>37</sup>. Furthermore, it is through carnival that these “marginalised” groups seem to be able to achieve “paroxysm and apogee” in the public space<sup>38</sup>. However, from the 1980s onwards, with the HIV epidemic – which especially stigmatised cis gay men – what was being constructed through sexual (homo) liberation movements was repressed by oppressive values. Thus, despite living under an image of a “libertarian city”, the city of Rio also has a very deep-rooted repression movement that is averse to these new “freedoms”<sup>39</sup>.

The city council, businesspeople and users in these spaces played key roles in the reconstruction and structuring of LGBTQ+ nightlife in the city. De Jesus<sup>40</sup> argues that the city government relied on the exclusionary parameters of “pink capitalism” to promote the revitalisation of certain areas in the fight against LGBTQphobia. By inspecting public spaces as well as initiatives taken by entrepreneurs, governors focused on already revitalised or richer areas in the city centre and in the South zone. Parallel to this, businesspeople supported cultural projects in these same areas and concentrated their investments on high-income gay men. In this way, these upmarket and central areas of the city turned into symbolic spaces for this specific group to express their own selves and their identity to the detriment of other regions that have been constantly associated with prejudice, oppression and rejection<sup>41</sup>.

This section has illustrated the relationship between Rio de Janeiro and queer bodies. In the survey, respondents were asked to describe how it is to be an LGBTQ+ person in the city in one word. Due to ongoing discrimination, the results were not surprising: the vast majority are negative words (87) with only 46 positive ones. Also in the survey results, there are many more types of spaces that LGBTQ+ people consider as being LGBTQ+ other than just nightclubs. That is why I, in order to provide a more complete answer to this paper’s question and expand the debate by bringing other LGBTQ+ realities to light in addition to a nocturnal life one, decided to feature a short case study in the next section, which I have called “Other spaces”<sup>42</sup>.

## 4 Defining an LGBTQ+ space according to Brazilians

This final section will start by trying to find a common definition of what an LGBTQ+ space is or should be in Brazil through interviewees’ and survey respondents’ answers and opinions, as the mainstream ones do not necessarily relate to Brazil’s reality. To illustrate the plurality behind LGBTQ+ spaces, this section will also have a short case study: Casinha, an LGBTQ+ organisation. In its final remarks, a model of intersecting functionalities created to apply to this specific context will be explained and further explored in order to understand Brazilian LGBTQ+ spaces dynamics.

### 4.1 LGBTQ+ spaces

As previously discussed in the theoretical section, there is no common definition for a queer space; nor, as I argue, would such a universal definition embrace all realities and subjectivities. In

addition, most existing studies and definitions rely on gay and lesbian spaces that many times do not transgress the norms – for instance, cisnormativity<sup>43</sup> – nor include all members of the LGBTQ+ community for their analyses. Not dissimilar to other major cities in the world, Rio de Janeiro's queer venues are still very focused on cisgender gay men, especially its nightclubs, saunas and sex clubs. Due to this, an attempt to define the city's LGBTQ+ urban geography only by its night-time spaces would lead this research to repeat the vicious cycle of only taking a look at the more privileged spaces within the community. In order to expand the discussion, this investigation focuses on other types of LGBTQ+ spaces as well as other individuals within the community.

Through interviews and survey answers, I was able to identify directly – and indirectly – characteristics that cross people's minds in Rio when they think about an LGBTQ+ space, or what they believe it should be like. In the survey, when they were asked, "How would you define in a few words a queer/LGBTQ+ space?" there was a set of words that appeared quite often in their answers: freedom (39), no judgement (32), welcoming (27), safe (21), diversity/plurality (11), respect (11), inclusive (11) and happiness (5). Also, in Figure 1 below<sup>44</sup>, it is possible to notice that in the selected full answers a strong feeling towards feeling safe, free and being able to express oneself represent the common themes that permeate the ideals of a LGBTQ+ space.

Where most people or all are LGBTQ+.

A space free of oppression and gender and sexuality stereotypes.

A space where we don't have to hide who we are.

A space where I feel comfortable enough to kiss or show affection to another LGBT person without fear of looks, judgement, etc.

A space that encourages LGBTQ+ culture.

A space in which prejudices on account of gender identity or sexual orientation are not tolerated.

A space where we are not afraid to show and act as we really are, whether in the way of dressing, speaking or being with our partners.

A space that welcomes, provides security, brings together and represents the Queer/ LGBTQ+ community.

Spaces aimed at the LGBTQ+ population, prioritising the deconstruction of prejudices, politicisation, acceptance and coexistence.

A space for people who do not feel very comfortable in normative environments, which can mean a space that accepts, desires and/or encourages artistic/political expressions in their space; that respects the new, the provocative without discrimination, but that does not tolerate intolerance.

What it is: a space generally dominated by (mainly white) cis gay men.  
What it should be: a space where freedom and respect reign.

Figure 1: How would you define in a few words a queer/LGBTQ+ space?<sup>45</sup>

Furthermore, academic scholars that investigated queer urban geographies and their spaces mainly analysed the nocturnal queer life of a particular city, neglecting other types of spaces such as shelters, organisations, museums, parties and events (temporal and itinerant). Due to this, in order to expand possibilities and the scope of analysis, in the same survey, respondents were also asked which types of spaces they would agree qualify as a LGBTQ+ space. There were 12 options (Figure 2 below) and they could choose as many as they want, including all of the options (55.2%), LGBTQ+ pride parade (54.2%), LGBTQ+ shelter (53.1%), LGBTQ+ nightclubs and LGBTQ+ NGOs (50.5%, each), LGBTQ+ parties/events in neutral/hybrid spaces (50%) and carnival LGBTQ+ street parties (46.4%). Coincidentally – or not – the first two types of spaces after ‘all of the options’ do not refer to nocturnal life; two of them refer to spaces for social activities and three of them refer to ‘spaces’ in a non-built environment. These choices surely reflect the city’s behaviour of being a very lively and outdoor atmosphere.

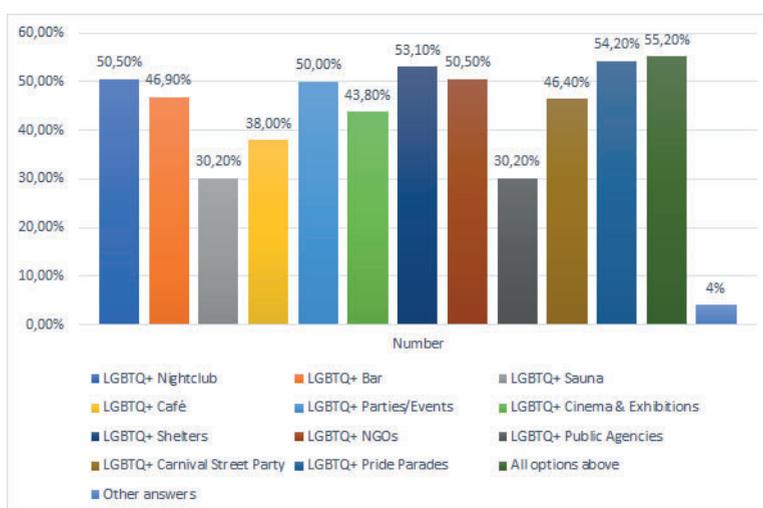


Figure 2: Which of the below options do you consider to be a queer/LGBTQ+ space?<sup>46</sup>

That is why, in order to provide a more complete and truer overview of Rio’s LGBTQ+ urban geography, it is impossible not to mention and analyse other spaces, such as social initiatives and carnival parties, that are quite relevant and popular for the city’s LGBTQ+ population. For Natália Pazetti, an organisation “has to be considered an LGBTQ+ space. Perhaps much more than a nocturnal space. [A nightclub is a] very important space for socialising, for discovering our sexuality, but we need safe spaces where there is debate [and] access to education, culture, health care”.

#### 4.2 Of other spaces: the NGO Casinha

“A welcoming and mobilising network that mobilises many people from many different areas to promote health, education and the freedom of the LGBT individual; offering services that the State should offer”<sup>47</sup>.

Natalia Pazetti, the founder and current president of ‘Casinha’, said during her interview that the project came about due to a series of events. Having studied political sciences at UNIRIO from 2013 to 2017, Pazetti got involved with research groups and social movements, especially those

connected with human rights and LGBTQ+ rights. By studying the persecution of gay men in Chechnya, the theme of violence suffered by the LGBTQ+ community – both externally and internally, sometimes even at home – became a deep-rooted issue. Consequently, she started to think about safe spaces where these people could live and create links: “the question of safe spaces goes as far as including loving relationships, becoming a question of survival in many cases.” Her thoughts were put into practice when she took in a lesbian who had been kicked out of her house and asked for shelter in a lesbian group on Facebook. Due to this, she started to investigate these topics and got to know the project “Casa 1”<sup>48</sup> in São Paulo. She soon realised that there was a need for a space like that in Rio, and thus “Casinha” was born.

Due to them still not having a physical space, many of their meetings and activities take place in NEX, a co-working space in Glória, in the South zone. Pazetti explains that they are given the space free of charge because they believe in the project, and she also says that other activities take place in other partner spaces. During the almost three years of the project’s existence, they have tried to rent a space in the city, but it is very difficult due to many obstacles. Despite assisting various facets of the LGBTQ+ community, Pazetti does not believe that they will be able to fully access the trans community because they predominantly help women, of whom more are cis than are trans. She says, “I feel the trans community is more shut off, perhaps for all the violence they have had to endure in their lifetimes, they feel more at ease with organisations run by trans people. [Although] we have trans volunteers, no one in the organisation is [trans]”. However, over the years, they have created a strong network of services dealing with four main areas of action: employability, education, health and culture (Figure 3).

Areas of Action	Initiatives
<b>Employability</b>	<p>Their first focus with businesses: they carry out dialogues with employers and show them the reality of the LGBTQ+ community in the job market and the importance of relaxing the selection process, especially when it comes to the trans population. They also run awareness workshops with these businesses and their teams.</p> <p>Their second focus with the LGBTQ+ population: they empower those who need work, writing their CVs and even implementing selection processes with businesses specifically geared towards the LGBT community.</p>
<b>Education</b>	<p>In this area, they have many programmes and, when they have their own physical space, they want to host university entrance exams. At the moment, they coach virtually, in partnership with Descomplica, where people have free access to this platform’s lessons. They also offer academic support and courses in gastronomy and cultural production, among other things.</p>
<b>Health</b>	<p>Casinha created a network of health professionals who offer their services to LGBTQ+ people at either a reduced rate or free of charge. The health professionals undergo an awareness course, accompanied by the organisation as well as the patients. They also have psychologists who host group therapy sessions and help in other aspects relating to health.</p>
<b>Culture</b>	<p>They host debates, lectures, film clubs, cultural events and parties with the goal of having spaces of exchange that are safe for the community.</p>

Figure 3: Casinha’s main initiatives<sup>49</sup>

As said previously, they still do not have a physical space of their own, and first and foremost they want to have a space to house an LGBTQ+ NGO, which Pazetti says is “already very difficult, and even more so when it is an LGBT NGO that provides shelter.” Pazetti cites the fact that their institutional statute recognises them as a shelter, leading to them losing out on many tenancy agreements. Even when they told the owners that it would not be a shelter for the time being, or that they would not use that particular place to do so, the owners still did not want to sign a tenancy agreement. To begin with, they want a space for all the activities they already do, bettering them with meals, a communal bathroom, a communal laundry room, food baskets and hygiene packs, as well as becoming a delivery point for the homeless population, so many of whom are LGBTQ+. Only in the future would it become a true shelter. Today, there are 13 LGBT shelters in Brazil, only three or four of which are true shelters; the rest are projects that carry out other initiatives.

When asked what she believed was the main motive for the refusal of and difficulty in arranging a tenancy agreement for the NGO, Pazetti claims that in most cases she is sure it was down to it being for the LGBTQ+ population. In a few others she puts it down to it being a shelter, believing the place would be ransacked, or attract the police’s attention and also due to the connotations with prostitution. She recounts one of the times there was a place that had been on the rental market for a long time, completely trashed, and she and her team made a renovation proposal to analyse the best way to improve the space, becoming a posterior bonus for the proprietor. Despite this, the proprietor refused their offer. They were informed by the estate agent that the place was eventually rented out to a security company whose proposal was inferior to their own. All of their attempts to rent somewhere have happened in the neighbourhood of Tijuca, Casinha’s main focal point, because there is a medical centre there, HeitorBeltrão, that does a lot of good work for the LGBT population and focuses on trans people with groups of specialised care.

In an attempt to foster other spaces, Casinha helps other organisations, such as Casa Nem, one of Brazil’s first safe shelters for the LGBT population. As well as collecting donations, such as furniture and clothes, in the current pandemic they held an online festival to raise money for Casa Nem, Casa de Direitos da Baixada, and the LGBT+ movement. They donated the funds raised as either food baskets or as cash. Pazetti says that there is no direct channel of communications between the NGOs; regardless, with the pandemic, she feels things are being organised. In São Paulo last year, Casa 1 held Brazil’s first forum for national LGBT shelters. Pazetti believes, therefore, that there is a bigger exchange between them, especially given the fact that in the beginning it was very hard to have a close dialogue with other institutions. It was even difficult to just find information about the organisations and these social spaces, due to the informality in which most of them start.

#### 4.3 Important remarks

In the survey, as discussed earlier in this section, there are two words and feelings that always come up: safety and freedom (Figure 4 below). This is because, even now in 2020, queer bodies are still contested, discriminated and persecuted. What is going on in the whole world right now is proof that racism, LGBTphobia and sexism are very much alive, even within the nations of the Global North. In Brazil, the previous election and the victory of many conservative politicians allowed people more freedom to expose their prejudices, but Rio, according to Natália, managed to create and maintain its safe spaces for the LGBTQ+ population. Bruna similarly claims that we are currently living in a very dark time and that a very conservative wave is establishing itself worldwide, where people do not want to live with the “different”, nor will they let go of their privileges. Nevertheless, she emphasises that “at the same time, we came out of the closet, slaves were freed, and women got out of the kitchen. We will not go back there again.”

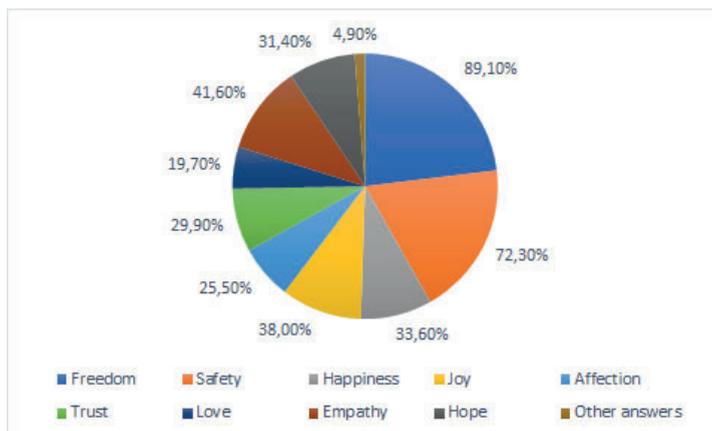


Figure 4: What do you feel when you're in an LGBTQ+ place? (Select the three options most relevant to you)<sup>50</sup>

When asked if Rio's acceptance of queer bodies is improving (or not), Natália, for example, stated that it is difficult to talk about this due to her being a white woman from the South zone, but that she has been attacked in some places and has a constant fear of walking by different areas in the central region such as Lapa. Also, she believes that prejudice in the South zone is more veiled, but that does not mean that people do not stare, whisper and laugh at *transviados*. Likewise, Jorge Badaue<sup>51</sup> recognises that he speaks from a male, middle-class standpoint as a resident of central Rio de Janeiro. Consequently, he believes that in other areas of the city this reality changes slightly, especially due to neo-Pentecostal<sup>52</sup> expansion in cities and the neo-Pentecostal militia. As he says:

"I think Rio is a city of strong contradictions. Whilst [...] I have a strong feeling of freedom by being a gay man in Rio de Janeiro, I also think the city is extremely oppressive and shockingly unequal. Therefore, I am able to have both feelings [...] I live both of these environments, privileged to have never suffered repression or been assaulted because of [my sexuality], but at the same time I am not oblivious to the fact that this also represents that paradox that forms this city."

The case study presented in this section aimed to illustrate a reality from the more marginalised ones as well as the dynamics behind atypical queer spaces. In addition, it also sought to reveal how multifunctional these spaces are. Casinha, for instance, has a very strong social role, but they also promote educational, entertainment, and political activities. Due to this, I created the following model (Figure 5), intersecting functionalities to apply to the Brazilian context, and to some extent it also applies to other realities. That is, while queer bodies keep being contested in cities of the Global South, like Rio de Janeiro, even purely entertainment LGBTQ+ spaces such as nightclubs and bars will also embed a political, social, activist and cultural character. Therefore, *Brazilian LGBTQ+ spaces would be defined as a place where intersections of functionalities meet regardless of their economic purposes, or lack thereof.*

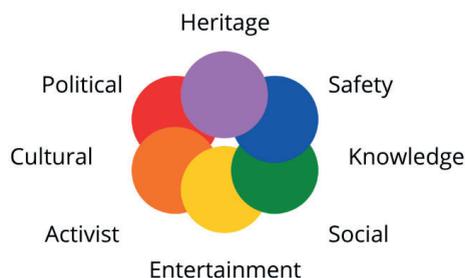


Figure 5: The intersecting functionalities model<sup>53</sup>

Surely, as in the intersectionality approach, the level of each function will vary. In a shelter, for instance, the level of entertainment will be far smaller than in a nightclub, but the level of activism will be much higher. However, it does not mean that both spaces cannot have both functionalities within their own environment.

## Conclusion

The purpose of this research has been to contribute to current LGBTQ+ urban geography discussions on queer spaces' definitions and their functionalities with new academic findings that are different from realities in the Global North. In doing so, not only have I sought to unveil Rio's current queer scenario but also to produce knowledge from our own perspectives. I challenged the academic addiction of only looking at white gay male performances and spaces by prioritising experiences that are not often heard. I contested universalising concepts that try to define ideas that are impossible to be implemented without considering local specificity. After all, defining queer space in a generalised way is empty and unreliable.

The last section built up a Brazilian view on queer space, its main characteristics and what it represents for us. It was clear that the understanding goes beyond the common sense of entertainment-only spaces. The way respondents answered the questions emphasised the importance of spaces that have a social impact as well as spaces that are located in a non-built/fixed environment. Spaces that revoke the right to occupy, to exist and to resist (in) the city. It was argued that all LGBTQ+ spaces in Rio/Brazil play a multifunctional role due to the existing discrimination towards queer bodies. In this way, the 'intersecting functionalities' model was created in order to better explain this conclusion.

In sum, this paper will leave you with two main conclusions:

Firstly, I argue that the 'Brazilian LGBTQ+ urban geography' has always experienced what Campkin (2018) described as a "queer urban imaginary or future", as mentioned in the literature review. The hypothesis is that Brazilian cities, like Rio de Janeiro, have never actually reached a high level of acceptance towards their LGBTQ+ populations, stopping neoliberalism to co-opt these highly political yet commercial spaces and draining them of their social value. That is why it is possible to apply the model of intersecting functionalities mentioned in the last chapter to all Brazilian LGBTQ+ spaces, regardless of whether they occur in a built environment or in the street. In this way, this 'imaginary' in the Brazilian context is the reality and this 'future' is now.

Secondly, I argue that spaces are dynamic and reflect the current necessities. Similarly, LGBTQ+ spaces are expressions of their current agenda. As I mentioned before, Brazil is facing the consolidation of the third wave<sup>54</sup> of its LGBTQ+ movement – that is, a movement of

parties, activism, new identities and plurality. This is reflected in their urban dynamics and spaces. Therefore, spaces need to be less old-fashioned and less limiting; more fluid parties and occupations, more inclusion and more diversity are what LGBTQ+ people are looking for.

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26. As an example, Foucault explains that some colonies in the 17<sup>th</sup> century were founded as perfect other places; such as the Puritan societies established in the U.S. by the English or the Jesuit colonies in South America, which were strictly regulated in every aspect of their daily lives.
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37. Gontijo, O Rei Momo.
38. *Ibid.*, 16.
39. Gontijo, O Rei Momo.
40. De Jesus. "Corpodourado."
41. *Ibid.*
42. Even if all these LGBTQ+ spaces are within another context other than the Global North, as this thesis title implies, there are also other spaces (other than the nocturnal ones) even within other contexts, such as in Rio.
43. In order to make this table, the more complete answers with full sentences were chosen.
44. Cisnormativity is a discourse that assumes that being a cisgender person is the norm.
45. Source: own elaboration based on survey answers.
46. Source: own elaboration based on survey answers.

47. Pazetti, Natália. Interview with Davi Lemos. Personal interview. Rio de Janeiro, May 25, 2020.
48. An LGBTQ+ shelter organisation located in the city of São Paulo.
49. Source: own elaboration based on interview with Natália Pazetti.
50. Source: own elaboration based on survey answers.
51. Badaué, Jorge. Interview with Davi Lemos. Personal interview. Rio de Janeiro, May 15, 2020.
52. Neo-pentecostalism is the “third” wave of the Charismatic Christian tradition.
53. Source: own elaboration based on my research conclusions.
54. For further information on the LGBTQ+ movement in Brazil and its waves, please read the following article: Facchini, Regina. “Múltiplas identidades, diferentes enquadramentos e visibilidades: um olhar para os 40 anos do movimento LGBT.” In *História do Movimento LGBT no Brasil*, ed. James Green, Renan Quinalha, Marcio Caetano and Marisa Fernandes (Sao Paulo: Alameda, 2018): 311–330.



**Section 2: Global Dynamics/Social Scene & Human  
Sustainability: Understanding That the Whole Always Informs the  
Local**



## **5. In Response to the Refugee Crisis: How Social Enterprises in Germany Foster Integration**

*Based on the thesis "The Evolution of Social Enterprises in Germany: Analysing Social Innovations after the Refugee Crisis"*

*Hua, Yu-Po*

### **Introduction**

Over the last two decades, there has been a spate of attention on social enterprises (SEs) and social entrepreneurship due to their innovative solutions for social challenges. While the complex and uncertain repercussions confront the public sector and traditional NGOs, the existing system demands more innovative, sustainable and efficient solutions.<sup>1</sup> The refugee crisis is one of such pressing challenges. In Europe, Germany as the major destination for refugees represents a particular case. The country's social services system was overwhelmed by the massive influx in 2015. As a result, SEs that used to be hindered under the discussion emerged to support the urgent needs and the later on long-term integration in society. This research, therefore, draws upon case studies with eight SEs that address refugee inclusion in Germany. By analysing social innovations delivered by these German SEs, we discover how they respond to the refugee crisis and what common elements they possess to explore the bigger picture of SEs' developments under global challenges.

### **1 The European refugee crisis & the social constructionist**

The refugee crisis is considered one of the most pressing global-scale challenges over the last decade. In 2015, up to 65.3 million people were displaced worldwide,<sup>2</sup> reaching the highest peak since World War II.<sup>3</sup> A total number of 1,282,690 people sought asylum in the European Union (EU),<sup>4</sup> with more than 80% from countries in conflict or wars, including Syria, Afghanistan, Eritrea and Iraq.<sup>5</sup> Although the topic of migration and refugees is not new to Europe, the massive exodus in 2015 threatened the continent's solidarity and each nation's domestic system. It was "a defining moment"<sup>6</sup> and led to the European Refugee Crisis. Among the 28 EU members, Germany held a rather welcoming position under chancellor Merkel's famous expression "Wir schaffen das (We will manage that)."<sup>7</sup> It received up to 890,000 refugees and 441,900 asylum claims.<sup>8</sup> Nevertheless, the intense and urgent demands from the immense number of arrivals challenged the state and its social welfare system to provide more efficient and adequate support.

The overwhelming situation prompted the welcome culture (Willkommenskultur) in Germany and various actors from the civil society to fulfil the niches.<sup>9</sup> Social entrepreneurs incorporated social aims, leveraged entrepreneurial means, developed SEs and mediated cross-sector co-operations for refugee inclusion.<sup>10</sup> They identified the gaps and took actions toward surfacing problems when other actors failed to tackle rapid challenges or maintain original services due to their limited organisational capacities.<sup>11</sup> Two groups of German SEs emerged in this context, including the social economy organisations that adopted entrepreneurial approaches and the new type of SEs (the Anglo-Saxon model) promoted by the global trend of social entrepreneurship. They echo the type of social entrepreneurs, “Social Constructionist”,<sup>12</sup> who address societal problems that existing institutions cannot sufficiently resolve.

Before the refugee crisis, the absence of political agendas and the initial social services system long hindered the development of German SEs. Under the conservative welfare regime, the government takes most of the responsibilities in providing social services.<sup>13</sup> Furthermore, the socio-economic structure of the “social market economy” based on agreements between the state and contract providers makes it even harder to identify the roles of social entrepreneurs.<sup>14</sup> However, this does not mean that the phenomenon of SE is entirely new. Instead, various organisations have adopted entrepreneurial approaches to address emerging social needs.<sup>15</sup> According to a cross-dimension analysis of German SEs, the predecessors date back to the end of the 19th century.<sup>16</sup> There were instances such as philanthropists who addressed the societal effects caused by a society’s transition, the early voluntary welfare associations and co-operatives, and the alternative organisations derived from “the self-help, the women’s and the ecological movements.”<sup>17</sup> These past events show how challenges can shape the development of SEs. Similarly, the refugee crisis provides a background and incentives that motivate the Social Constructionists to develop and implement entrepreneurial and innovative means.

## 2 The definition of social enterprise & social innovation

Before diving into the case studies of German SEs and their innovations, it is necessary to provide an overview of the terminology. Since the definition of SE is still an ongoing debate, it varies according to the development of each region or country. The North American and the European traditions are major examples. The contrast between them lies in the different perspectives of innovation. While the former prioritises novel business strategies and individual traits under the market economy, the latter focuses on innovations in existing infrastructures and collective movements in the social economy.<sup>18</sup> Although definitions vary, most of them consist of three fundamental factors: social motivations, economic activities and relationships with key stakeholders. Social motivations are the aims that are associated with social value creation. Economic activities are “[the] ability to leverage resources to address social problems.”<sup>19</sup> In one instance, this is “providing goods and services that the public sector or market is unable to provide or foster pathways to integrate socially marginalized groups.”<sup>20</sup> Finally, the last factor refers to the relationships established with key stakeholders in the process.

Since Germany falls under the European context, our research also embraced the indicators from the European Commission’s Social Business Initiative (SBI) and the EMES network.<sup>21</sup> They both focus on three dimensions that coincide with the three fundamental factors mentioned above, the social, the economic and entrepreneurial, and the inclusive or participatory governance.<sup>22</sup> Additionally, since Germany has no specific legal forms as with the UK’s Community Interest Company, SEs can operate under both non-profit and for-profit organisation forms, such as registered associations (eingetragener Verein, e.V.) and limited liability company with public benefit status (gemeinnützige Gesellschaft mit beschränkter Haftung, gGmbH). Therefore, our definition includes the new type of SEs and organisations from the social economy sector, which incorporates the viewpoints from the North American and European traditions. It corresponds to the “enterprising social innovations” framework,

which “focus on the social entrepreneurs who carry out innovations that blend methods from the world of businesses and philanthropy to create social value that is sustainable and has the potential for large-scale impact.”<sup>23</sup>

Drawing on previous definitions and the above reasons, we define SE in this research as *an organisation, regardless of its operation form, which puts social missions at its core and pursues the social aims with entrepreneurial and innovative approaches. In addition, its economic activities and the relationships between stakeholders serve as the means for pursuing their main societal goals.* In other words, the core value of social mission and the innovative approaches is what defines SEs. Since the economic activities only serve as the means, we excluded businesses that consider maximising profit as their primary motive. This definition is demonstrated under the hybrid spectrum (see Figure 1) with the German SEs sitting on the left side of this. They are practitioners who are motivated by social mission; their incomes are reinvested in social projects and operation; and are accountable to stakeholders rather than shareholders.<sup>24</sup> It also stresses the entrepreneurial and innovative approaches, which are the main characteristics identified in German SEs.

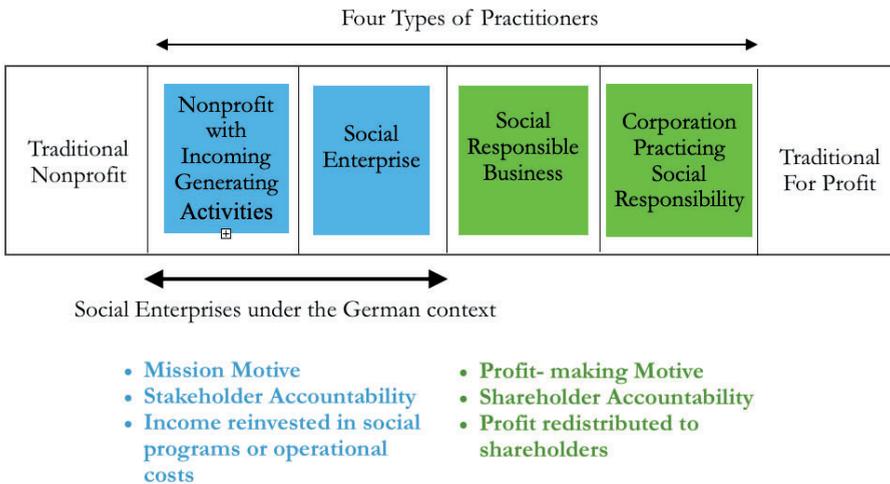


Figure 1: The hybrid spectrum<sup>25</sup>

Another essential term in this research is social innovation. Similar to the case of SE, most definitions of social innovation differ but share three elements: the intention, the practice and the impacts. The intention refers to the goal to address societal problems; the practice implies new ideas, including new or changed concepts, products, services, organisation models or stakeholder relationships; and the impacts are outcomes that are dedicated to the wellbeing of individuals and the society. The OECD’s and EU’s working definitions are examples specifically pointed out as our research focuses on Germany, which is under both frameworks. In the OECD’s definition, social innovation “seeks new answers to social problems... [it] implies conceptual, process or product change, organizational change and changes in financing, and can deal with new relationships with stakeholders and territories.”<sup>26</sup> The EU’s definition aligns by stating that “social innovations are new ideas that meet social needs, create social relationships and form new collaborations. These innovations can be products, services or models addressing unmet needs more effectively.”<sup>27</sup>

Social innovation can represent a broad range of activities. With social value as the central purpose, it differs from other innovations because it is motivated by societal challenges rather than exploiting the markets or maximising profit. When associated with social entrepreneurship, it indicates “new and more effective approaches”<sup>28</sup> that turn challenges into opportunities and

create social value. It is a “new combination of delivering new goods or services and delivering old goods or services in a novel way,”<sup>29</sup> as stated in SEs’ “enterprising social innovations” framework. Meanwhile, it also showcases the process of “connecting demand and supply, and to find the right organizational forms to put the innovation into practice.”<sup>30</sup> Therefore, our definition of social innovation includes two kinds, the establishment of an SE or the innovative approaches developed by the SEs. Applying this two definition to our research setup: “SEs after the refugee crisis in Germany”, social innovation refers to *1. the transformation towards new types of SEs* or *2. the implementation of innovative approaches from German SEs that support integration in society.*

### 3 German social enterprises & their innovations

Innovation is a defining characteristic found in German SEs. According to the EU’s country report, the German context implies a greater emphasis on social innovation compared to other EU members.<sup>31</sup> The main reason behind this is the lack of innovation in the country’s original social services system, which requires supplementation from other actors. SEs are one of these actors who implement alternative approaches for societal improvements and act as intermediaries to support social services delivery in Germany.<sup>32</sup> Representative research stated that German SEs are highly innovative; around 88% out of 107 SEs “introduced at least one new or significantly improved product, service or process” in 2015.<sup>33</sup> The latest “Deutscher Social Entrepreneurship Monitor” published in 2019 also pointed out that up to 87.3% of German SEs reported a market novelty.<sup>34</sup>

Social innovations experienced tremendous growth after the 2015 refugee crisis, especially the ones dedicated to integration. Since integration covers a wide range of dimensions and complexity, which the traditional systems or methods are inadequate to solve, it led to an increase in SEs and their social innovations. These findings are highlighted by the international supporting networks of SEs, such as Ashoka, Schwab and Social Impact. Furthermore, the government also recognised such growth and the importance of SEs in Germany. The Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS) pointed out that SEs’ innovations for integrating refugees into the job market and the society represents the development of new ideas and innovative business models.<sup>35</sup> A similar finding from the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (Bundesministerium für Familie, Senioren, Frauen und Jugend, BFSFJ) reported that the huge influx of refugees increased civic engagement and generated many innovative activities, including new concepts of social economy developed under the initiative of SEs.<sup>36</sup>

Previous discourse on German SEs, however, only identify their innovative capacities and characteristics; further analysis of actual innovative approaches remains vague. This research, therefore, is dedicated to providing further evidence and fill the gap by presenting and investigating social innovations developed by SEs. In addition, German SEs’ engagements in integration offer a specific circumstance and a framework for analysing the process of social innovations and its association with SEs’ evolution after societal challenges. In the following section, I’ve chosen eight German SEs and categorised them under four different models of social innovations regarding integration, including *Community Building*, *Economic Integration*, *Digital Solution* and *Complementary System*.<sup>37</sup> The three former types are promising models for refugee integration identified in earlier studies, while the concept of the *Complementary System* is discovered and defined through this research.<sup>38</sup>

#### 3.1 Community building: Über den Tellerrand & Refugio

The model of Community Building emphasises the engagement in the local communities through leisure activities and daily life. Some SEs in this model also adopted the co-living idea to bring different groups of people together. By creating an open and safe space, they provided

opportunities for members of the society to engage with each other, leading to mutual understanding, and building up identification and connections. Although activities such as gardening, language exchange, sports clubs or cookery programmes are informal, they create direct contacts between society members rather than impressions from the media or imagination. Daily routines and encounters also help establish social relationships and personal connections, which form the basis for breaking down prejudices. Another notable feature is that “they help refugees build social ties, access new information, pick up cultural codes, and feel appreciated and valued.”<sup>39</sup> By being a part of the community, refugees feel more comfortable and gradually rebuild their self-confidence towards a new life. *Über den Tellerrand* and *Refugio* are examples of community building.

*Über den Tellerrand*: “make the world a better plate”

*Über den Tellerrand* is translated as “Thinking Outside the Box” and interpreted as “looking beyond the edge of the plate.”<sup>40</sup> It implies that when people look beyond their horizon, they can learn from each other. As one of its mottos states, “when you have more than you need, build a longer table, not a higher fence”; the SE believes that personal encounters are the key to a more diverse and open society.<sup>41</sup> Therefore, they dedicate themselves to creating spaces and events that enable everyone to understand each other and further contribute to integration and social participation: “We create neutral spaces and make the places of encounter beautiful, inviting, and loving so that nothing stands in the way of getting to know each other.”<sup>42</sup> The SE also shares the belief that “food has this unique power to connect us all, and the table is that magic field where we can look at each other, eye level, no matter our backgrounds, and allow the magic of dialogue to happen.”<sup>43</sup> Through the simple acts of cooking, eating and sharing, everyone is invited to co-create a sense of community and a table of delicacies.

*Refugio*: “a truly lived utopia”

*Refugio* is a six-floor shared/open house in Neukölln in Berlin. Instead of a normal shelter, it provides a space of refuge and a sense of community to people “who have lost their homes or were forced to flee”, and also anyone who shares the same vision of community and cohesion.<sup>44</sup> The first two floors of the house include a café and the main hall for conferences, concerts, movies and events; the middle floor serves as studios and incubators for artists and SEs; the three upper floors are equipped with private rooms for 40 residents, and finally, there is a garden on the rooftop. The residents in *Refugio* share the kitchen and communal spaces, they organise community life, operate the café, exchange ideas with each other and further connect with the surrounding neighbourhoods and people around the world.<sup>45</sup> Just as *Refugio*’s introduction indicates, “a shared house is a garden in which unique talents and dreams can blossom, a community in which everyone is equally important. A shared house is a workshop for heavenly society.”<sup>46</sup>

### 3.2 Economic integration: Social-Bee & SINGA Business Lab

Since the German government strongly emphasises refugee integration in the labour market, a special unit with experts from the Federal government was formed to “speed up the procedures of requests for asylum and integrate refugees into the labour market” back in 2015.<sup>47</sup> However, the task of matching labour supply and demand requires overcoming barriers and complexity such as languages, soft skills, cultural training and paperwork, which are the reasons that prevented companies from hiring refugees in the first place. Therefore, this type of social innovation acts as an intermediary between employers and employees. Some provide refugees with programmes to improve German proficiency, obtain professional skills, develop career plans or make job applications. Others introduce entrepreneurial programmes to involve

refugees and migrants in the start-up scene, where they can apply their ideas and skills, and help foster innovations in society. Most importantly, these approaches not only support economic inclusion but also aim to create meaning and enhance participants' self-esteem through the process.<sup>48</sup> *Social-Bee* and *SINGA Business Lab* are two examples of this model.

*Social-Bee: "a model for sustainable integration"*

*Social-Bee* aims to support refugees and migrants to integrate successfully and sustainably into the labour market. They believe that "every life matters and with every job we create perspective and promote a colorful society".<sup>49</sup> Through the model of temporary work (*Zeitarbeitsmodell*), refugees are first employed and trained by *Social-Bee* and then further matched to permanent positions in companies from 1 to 1.5 years. They provide "full-service integration and personnel service" including the selection process of candidates, language training, job preparation and work culture mentoring.<sup>50</sup> The model offers support for both the supply and demand side of the labour market. They equip refugees with abilities for long-term economic inclusion, while for businesses they remove the obstacles to hiring motivated and professional workers.<sup>51</sup>

*SINGA Business Lab: "bring ideas in motion"*

*SINGA* takes its name from the word meaning "connection" in the Lingala language spoken in Congo. It started as a citizen movement in Paris that "aims to build bridges between people to change perceptions about refugees and asylum seekers" and "create opportunities for engagement and collaboration between refugees and their host society."<sup>52</sup> Later on, the movement expanded into an international organisation. In Germany, *SINGA Deutschland* was founded in 2016. They carried out activities and created spaces for exchanging ideas and experiences, and implemented innovative solutions for an inclusive society.<sup>53</sup> *SINGA Business Lab* under *SINGA Deutschland* was the first inclusive incubator in Germany that was co-created together with newcomer entrepreneurs and focuses specifically on their needs. They provide a five-month start-up incubation programme to support refugees to build up their own businesses. Through the idea of co-creation, the lab "brings newcomers, local entrepreneurs, business experts, academics, start-up communities, and professionals from a variety of fields to build bridges and foster innovation in the society."<sup>54</sup>

### 3.3 Digital Solution: Kiron Open Higher Education & Digital Career Institute

Digital Solution is the combination of social and technological innovation. They respond rapidly to challenges and are not restricted by borders. SEs under this model make use of information and communication technology to design projects that "go beyond simply providing information about themselves."<sup>55</sup> They are the main contributors to the rapid growth of digital refugee projects in Germany from September to October 2015.<sup>56</sup> The projects are further divided into three categories: providing information about local services, linking resources to demands and participating in education, training or job matching.<sup>57</sup> Among them, providing learning and training opportunities is especially highlighted as integration in the labour market requires solutions that can overcome barriers in languages, educational backgrounds or special skills.<sup>58</sup> Meanwhile, due to the shortage of information technology (IT) experts in the market, participation in digital jobs has also become the most promising and rapid way for refugee integration.<sup>59</sup> *Kiron Open Higher Education* and the *Digital Career Institute* represent this model.

*Kiron Open Higher Education: "learning beyond limits"*

*Kiron Open Higher Education* provides accessible education for refugees and underserved communities through a free online learning platform. The SE "believes that everyone has an

equal right to access and succeed in higher education” and that “empowerment through education can change lives, transform communities, and build bridges.”<sup>60</sup> They offer programmes through massive open online courses (MOOCs) from partner universities and Open Educational Resources (OERs). This includes hardware, software, internet connection to access courses and also psychological support and tutorials for students.<sup>61</sup> They also offer programmes on language and career developments to prepare students with the required knowledge and skills for job seeking. Through MOOCs and their partnerships with universities, the SE empowers students to achieve personal and academic growth. Most importantly, with digital innovation, they filled in the gap in providing high-quality education for refugees, boosted the digitalisation of education and provided a new way to access education.

*Digital Career Institute: “developers and refugees”*

The *Digital Career Institute* started with the project “Devugees”, which stands for the combination of Developer and Refugees. It aims to help integrate refugees into the German labour market through obtaining technology qualifications and fill up the gap in high-demand positions in the technology field. Started in September 2016, they first worked as a government-subsidised training programme (Weiterbildungsträger), which focuses on training refugees who are interested to become a developer in coding, programming, website or software. During the one-year programme, they also provided language training, visit tours to technology companies and a three-month internship. As one of the participants pointed out, “in the IT industry, they give you the opportunity to get a job not based on what you can say, but what you can do.”<sup>62</sup> Indeed, as the start-up scene and technology field are both actively recruiting digital experts, it provides a point of entry for integration.<sup>63</sup> Today, despite supporting refugees, DCI has also developed into a coding school and is “committed to training anyone who wants to pursue a tech career.”<sup>64</sup>

### 3.4 The Complementary System: Zubaka & Flüchtling Magazin

The Complementary System, as the name suggests, is a model of social innovation that functions as a supplement for the existing systems. The social entrepreneurs who initiated such innovations used to work in the system and possess knowledge in that specific field. They are aware of the complexity and limitations of the system when facing pressing challenges; therefore, they act as a complement to support it. By doing so, they not only target a specific theme but also deal with other potential disadvantages caused by the system’s deficiencies. Although they cannot change the system immediately, they develop an approach that could, later on, replace and change the status quo. *ZuBaKa*, for instance, tackled the problems in the education system which affected the refugee children and also other vulnerable students. *Flüchtling Magazin* noticed the lack of diverse voices within the media sector and started a new platform for improvement.

*ZuBaKa: “toolbox for the future”<sup>65</sup>*

*ZuBaKa – der Zukunftsbaukasten* is translated as the future toolkit, referring to the SE’s social mission in building a modular education system to support refugee or migrant students. The SE identified the problems in the intensive class for these students that has been provided for more than 25 years in the German education system. It consists of students from different countries, ages and learning levels, which results in difficulties in supporting the starting point of each individual. Therefore, through different building blocks in the modular course, *ZuBaka* offers a complement to the existing structures by providing programmes and working closely with schools. The SE accompanies the students through their entire school year and develops tailored programmes according to the school’s and student’s needs. The support further improves both the learning conditions of the students and helps relieve the pressure on the teachers. In addition, they connect the students with other social institutions to enable the new arrivals to

successfully integrate into the local community. Their main goals are to “improve their language skills, self-consciousness, empower them by giving them the resources that they need to become active, and develop their potential in society.”<sup>66</sup>

*Flüchtling Magazin*: “from people, with people, for people”<sup>67</sup>

*Flüchtling – Magazin für multikulturellen Austausch* stands for the idea of multicultural exchange and understanding. The magazine emphasises that there is no homogeneous group called “refugees”. Refugees are not just terrorists or poor people who are looking for help, but also people who are “authors, journalists, and students.”<sup>68</sup> They believe that respectful and constructive discourse can help reduce the fear and prejudice toward refugees. Therefore, the magazine serves as a platform where people from different countries or cultural backgrounds write about their opinions and thoughts on integration and experiences living in Germany. The magazine publishes online four times a week, including interviews, stories and portraits of refugees or articles written by refugees on the topics of culture or society. With openness and diversity, it intends to create more dialogues in society. The magazine itself also lives up to its goals. With the editorial team consisting of diverse ethnic groups, they bring their own stories to the magazine and work together to bring positiveness to society. “The important thing is that we discuss with each other and publish about all these different people in the common language, which is German.”<sup>69</sup>

## 4 Analysing the evolution of German social enterprises

German SEs adopted different models of social innovation as mentioned in the previous section; nevertheless, we identified shared concepts and patterns in fostering integration which demonstrate their evolution. As social innovation and SE both emphasise the social aspects and follow the stage from perceiving problems, conceiving solutions to operating and scaling methods, we analyse their innovative approaches under the following three themes: the novel concepts, the novel solutions and the novel operations.

### 4.1 Novel concepts: newcomers & integration

The first stage of social innovation is identifying challenges and the target groups. This research discovered that SEs share the consensus that refugees who entered Germany, despite different reasons and situations, are a part of the society and should be treated equitably. They used the term “newcomers” instead of refugees, which helps reduce prejudice. As *SINGA Business Lab* puts it, “[...] why we choose to use the word “newcomer”– it is not about being politically correct and replacing the word “refugee”, but to recognize the experience and agency of each person and reframe the migration discussion.”<sup>70</sup> *Flüchtling Magazin* also holds a similar viewpoint, “the word refugee is only a description of their situation. It is only like a legal form or the reason why they are here, but what the people do and how the people are is very different. [...] people are from different cultures, obviously different countries, also very different stories, and they are all here in Germany, trying to build a new life, and it is important to break down these prejudices against refugees.”<sup>71</sup>

The change of mindset also led to novel concepts regarding integration. Redefining the term “integration” was critical to SEs, as *ZuBaKa* pointed out, “[...] already the word integration. What does that mean? [...] Do we try to make them fit into a system? Is it like a mutual thing or is it more like one side has to try to fit in? So, that is something I think is a very old-fashioned way to look at integration, which is still very present in places, I will say.”<sup>72</sup> As mentioned earlier, migration is not a new topic in Germany. It can be traced back to the 1950s with the recruitment of foreign guest workers and grants for asylum seekers.<sup>73</sup> However, the government has mostly viewed it as a temporary matter. It was only in 2005 that the Immigration Law came into effect

and was followed by the 2016 Integration Act due to the refugee crisis.<sup>74</sup> The policies and measures performed the principle of support and demand; nevertheless, they still heavily emphasise the old concept of fitting a person into the system.

The old style of concepts and services has discouraged the integration process. As *Refugio* pointed out, “most of these places (refugee centers) are provided by the government. And of course, it’s many more people in one place, a few hundred, which makes it difficult to integrate into German society, because you don’t actually have to, you can stay in your place and speak your own language and you are not forced to take part in anything unless you really want to. And also there are a lot of rules and regulations and security in the front door and things that don’t make life easier, and I think the basis for this is still, yes, you are a refugee, you are very welcome, but it is not on the same eye level.”<sup>75</sup> *Flüchtling Magazin* also highlighted that the system ignored the exchanging opportunities between different communities during the migration in the 1960s. “[Back then] people came mostly for work, they sort of maintained their own societies or communities, and because of that, because there was so little exchange at the time [...], there was no sort of dialogue (austauschen). There was no exchange and that has led to more misunderstanding.”<sup>76</sup> Furthermore, the “discussion on integration is often dominated by political parties, the police and the judiciary, experts, and the administration,”<sup>77</sup> whereas refugees and migrants themselves rarely have a say.

SEs reflected on the previous problems with integration by consolidating the old principles and new perspectives. They advocate different attitudes for achieving integration, as *Refugio* stated, “the fact that people with great skills and rich cultural treasures flee to Germany is not a crisis, but an opportunity. We need each other more than we know.”<sup>78</sup> SEs believe that instead of demanding one specific group to integrate into the system, it is essential for different groups to participate in the discussion and exchange. SEs highlight the potential of the newcomers and the importance of mutual engagement. They demonstrate that different perspectives can contribute to new solutions and support the society’s needs. After all, the reconstruction of the discourse is a continuous social task and holds up a mirror for everyone to reflect on each other.

#### 4.2 Novel solutions: the structural approach

Novel solution found in SEs is the structural approach that distinguishes them from public actors, traditional social service providers or other NGOs. With the structural approach, SEs address unmet social needs by establishing an alternative structure instead of simply reacting to specific problems. They tackle societal challenges through targeted but systematic angles and are more flexible to changes. As *ZuBaKa* pointed out, “we are often asked to support big companies or institutions to bring innovation into their system [...] we are very flexible, very fast to work with new work elements.”<sup>79</sup> *Kiron Open Higher Education* also stated, “the universities, of course, have programs, but they are always bound by the higher education law in their state [...] We create the necessary flexibility.”<sup>80</sup> Most significantly, the structural approach is comprehensive and considers other stakeholders who are also affected by the issue. These features enable SEs to replicate and scale up their solutions and achieve the ultimate goal of systematic change. For example, *Über den Tellerrand*’s “Kitchen on The Run” created space for cultural exchange and also motivated students who constructed the container kitchen to “reflect on their roles as architects in shaping social coexistence.”<sup>81</sup> The following paragraphs elaborate the structural approach in each SEs.

*Über den Tellerrand*, for instance, started from a cookbook, yet later on transformed into a comprehensive project, which includes cooking classes, language exchanges, volunteering events and workshops. Their project “Kitchen on the Run” advanced regular cooking events through a mobile kitchen that could reach different cities and countryside areas in Germany and Europe. These projects were not innovations themselves, but they showcased the innovation to apply new ideas into existing services and products. *Refugio* addresses housing problems and further

creates an open environment for the newcomers. By making full use of multi-cultural elements, it evolved into a community centre that reaches out to people throughout the neighbourhood and even abroad. Both Community Building models are successfully replicated and currently applied in different regions and countries. They redefine the concept of integration and help develop exchanges between the members in the society and beyond.

The Economic Integration model supports society members who are in search of jobs or start-up opportunities. *Social-Bee*, for instance, breaks down the main components in the job-seeking process. Besides training, they designed a comprehensive programme that satisfies both the newcomers and employers. In the long term, they aim to “give even more people fair access to the labor market and, ideally, revolutionize the temporary employment industry in a social way.[...] We also do not rule out expanding the target group to include other disadvantaged groups.”<sup>82</sup> *SINGA Business Lab* leverage the existing international and diversity dynamics in the Berlin start-up scene. With the five-stage entrepreneurial programme, they provide an innovative way to integrate the newcomer entrepreneurs and at the same time enable the start-up community to flourish. The programme can adapt to challenges easily since it is co-designed with newcomers who directly face the problems in the German market.

The Digital Solution model utilised digital tools to provide accessible education services. *Kiron Open Higher Education* recognised how residence status and language skills disrupt the education process for many newcomers. Therefore, they blended online and offline courses, so students can continue with their studies once obtaining their legal status and earn a degree from partner universities. “Digitization means that we go beyond the thinking of nation-states and regional borders, network what already exists and work together.”<sup>83</sup> *Digital Career Institute*, on the other hand, was approved by the government to provide vocational training in the public job centre. Their coding programmes benefit the newcomers and as well support other disadvantaged and unemployed members of the society, which demonstrates the core value of the structural approach.

The Complementary System model represents the structural approach the most. Instead of being a typical refugee project, *ZuBaKa* addresses the deficiencies in the initial education system. It remains important even if the society or the funding partners shift their focus toward other target groups. The current COVID-19 crisis is such proof. While traditional NGOs suffer from financial burdens and operation difficulties, *ZuBaKa* received even more support because they can react rapidly by adding new structures on their original module. “We can just react to what’s going on in our environment, that’s something special. And that’s something our partners are really happy about.”<sup>84</sup> *Flüchtling Magazin* first worked as a platform where refugees could share opinions and further developed into a space for dialogue between different communities in Germany. They also utilised social media to build up an online community with audiences, writers and other magazines to reach out to more countries that are tackling the same issue. The SE’s structural approach benefits the society as a whole by leading further systematic change. This solution also led to the SE’s novel way of operating, which is further explored in the next section.

#### 4.3 Novel operations: collaboration & the intermediary role

The German SE’s novel operations are demonstrated in their collaborative characteristic and the intermediary role. As SEFORIS pointed out, “the collaborative attitude towards other social organizations is a defining feature of German social enterprises.”<sup>85</sup> They establish relationships with non-profit organisations, corporations, SEs, national government and social welfare organisations to support the implementation of innovative solutions. Co-operative activities range from funding, co-designing and developing projects to recruiting volunteers. For instance, the Community Building model collaborates with other associations and NGOs in carrying out transcultural projects. The Economic Integration models showcase partnerships through

delivering programmes with different actors, including entrepreneurs, small and medium-sized businesses and DAX corporations. Digital Solution models implement innovative ideas and scale up their projects through co-design methods and public funding. The Complementary System models collaborate closely with the stakeholders in the initial system to identify the needs, adapt to changes and develop an alternative structure.

SEs also serve as intermediaries that play a significant role in the social innovation scene. They address the “notable absence of intermediaries that can connect demand and supply, and find the right organizational forms to put the innovation into practice.”<sup>86</sup> This can be explained on three different levels. First, SEs operate as intermediaries between newcomers and society when tackling integration. For instance, the Community Building model develops spaces and events that engage different communities. The Economic Integration model works as agencies to connect newcomers, employers and the labour market. The Digital Solution models develop the platform between traditional education and MOOCs which help newcomers to access education and obtain skills. The Complementary System model works collaboratively with stakeholders and builds bridges between newcomers and the original system.

Second, SEs transform innovative ideas into actual practices by initiating an organisation or building connections between existing organisations. This echoes the view that social innovation is also “the initiation of social enterprise, an enterprise with social objectives, an organization pursuing social objectives or to empower [them] with a more participatory governance system.”<sup>87</sup> In this research, half of the eight SEs adopted the gGmbH form (limited liability company with public benefit status), the other three adopted e.V. (registered association) and one gUG (limited liability entrepreneurial company). During the interview, one of the three e.V.s is considering transforming into a start-up status. While e.V. is one of the most common forms found in non-profit social services providers, gGmbH corresponds closely to the new type of SEs and gUG represents the smaller version (lower capital) of gGmbH.<sup>88</sup> Depending on the social objectives, all three forms are commonly adopted by German social entrepreneurs. Nevertheless, the current tendency toward gGmbH reflects the trend and evolution in operation.

The third level of the SE’s intermediary role is to connect the social economy with the development of social innovation. Since German SEs derived from both the civil society and the new trends of entrepreneurial methods, their organisation form overlaps with the social economy, the third sector and the business realm. Previous studies identified “the strong connection between social economy organizations and social innovation but lack the proof to analyse the particular ground.”<sup>89</sup> SEs and their social innovations in this research presented evidence for that ground. In other words, social innovation is connected with the tradition of the social economy through SE’s intermediary role. In the meantime, social innovation is also the engine that boosts German SEs’ evolution. It transforms them from organisations that simply provide social services into system changers who create new equilibrium in society and for society.

## Conclusion

German SEs foster integration by carrying out different models of social innovations. Despite their various methods, they share common evolution in response to the refugee crisis. First, SEs’ alternative perspectives regarding newcomers and integration showcased their mindset of equality, diversity, engagement and empowerment. Instead of only helping newcomers like other social services providers, their novel concepts led to new solutions. They carried out the structural approach that notably represents the vision of systematic change and SEs’ adaptability and flexibility when facing urgency or changing conditions. This can be detected in the 2015 refugee crisis and the recent COVID-19 pandemic. Third, German SEs emphasise collaboration in their operation. By tightening up partnerships with stakeholders, they function as intermediaries that convert innovative ideas into actual practices to pursue further changes.

From a broader viewpoint, this research provided additional evidence for understanding how global challenges and pressing demands in the original system affect the development of SEs. The European refugee crisis was a specific background in Germany, which motivated existing SEs and new start-ups to develop various innovations. This echoes the statement of Social Constructionists that SEs emerge when other actors are not capable of meeting societal needs. By analysing social innovations implemented through German SEs, we discovered how they evolved to address challenges. By including both the social economy organisations and the new trends of social entrepreneurship, social innovation connects with the tradition of the social economy and the business realm. This also led to insights into the role of SEs and provided different approaches and aspects for future research.

There are also limitations to this research. Although the refugee crisis was a representative case, other challenges such as climate change, unemployment or the COVID-19 pandemic should also be examined for additional proof about the evolution of German SEs. In addition, while our findings show that German SEs have a strong connection with the social economy and the new trends of social entrepreneurship through social innovations, the phenomenon does not necessarily apply to all other countries. Further study should consider variables such as the type of challenges, the country's welfare regimes, civic culture and the size of the social economy.

To sum up, by analysing social innovations implemented by German SEs after the refugee crisis, we revealed their evolution when addressing global challenges. We lay the foundation for the new intersection of social economy, social entrepreneurship and social innovations to develop. For the practical field, we presented examples and experiences of how SEs contribute to fostering integration. The novel perspectives, the structural approach and the intermediary role are valuable elements that can be transferred to and adopted by other areas. While integration is a lengthy process of dialogue and reconstruction, SEs continue to lead our way to systematic change with their core value in social responsibility. In the end, we all hope to evolve and contribute to a better world.

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## **6. The Ali Enterprise Inferno: Global Production Chains and Social Accountability Audits**

*Based on the Master's dissertation "Dual Pressures of Pakistan's Political Economy and Global Garment Value Chains on Industrial Labour"*

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### **Introduction**

This chapter explores how the global production process is shaped by the relationship between Transnational Companies (TNCs) and local actors. Specifically, this chapter explores how neoliberal reforms and the transnationally organised garment industry created conditions leading to the major industrial disaster at the Ali Enterprise in Karachi in 2012. This chapter brings into conversation extensive literature on the political economy of global value chains, and by analysis of a specific event, the Ali Enterprise inferno investigates the events that shaped the responses at both ends of the buyer-driven value chain. The research relied on currently accessible material relating to the relevant court cases in Pakistan and Germany, where the principal buyer of Ali Enterprises, KiKTextilien, is located. Analysis of reports from civil rights organisations and strategic litigation firms, which played a key role following the inferno, as well as newspaper and media reports between 2012 and 2020, were used to structure and chronologically present how the case evolved.

Taking up a line of argument developed by IntanSuwandi in her book, *Value Chains: The New Economic Imperialism*, this chapter emphasises the extreme hierarchies inherent in buyer-driven value/production chains that gives TNCs control over the production process while minimising their liability for risks and social costs. The chapter points out the fundamental importance of "Global Labour Arbitrage" as the rationale underlying these value chains thereby exacerbating levels of exploitation. The contextualisation of Pakistan's political economy is based on Hamza Alavi's notion of Pakistan as an "Overdeveloped State" where state apparatus has historically overpowered social and non-state actors. Regarding industrial relations, the defining local context is an authoritarian state apparatus that has a history of suppressing trade unions and labour protests in combination with an urban regime, where power relations are volatile and violent but function reliably under the subordination of a large industrial labour force.

The chapter demonstrates that in absence of state regulations, transnationally operating retailers like KiKTextilien are attracted to such environments, where so-called "social audits" replace state controls by permitting self-certification. The chapter puts Social Accountability Initiatives (SAIs) at the heart of the problem, rather than them as being mere auditors for the buyers. The effective use of SAIs as part of the buyers' sourcing practices achieves two purposes.

First, it helps buyers negate potential lawsuits in case of incidents like the Ali Enterprise Inferno, and secondly, it systematically controls producers to follow the buyer's specifications while being in an arms-length contractual arrangement, through "Coercive Compliance". Finally, the court proceedings following the Ali Enterprise inferno demonstrate this dialectic of mutual reinforcement of authoritarianism on the one hand and hierarchical value chains on the other.

## 1 Global production chains

In the year 1911, a devastating factory fire claimed the lives of 146 workers in New York, most of them women and children, in what would be known as the "Triangle Shirtwaist Factory Fire". The fire brought to light almost everything that was wrong with the garment industry. The work conditions in the factory fit perfectly with what we now call a "Sweatshop": there were no fire and safety measures, the doors were locked during the work shifts, over-time and weekend work was mandatory, and if the workers protested, they were told: "If you don't come on Sunday, you need not come Monday". Child workers were used as cleaners and hidden in trash bins during inspection visits from city officials.<sup>1</sup>

Over a century later, the working conditions remain the same, but what's different now is that the production has been outsourced from the Global North to the Global South. The Global North and Global South are established terms used since the 1960s to distinguish between "rich" and "poor" countries. The Global North is used to describe countries that are industrialised and have high per capita income, the majority of which are present in the western hemisphere, while the Global South is characterised by countries with high poverty, low per capita income and the majority being geographically present in the southern hemisphere.<sup>2</sup>

The change in the garment production business model is underpinned by reconfiguration of the global economic system and economic crises in the Global North starting in the 1970s.<sup>3</sup> Capital's ability to move after neoliberal reforms gave it asymmetrical power over labour – where labour is bound by national borders and global politics, capital has the inherent tendency to search for higher profit achieved by the internationalisation of production. This was a transition that initially started with north–north outsourcing in countries like the USA where production was first moved to underdeveloped regions in the country and then to Latin America. In Eastern European countries, export processing zones developed where production was outsourced to Germany, UK and other developed European economies because of lax labour laws and safety regulations. Starting from the 1970s economic crises and neoliberal reforms, capital's ability to move gained a wider geographical spread that buttressed the business models of TNCs.<sup>4</sup>

Until the 1970s, TNCs were vertically integrated, and their link with markets of developing countries was based on Import Substitution Industrialisation. The TNCs would serve domestic and international markets but with deregulation and opening up of countries in the Global South to Western capital, Export-Orientated Industrialisation became the development orthodoxy for the Global South and led a transition towards a dispersed production model. This new business model would be conceptualised as "Global Value Chains", where different value functions in the production process are geographically dispersed. This spatial dispersion meant high-value functions such as branding, design and research would be carried out in the financial headquarter of TNCs which historically have been in the Global North, while production considered to be of low value is carried out in the Global South.<sup>5</sup> The global value chain production model fails to explore the asymmetric power relations in the production chains and how the surplus is extracted from both ends of the chain: the producers in the Global South and consumers in the Global North.<sup>6</sup>

Another conceptualisation of the business model "Global Production Networks" explores how TNCs extract maximum surplus and value by engaging in cut-throat sourcing strategies while dealing with producers in the Global South. Competition between different TNCs is based on two aspects. Firstly, price, which is driven downwards and leads to a decrease in the

proportional share of wages given to workers. Secondly, control over the market offerings using the “fast fashion” model of production, through which work is intensified, leading workers to produce more under diminishing wages. These two strategies employed by international brands viewed from the perspective of global production networks unveil the constant pressure on labour in the Global South.<sup>7</sup> The high-value activities in the financial headquarters of TNCs determine the rents extracted from the producer countries because of their inability to perform such activities due to copyrights and patents erecting barriers to move up the value chains.<sup>8</sup> Supporters of the Global Value Chain business model highlight the diminishing importance of nation-states, but upon critical examination, it is revealed that TNCs’ financial headquarters rarely shift and TNCs remain embedded in home country rules and regulations rather than adapting to production country laws.<sup>9</sup> On the other hand, producer countries that are placed in the Global South suffer from imperialistic relations due to their location in the periphery of the global political economy.<sup>10</sup> Countries in the Global North collect more in taxes over the sale and shipment of production orders from the Global South compared to the wages which are given to the workers. Levy argues that global production networks are not just sliced up production chains but also networks that are “integrated economic, political, and discursive systems in which market and political power are intertwined” and are driven by global capital controlled by TNCs.<sup>11</sup>

Global production networks are seen as drivers of socio-economic development in the Global South as they generate employment. Statistically speaking, employment in the Global South has indeed increased in the last seven decades. In 2010, 79% of the global industrial workforce lived in the Global South compared to 34% in the 1950s. It is not just the percentage that has changed but also the absolute numbers: in 2010, 541 million industrial workers were in the Global South compared to 145 million in the North. What often goes unnoticed is the disparities in working conditions for the same jobs and impact on the environment further intensified by lax safety laws and labour exploitation in the producer countries.<sup>12</sup>

Production flight to the Global South backed by global capital is not a result of higher productivity or better production facilities, but the wage differential. Jannik Lindbaek highlighted that the difference between wages in the Global North and the Global South can exceed by a factor of seventy to one in dollar terms and ten to one if adjusted for purchasing power parity.<sup>13</sup> This, being the prime motivation for the mobility of capital, has enabled TNCs to extract differential rents. Production contracts in 2010 alone extracted almost \$2 trillion, a lopsided proportion of it from the Global South.<sup>14</sup> The outsourcing of production outgrew world GDP growth by 2.2% in 2010 alone. To put these numbers in perspective, a US factory worker who is paid \$21/ hour can be replaced by a Chinese factory worker for a mere 64 cents an hour. The control over the labour market by TNCs is made possible by engaging in the practice of “Global Value Arbitrage”, a term coined by Stephen Roach, former chief economist of Morgan Stanley. Arbitrage, a term commonly used in the corporate and financial sector, means taking advantage of different prices for the same productive factor or asset class. The practice of global labour arbitrage viewed through a political economy perspective constitutes unequal exchange between labour and capital, where capital can extract more value for less from the Global South.<sup>15</sup>

TNCs which now have exclusively reoriented themselves as marketing companies with product research functions like Nike are prime examples of such practices. In 1996, it was revealed that a single Nike shoe is made up of fifty-two components, sourced from five countries with its final production in Vietnam costing \$1.50 per shoe while retailing at \$149.50 in the United States.<sup>16</sup> These complex production networks reduce profit margins at each link of the chain until it reaches the assembler, who in turn to be competitive has to reduce the wages and make work precarious by forgoing safety protocols and standards.<sup>17</sup> Investigations after the Rana Plaza building collapse in Dhaka, Bangladesh, where over 1,100 workers lost their lives revealed that the price paid to producers by TNC declined 13% between 2013 and 2018 and real wages declined by 6.47%.<sup>18</sup>

Another aspect of control that is unveiled using the global production networks is the control over the production processes by TNCs driven by competition for the consumer capital in the Global North.<sup>19</sup> Under the business model of fast fashion, which impacts producers and workers in producer countries, fashion trends previously dependent on seasons now include various new classifications such as graduation look, wedding season and back-to-school look and are placed strategically with events corresponding to them. Fast-fashion giants like Zara have developed distribution infrastructure to correspond to these new trends which in part retailers like itself were responsible for creating. Zara can design and distribute new design products every two weeks to all of its 2,213 stores globally.<sup>20</sup>

Referring to Karl Marx's law of value, if the producer cannot increase the work hours beyond a certain extent, they try to fill in every nook and cranny of non-productive time by shortening breaks, literally squeezing workers together to get in more workers to produce.<sup>21</sup> Intensification of work and systematic rationalisation trigger producers to engage in precarious work practices, from short-term contracts, delayed payments, unfair production targets, illegal wage reductions, and constraints on freedom of movement and organisation through intimidation, harassment and sexual violence.<sup>22</sup>

To tie all these different concepts together, the "Labour Value Chain Framework" conceptualised by IntanSuwandi looks at how global capital searches for lower labour costs to extract maximum profit in the consumer markets.<sup>23</sup> Empirical data on producers reveal that the countries with the highest participation in value chains, China, India and Indonesia, have comparatively lowest per-unit costs.<sup>24</sup> What these three countries mentioned share is their fairly recent integration into the global labour chains, after the fall of the Soviet Union, which opened up China and India's economy to the "free" world. Marx termed this previously untapped global labour market the "industrial reserve army of labour". As the global labour workforce doubled from 1.5 billion to 3.3 billion, coined the "great doubling" by Richard Freeman, it consolidated capital's asymmetrical power, leading the global production wage structure to nosedive and with it working conditions.<sup>25</sup> Simultaneously, the "Shock Therapy" prescribed to post-Soviet countries had a detrimental impact on the social institutions, leading to urban migration ripe for exploitation at factories.<sup>26</sup> In a prophetic prediction, Stephen Hymer predicted a surplus population of labour or reserve army of labour "could be broken down to form a constantly flowing surplus population to work at the bottom of the ladder".<sup>27</sup>

This control over the labour market by TNCs is made possible by engaging in the practice of global labour arbitrage, which viewed through a political economy perspective constitutes unequal exchange between labour and capital, where capital can extract more value for less from the Global South.<sup>28</sup> The dependency of developing countries on the Global North's capital and their governments' agenda to reduce unemployment further integrates these countries in the global economy. As developing countries are more and more integrated into the global economy, the labour force is faced with increasingly precarious working conditions. A comparison between the growth of the global economy and annual wage growth reveals that the global economy grew at a rate of 3.3% per year between 1995 and 2007 compared to annual wage growth, which was 1.9% for the same period.<sup>29</sup>

## 2 Coercive compliance – the issue of social auditing

Global economic integration of the Global South's labour has led to precarious working conditions, practices of global labour arbitrage and arm's-length contracting, enabling TNCs to escape indirect costs of production, which often dwarf direct costs if the same production was done in the Global North. These indirect costs include healthcare, income and corporate taxes, old-age benefits and other social contributions related to the production economy. TNCs escape these by using social compliance measures as alternatives to labour regulations which were either phased out or weakened by neoliberal deregulation.<sup>30</sup>

A series of worker abuses revealed in the Global South during the 1990s, where TNCs like Nike and other sports retailers had child labour working in their production lines, led TNCs to develop codes of conduct for producers to salvage their brand images.<sup>31</sup> These codes of conduct did not address the primary cause of workplace precariousness, the buying practices of TNCs. The task of monitoring compliance was outsourced to social accountability organisations, which themselves were dependent on TNCs for funding. In effect, social compliance initiatives were used as a smokescreen by TNCs to legitimise cutthroat sourcing practices. Often these TNCs would be on the board of “independent compliance auditors” and as a result, in control over reporting and auditing mechanisms enabling them to avoid transparency regarding buying practices.<sup>32</sup>

In effect, the presence of these audits intensifies worker precariousness as it has replaced mandatory inspection by the state. According to the American Federation of Labor and the Congress of Industrial Organizations, voluntary social auditing “supplants the role of government inspection and enforcement in ensuring basic standards and rights have been respected by replacing state regulatory action with private corporate initiatives”.<sup>33</sup> The auditing system is so influenced by the TNCs that former auditors confessed that “we go as far as the brands want us to go”. In an interview with *The New York Times*, a former auditor described the system as having developed “as a dream, then an organization, and it finally ends up as a racket”.<sup>34</sup>

Not only are social audits being structurally biased in the favour of TNCs, they often fall short in identifying even the most blatant human rights violations and are inept at effectively exploring diverse social issues on the work floor.<sup>35</sup> As TNCs have been able to outsource their production, they have also replicated this practice with worker rights compliance. According to the Ethical Trading Initiative, companies spend almost 80% of their ethical sourcing budget on auditing alone; the industry itself is worth over \$50 billion. In case incidents like Ali Enterprises and Rana Plaza do happen, they are protected by social audits done by third parties and the responsibility can be pinned on the producers.<sup>36</sup>

After the Rana Plaza building collapse in Bangladesh, where over 1,100 workers died, two agreements, “Accord” and “Alliance”, were signed to “remedy” the causes of such incidents. These two agreements were developed using tripartite consultation between TNCs, the Bangladeshi government and international NGOs. What both of these initiatives shared is systemised control over producers using social audits; both the initiatives, while focusing on the gaps in compliance at the producer end, did not address the fundamental problem causing precarious production, the sourcing practices of TNCs. After the initiation of remedial programmes, producers in Bangladesh felt even more squeezed than before. In an interview, a producer from Dhaka complained that the inspectors from the two programmes prescribed conflicting recommendations to the producers resulting in revenue losses. The Accord and Alliance, while leading to an increase in the minimum wage of workers, added pressure on producers, who to stay afloat increased work hours and demanded higher work targets while downsizing their workforce.<sup>37</sup>

A transition from voluntary compliance to “coercive” compliance made Bangladeshi producers feel that the agreements had made them even more dependent on international retailers as they had become “too big to fight” with. Previously, TNCs had the power to shift suppliers; now they could shut down the factories if they were not satisfied with the audit reports.<sup>38</sup>

### 3 The inferno

On the eve of 11th September 2012, in Karachi, an industrial fire claimed the lives of 259 people and fatally injured over 100 people.<sup>39</sup> At a given time, there were only supposed to be 268 workers inside the factory, but witness testimonies indicate that 885 people were working in the

factory on the ill-fated day, 450 on the second floor, 350 on the first, 40 on the mezzanine and 45 in the basement.<sup>40</sup> It was payday at Ali Enterprises around 6:30 pm when the fire broke out; the factory being already more crowded than it usually was led to a stampede. This was aggravated by the unsafe planning and construction of the building. There were three exits from the factory, two of which were permanently locked, restricting the workers from leaving the premises. Interviews with survivors revealed that allegedly when the fire broke out, the owners, the Bhailas, forced the workers to salvage the stock before fleeing to safety.<sup>41</sup>

When investigations started after the inferno, it was revealed that fire breakouts were quite common in the factory.<sup>42</sup> The fire started with a short circuit from a poorly maintained electric wiring system and overconsumption of electricity, 318kW, against the 210kW for which it had been given permission. Due to there being no fire exits and safety equipment, the workers in the upper floors were smothered by smoke, and the exploding boiler killed workers in the basement.<sup>43</sup> The workers tried to jump from one of the only windows not barred with grilles, but in the process were fatally injured or maimed for life.<sup>44</sup>

What made matters worse was the structure of the building. The basement, originally a warehouse, was instead used as a work floor, and an additional mezzanine had been constructed completely out of wood which provided fuel to the inferno. The bales of cotton and plastic-packed merchandise placed around the exit of the basement made it impossible for the workers to escape.<sup>45</sup> There was only one staircase which connected the building floors from the basement to the second, and the mezzanine; when the fire broke out, the workers were stuck in their workspaces. The cargo lift shaft provided a chimney effect which led to suffocation, and upon post-mortem it was revealed that asphyxia was one of the major causes of death for the workers.<sup>46</sup>

The investigations revealed that the permission to set up the factory was only for a small industrial unit for 250 workers but the factory owners constructed three additional floors to manufacture additional denim and leather garments. What made this blatant violation possible was that the factory itself was not registered with any provincial department, making it invisible to inspections.<sup>47</sup> Further investigations revealed that even the original building plan was not suitable for work and the architect of the building, Qamaruddin, whose name was on the factory blueprint, might not even exist as the licence showed the person registered under the number was born on 1st January 1900.<sup>48</sup>

The case that would later be known as the “Ali Enterprises” fire, initially considered as a case of negligence and sub-standard safety protocols, was unravelling into a larger story implicating almost all the political parties and stakeholders from the private sector. Even the Pakistani military was showing interest in what happened at Ali Enterprises, but for all of these power players in Pakistan, the interests in the case were different.<sup>49</sup>

There were two other parties involved: KiKTextilien, the primary buyer from Ali Enterprises, and Social Accountability International (SAI), which issued the safety certification to the factory. SAI delegated the task to RINA international, an Italian certification company. RINA, in turn, outsourced this assignment to its affiliate in Pakistan, Renaissance Inspection and Certification Agency (RI&CA). An SA8000 “Social Accountability” certificate was issued to Ali Enterprises just 22 days before the inferno broke out; the same company has awarded over 100 such certificates to other garment producers in Pakistan over the years.<sup>50</sup>

It was not only SAI failing to uncover the precarious work conditions at Ali Enterprises; audits conducted by UL Responsible Sourcing hired by KiKTextilien itself failed to reveal the precarious work conditions at the factory. There were two audits conducted by KiK, one in 2007 which revealed that there were unsafe and exposed power circuits in the factory, overtime which was not documented by the factory and blocked factory exits. There was another audit done in 2011, a year before the fire broke out, and according to KiK representative Michael Arretz, all these shortcomings were remedied.<sup>51</sup> The audit stated that Ali Enterprise employed 410 workers and all of them were given employment contracts and their work hours were according to the

social audit criteria. During the investigations, factory employees revealed that most workers clocked in over 60 hours per week, occasionally even worked 24-hour shifts and were paid on a piece rate basis which ranged from \$1.50 to \$5 per day depending on the order size but hardly anyone ever made over \$70 a month.<sup>52</sup> At the time of hiring, workers were informed that the working hours included overtime so they didn't have any choice in the matter. Also, the workers were made to sign blank papers at the time of hiring which remained with the factory meaning the workers have no proof about their association with the factory.<sup>53</sup>

In addition to the UL, SAAS and RINA certifications, until 2010 Ali Enterprises was WRAP certified as well; the certification was not renewed by the factory management in 2011. The WRAP audit reports claim that no violations of WRAP criteria were found at the factory despite locked doors, illegal construction and overcrowded workspaces. The WRAP chairman, Charles Masten, claimed that they felt comfortable that the audit report was satisfactory for Ali Enterprises when it was last audited by WRAP.<sup>54</sup> The inefficiency of these "Social Audits" was discovered by Abdul Rauf Shaikh, an experienced factory inspector, who was scouting for producers in Pakistan on behalf of a European apparel company. During an audit by Rauf Shaikh of Ali Enterprise, it was discovered that two of the three factory exits were permanently locked, including other violations, and when the factory management was confronted, they said: "We are SA8000-certified. Whether you pass us or fail us, that's your issue, we don't care".<sup>55</sup> According to Karamat Ali of Pakistan Institute of Labour Education and Research (PILER) "many of the local manufacturers have the SA8000 certification, which according to a source...is being sold in the city on thela (hawking cart) by accrediting companies for Rs. 200,000 each".<sup>56</sup>

The role of the other international actor, in this case, SAI, where it outsourced its responsibility to other parties revealed its culpability in the inferno but also revealed systematic issues with Pakistan's labour laws and their implementation.<sup>57</sup> The restriction of surprise visits from labour inspectors or any other third-party organisation by law implemented under the influence of industrialists made it easier for the factory management to present a false picture of the safety conditions in the factory. In an interview with the survivors after the inferno, they claimed auditing companies never met them or inquired about the working conditions at the factory.<sup>58</sup> The workers also revealed that if there were any visits at the factory, the contractor would provide safety gloves and facemasks to the workers which would be taken back once the visitors left. The same workers also complained about factory management and owners abusing and beating workers.<sup>59</sup> In a blatant denial of their responsibility and culpability in the incident, suspended RINA's operations in Pakistan and on a post on their website said: "Social standards, auditing and associated training programs have improved conditions at thousands of workplaces, but they are not a guarantee against poor management, accidents or corruption".<sup>60</sup>

RINA outsourced the auditing to RI&CA, who according to RINA visited Ali Enterprises between 22nd June and 5th July and spent a total of ten days at the factory. The audit report claimed that there were safety and fire drills carried out at the factory on 2nd April 2012, in which ten workers participated. After the inferno, Clean Clothes Campaign interviewed survivors in 2013; all of the interviewees contradicted these statements in the report quoted by RINA.<sup>61</sup> Upon investigation, it was revealed that the fee for "Social Accountability" certification was to be paid by the Trade Development Authority (TDA) which itself runs on the funds given by local producers; this presents a conflict of interest on the part of the TDA. The domestic certification company which was outsourced by RINA, RI&CA, would only be paid if it presented a positive report in favour of the factory.<sup>62</sup>

What makes these oversights and negligence so perverse is because of the corruption of the labour department and also with the limited capacity of the local administrative bodies, according to an International Labour Organization (ILO) report, there are only 547 labour inspectors for over 350,000 registered factories around the country and only 17 of them are women, while women make up 30% of the total employment in the industry. In another ILO

review mission on health and safety in Pakistan, it claimed that if a factory was inspected in 1986, the next time its turn to get inspected will be after 30 years.<sup>63</sup>

#### 4 Triumph of Karachi's industrial capital

A day after the inferno broke out, the owners and management staff of Ali Enterprises were charged with murder, and the city administration and local government officials were charged with criminal negligence. An investigation commission was formed to identify the culprits behind the inferno; meanwhile, the police were in search of the factory owners, who fled to a small city, Larkana, near Karachi.<sup>64</sup> The initial investigations converged on the result that the most probable cause of the fire was a short circuit because of the overconsumption of electricity, 318kW against 210kW, which allowed ruling out any chance of foul play or deliberate attempt to cause the fire. The investigations revealed the breach of various labour and safety laws by the industrialists, which were made explicit by the investigation commission report.<sup>65</sup>

The report cited the entire system of Karachi as the culprit for the inferno. It was quoted to say "We would indeed hold that collectively the entire system of Karachi is responsible for the cause of death as at each and every stage; from the setting up of the factory....., to the owners of the factory who try to fit in the maximum number of machinery into the minimum space without bothering about the provisions of law which require at least breathing space....., to the several departments who are existing purely and simply for serving the cause of the factories and the labour who pay lip service to the law on several grounds including non-availability of staff, to the system which does not provide for adequate staff for sustaining and servicing a running industry".<sup>66</sup> The commission report, while rightly blaming every link in the chain which caused the disaster, was able to dilute the responsibility of the factory owners and city administration. Faisal Siddiqui, lawyer for the affectees, criticised the commission report findings and said by "dividing the anger all over the place" the report weakened the case against the factory owners.<sup>67</sup>

Even when the factory owners were in jail, investigators could not convince a single victim's family to file a compensation case. There were even reports of alleged threats to the survivors' families by using twin tactics of providing them with food rations and monetary support while simultaneously threatening them with the help of hired thugs. According to Karamat Ali of PILER, "Even from inside the jail, the Bhaila brothers had been giving directions to their men to threaten the people to move back from the case".<sup>68</sup> Even the petitioners' lawyer, Faisal Siddiqui, himself faced death threats in an attempt to make him withdraw from the case.<sup>69</sup>

The then Prime Minister of Pakistan, Raja Pervez Ashraf, visited Karachi and met with the representatives of Karachi Chamber of Commerce & Industry, who appealed for the withdrawal of the murder charges against the Bhailas.<sup>70</sup> Given the support of the industrial lobby and the PM and the reluctance of the survivors to come forward and testify against the factory owners, the Bhailas were granted three months' bail after being arrested. There was a tectonic shift in the case in 2015, three years after the inferno, when a Joint Investigation Report (JIT) surfaced blaming a local political party for being responsible for the inferno. The JIT was headed by paramilitary and intelligence agencies to look at "all possibilities and angles" of the inferno.<sup>71</sup> The report itself had no legal bearing because it was based on hearsay but was used to bring down Pakistan's most violent and dangerous political party. Despite no concrete evidence of arson during the initial investigation, the investigation shifted to political games.<sup>72</sup> Even the European Center for Constitutional and Human Rights (ECCHR) the strategic litigation firm which took up the case in Germany against KiK, the primary buyer from Ali Enterprises, raised its doubts about the JIT report. The vice-director of ECCHR claimed: "I have read the JIT report. It is based on hearsay. I don't think it can draw some credibility to the new factor as evidence".<sup>73</sup>

#### 4.1 The case against KiK – compensated at the cost of restitution

The case against KiKTextilien set a precedent for the global garment industry, especially for retailers relying on producers in the Global South. The case was groundbreaking in several regards. Firstly, the claimants would receive lifelong pensions from KiK matching ILO international standards. A financial contribution of this magnitude was only made possible because the case was pursued in the home country of the buyer. Secondly, Germany and Pakistan follow different legal systems; the case was judged in Germany according to Pakistani law based on English common law. This was made possible under the Rome II regulation, which allowed compensation claims to be judged according to the law of the country where the damage occurred.<sup>74</sup> It is worth adding that in addition to the German court taking up a case based on English common law of negligence, English courts themselves have never attributed liability to a sourcing company for human rights violation in its supply chain. Additionally, the case took into account the imperialistic economic structures and asymmetry of power between the buyer and producer because of developments in lawsuits against TNCs from different sectors.<sup>75</sup>

Immediately after the inferno, KiK paid \$1 million to the affected families under the Memorandum of Understanding (MOU) signed with PILER and CCC; the MoU included long-term compensation and a contribution to improve the working conditions in garment factories in Pakistan. After giving out the initial \$1 million, KiK stalled the negotiations and rejected the claim that it was responsible in any way for the inferno.<sup>76</sup> After stalling negotiations for over a year, in December 2014, KiK made an inadequate offer of \$1,000 per affected victim and refused the compensation plan according to the principles of ILO Convention No. 121 concerning the benefits to the affected in case of injury related to employment.<sup>77</sup>

In response to the inadequate offer, the family of victims Muhammad Hanif, Muhammad Jabbar, Abdul Aziz Khan and Saeda Khatoon formed the Ali Enterprises Affecteds association and with the help of ECCHR filed a case against KiK in Dortmund, Germany.<sup>78</sup> The four claimants, one survivor of the factory fire and three bereaved sought €30,000 each in compensation from KiK and acceptance of liability in failing to protect the workers and maintaining adequate working conditions at Ali Enterprises. The reason for forming the association was that German law does not recognise class-action lawsuits, so upon consultations with ECCHR, it pursued the case as an association.<sup>79</sup>

ECCHR offered its services of legal experts in Germany, and in August 2016, the Dortmund court issued the initial decision, granting legal aid to the claimants and accepting jurisdiction over the case. This was unprecedented in the German legal system, where a German company involved in human right violations abroad was to be tried in Germany.<sup>80</sup> However, the initial court hearing in 2018 did not address KiK's responsibility in the inferno but the question of statutory limitation; initially, KiK agreed to waive the statutory limitation requirement but later rescinded this offer.<sup>81</sup>

The local and global campaigns against KiK were able to gather public and institutional interest in the case, and organisations like CCC and PILER focused on negotiation and fulfilment of the MoU while ECCHR believed it to be an opportunity to implement lasting institutional changes and set precedents for future litigation involving TNCs. The success of the dual campaign targeting the state, Germany, as a regulator and second, corporations, KiK, in this case, led to a groundbreaking development in 2016. The pressure from campaigning for four years and the civil suit led to the MoU resulted in \$5.5 million long-term compensation.<sup>82</sup>

How the compensation was calculated is another success as affecteds were paid in line with the ILO Convention No. 121. A proxy wage of PKR 25,525 (\$242) was used, three times that of what the Ali Enterprises workers were receiving. In a first, the ILO served as a facilitator for the calculation of the payments where CCC, KiK and the German Government (as an observer) took part in the negotiations.<sup>83</sup> However, the compensation from KiK was voluntary as it does not consider itself to be liable for the pain and suffering caused by the fire. In 2019, the regional court of Dortmund rejected the claim by the affecteds association on the ruling that the claims

were statute-barred. In December 2019, the claimants again filed for legal aid at the Oberlandesgericht Hamm, but the court again rejected the case on the same statutory limitation grounds.<sup>84</sup> The ruling proved that local and international law is still shackled in domestic laws. Miriam Saage-Maaß from ECCHR on the ruling said: “The law urgently needs to be updated to reflect how globalized business operates. This is the only way to ensure that people affected by corporate rights violations get access to justice they deserve”.<sup>85</sup>

Saeeda Khatoon, who lost her son in the inferno, exclaimed that “I will not give up this struggle till my last breath”.<sup>86</sup>

## Conclusion – the architecture of impunity

The events that led to the Ali Enterprise inferno and the ones that followed coupled with the court cases taken up against the factory owners in Pakistan and KiKTextilien in Germany unveil three barriers that manifest themselves not only locally and among producer countries but also globally. These three barriers – structural, economic and legal – resulted in the inferno and influenced the responses to the inferno both locally and globally.

Starting with the structural barrier, in Pakistan, right after independence, an asymmetrical relationship between labour and capital formed that can be traced back to how the country set its course towards development. This asymmetric power relationship can be put into perspective by the statement of Pakistan’s prime minister in 1949 just two years after the country’s independence, where he said: “We must create conditions which are favourable to the labour. My government will take all necessary steps to see that labour gets its due share in all the enterprises.... Labour must remember that the interests and the welfare of Pakistan come before the interest of any individual or class of individuals and must not do anything which in any way weakens Pakistan. If Pakistan endures and prospers, the problem that Pakistani labour has can be solved”.<sup>87</sup> This asymmetrical power relation replicated itself not only in the industrial relations but also between other state and non-state actors. According to Hamza Alavi, Pakistan after independence inherited an “over-developed” state where state apparatus overpowered social and non-state actors.<sup>88</sup> This “overdevelopment” was unveiled in the case of the Ali Enterprise inferno and how historically the state undermined the labour movements for political gain and in connivance with the industrial elite.

This structural barrier replicates itself globally as well. Pakistan being geographically placed in the Global South faces the same working conditions as other developing countries dependent on foreign capital for economic growth. Pakistan’s presence in the Global South places it on the periphery of the global capitalist economy. The concept theorised by Wallerstein in “World Systems” approach coupled with global production chains unveils the asymmetric power relationship between the countries in the Global North and the Global South.<sup>89</sup> As discussed, global capital and labour relationships are imperialistic. Lenin’s conceptualisation of imperialism constituted “complex intermingling of economic and political interests, related to the efforts of large capital to control economic territory”.<sup>90</sup> In the context of global production networks, northern capital controls “economic territory” using different management techniques which are supported by neoliberal reforms. These global and local structural changes in the economic and power structures have led to a development trajectory where exploitation of the workforce is paramount for the global capital to sustain itself. Another structural barrier by which globally dispersed production is supported is social auditing systems; in a way these TNCs provide both the “bullet and the bandage” to the workers. TNCs’ sourcing practices undermine basic human rights on the work floor; then TNCs try to distance themselves from the entire production function by employing third-party social audits. In effect, these auditing companies help TNCs escape responsibilities despite their involvement in the development of audit criteria and methodology.

The second barrier, economic, is closely linked with the structural barrier. Locally, an asymmetrical relationship formed in Pakistan was further intensified by mass migrations into the country. These migrants turned to cities for economic opportunities, giving industrial capital a surplus supply of labour to choose from and squeeze their rights and make working conditions more precarious. Additionally, the adaptation of neoliberal reforms led to the deregulation of the entire economy; new economic orthodoxy meant privatisation and the minimum role of the state.

This economic barrier replicated itself globally. After the fall of the Soviet Union, economic liberalisation of India and China, the “great doubling” of labour available for capital to extract surplus, drove wage structures down globally. In addition to the “great doubling”, neoliberal reforms were detrimental for labour in the Global North as industrial jobs were outsourced to developing countries, which contributed to ‘anti-globalisation’ protests like the Seattle riots.<sup>91</sup> In the Global South, the jobs brought with them sweatshop-like conditions, poverty wages, coercion to control labour, use of child labour and abandonment of factory audits. These precarious practices are underpinned by countries in the Global South’s “dependent development” on Western capital. Examples of such practices are not limited to the traditional garment and textile industries; Apple’s products being produced under prison-like conditions unveil the omnipresence of these practices whenever an international buyer is involved.<sup>92</sup> These harrowing industrial incidents were the result of cutthroat economic competition which takes place on three spatially different levels: first, among the TNCs in the Global North for consumer capital; second, between suppliers in the Global South, for sourcing contracts; and third, among countries who are part of the global production economy, who compete with each other by relaxing laws protecting workers even more and promoting a “business-friendly” work environment.<sup>93</sup>

The use of a weak JIT report prepared by security agencies, support from the then prime minister and lobbying from the entire industrial establishment exonerated the Bhailas and in effect the entire industrial class at large. The glaring gaps in worker safety, hiring practices and all other illegalities which keep the industrial capital competitive were overshadowed by the “extortion mafia”, which historically has been used by the same industrialist to do its dirty work. The new legal opinion of the courts, investigating agencies, Karachi’s business community and the political parties converged, and the law was used as a tool of the political powerplay.<sup>94</sup>

The legal barrier replicated itself globally. When the case was taken up against KiK, it denied its responsibility for what happened at the factory due to its arm’s-length relationship with the producer. This commercial relationship is manifested due to the presence of the first two barriers. Given the different legal systems in the producer’s and retailer’s countries, the case stalled for eight years and was finally thrown out because of procedural modalities while at least due to the international coverage, campaigning and interest of different organisations, the affectees were able to get compensated for their losses. This compensation did not include the liability of pain and suffering caused to the claimants and their families, but due to the commercial relationship without any strings attached and the cover of third-party audits, KiK was able to stall the negotiations until the case was dismissed on statutory grounds.<sup>95</sup>

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**Section 3: Institutions: The Responses of Different Institutions to the Social and Environmental Crisis: Central Banks, Labour Unions and Global Development Agencies**



## **7. A German Trade Union and the Transformation of Work Towards a More Ecological, Social and Democratic Future**

*Based on the thesis “Industrial Democracy in Conversion Processes: A Case Study of the German Industrial Trade Union IG Metall 09/2015–06/2020”*

*Grill, Anna*

### **Introduction**

The problem my research tries to address primarily is the climate crisis, similar to other contributions to this book – see introduction. There are different ideas about the problem of the climate crisis and how it should be solved. The following simplified distinction builds upon the work of the scholar and UK trade unionist Paul Hampton<sup>1</sup>. He works as Head of Research and Policy at The Fire Brigades Union, the firefighters’ representative body in the UK.

#### **1 Dominant economic framing**

The US economist Nicolas Nordhaus is well respected. He even won the Nobel Prize in 2016. Nordhaus thinks that climate change is an “externality”<sup>2</sup>, which is allowed to happen because no one has to pay for CO<sub>2</sub> emissions. He says that if polluting behaviour – like emitting greenhouse gases – would be more expensive instead of “for free”, the result would be lower emissions. This is because rational people would try to reduce costs, to save as much money as possible. One solution is to create a system of certificates that assign a price to emissions. These certificates need to be bought by firms before they are allowed to emit CO<sub>2</sub>. As they can be bought and sold, this is called market-based. The goal is to not affect the competitiveness of firms. In every phase of the system the number of certificates available declines to increase their price. As a consequence this should decrease total emissions. The EU created such a system in 2005, the EU-ETS (Emission Trading Scheme). In its third phase, it covers 45% of EU greenhouse gas emissions. Those are 11,000 units – big companies and organisations like power stations and plants<sup>3</sup>.

Other academics do not think that missing prices of emissions are the most critical problem and ETS schemes are the solution. One reason is because they fear that this system might lead to rising energy prices which might hit people on lower incomes especially hard. Inequality of CO<sub>2</sub> emissions is linked to income inequality. An Oxfam study says that the 10% of the world population with the highest income causes 50% of the world’s emissions. The poorest 50% of people on planet Earth are only responsible for about 10% of total lifestyle and consumption emissions<sup>4</sup>. Poor people spend more of their money on basic needs like heating.

Richer people for example fly more. Creating laws and regulations to lessen emissions that are considered “fair” is challenging but necessary.

## 2 Green-growth framing

Some think that it is possible to decrease emissions in a way that is also good for businesses. Those ideas are often connected with the adjective “green”, like “green growth” or the “Green New Deal” suggested by the EU parliament<sup>5</sup>.

One key assumption here is that economic growth and the growth of CO<sub>2</sub> emissions can be decoupled. Many people and academics believe that this is possible because of technological improvements – “green growth”. Degrowth scholars don’t think that, stressing that all people on Earth should have a good life. Furthermore, global justice is very important to them. Consequently, production and consumption should be reduced in high-income countries so that developing regions can grow (economically and emission-wise) to provide a higher quality of life for their population<sup>6</sup>.

Both justice between Global North and South and justice between generations are more important in the green-growth framing than in the dominant economic framing. In terms of what groups of people are addressed to act to prevent and mitigate climate change, this second green-growth framing encompasses more actors. Regular people and organisations, so called “civil society”, are addressed here too, rather than it just being politicians and experts only. Ideas on how to achieve the goal are broader, including also taxes and subsidies. For instance, the idea emerged to tax SUVs more than electric cars that emit no CO<sub>2</sub> during their use (at least if they use renewable energy), or to subsidise part of the costs of an electric car to avoid emissions.

The question is whether long-term success can be reached within this framing. This is questionable because of unequal power relations. For example, if a government introduces very strict regulations like higher taxes that hurt business groups, they might not get re-elected again. Similarly, if voter groups feel like the government does not act in their interest, they will vote for another party at the next election. Paul Hampton fears that in this constellation, the appetite for change might not be united with the capacity for change<sup>7</sup>.

## 3 Marxist framing

Paul suggests a third way in his book, a Marxist framing of the climate crisis. Karl Marx was a political economist in the 19th century who wrote that only nature and labour together create the use-value of products. He described labour as the father and earth as the mother of useful products<sup>8</sup>. In his theory on how value is created, the workers are very important, and so is Mother Earth. Historically, workers have fought for and gained rights like holidays or shorter working hours, based on Marx’s theory that they are the ones who create the value of products. Paul now suggests that from that experience of fighting, workers could become allies of Mother Earth and fight for her health – against global warming and too much CO<sub>2</sub> emissions. So he calls them “strategic climate actors”<sup>9</sup>.

## 4 So why is all of this relevant for the field of wage labour?

Firstly, it is important because of the potential of organised labour’s power and experience for change – Paul’s suggestion from the last paragraph. Secondly, in 2020 the climate crisis did not get enough attention due to another crisis, the COVID-19 pandemic!

From when I started working on my master’s thesis at the beginning of 2020 to now, the beginning of 2021, the world has dramatically changed. The severe regulations introduced to fight the spread of this new virus have caused grave, fundamental shifts. Economic and social

consequences are still not completely visible like how many jobs will be lost. However, the amount of people that are currently out of work or in short-work schemes has rocketed in rich middle European countries like Germany. This has pushed the climate crisis to the background of the political agenda, compared to the immediate health crisis.

Work is changing. Work has always been changing. Work must change in a world that takes the climate crisis seriously. A term often used for describing the current ongoing massive structural change is “transformation of work”. Focusing specifically on the car industry, several factors cause this transformation. Some of those trends are globalisation/urbanisation, trade protectionism, Brexit, demographics and digitalisation. Others are climate change and the environmental protection regulations used to mitigate it<sup>10</sup>, issues that are at the centre of my research. The political scientist Antje Blöcker consequently defines this period of massive structural change as a conversion process in her study about the car industry in transformation<sup>11</sup>.

Hampton says that social relations of production have been mostly ignored in climate politics, even though work is crucial in regard to climate change. Instead of generally naming “human activities”, he thinks, fields of human activity of production should be distinguished – like production, industrial and related work relations<sup>12</sup>. Therefore I focused in my master thesis on wage labour to analyse a specific field of human activity: wage labour.

## 5 The institution of trade unions in Germany

Organised labour, also referred to as trade unions, has fought for easements in the labour process throughout history. In Germany, they are still a comparatively powerful institution and very institutionalised<sup>13</sup>. Laws guarantee statutory co-determination (*Mitbestimmung*) at plant and enterprise levels. The collective bargaining system is highly centralised<sup>14</sup>. The trade unions negotiate industry-level agreements with the employers’ associations. Those agreements determine fixed standards for wages, holidays or working hours. For instance, a regular full-time working week in the metal industry is 35 hours per week.

The corresponding bargaining system should result ideally in high (and rather equal) wages and high job security for employees. This approach results in incentivising investment in skills rather than low-cost production, following the “Varieties of capitalism” theory of Peter Hall and David Soskice<sup>15</sup>.

The power of unions depends upon membership figures. Even though the numbers have declined, especially since the 1990s, the German industrial union IG *Metall* is still the single union with the most members worldwide. In 2020 it had nearly 2.3. million members<sup>16</sup>. IG *Metall* represents members of the powerful car industry among other industries like iron and steel.

In my master thesis research, I decided to use this specific union as a proxy. Originally I was planning to analyse “the worker’s voice”. But this would, method- and timewise, have far exceeded the scope of the research project. So I looked at the big IG *Metall* union instead, focusing on the car industry because this specific industry is highly relevant to the political organisation of the trade union<sup>17</sup>.

## 6 Why is the car industry so important?

The car industry is regarded as one of the most important industries in Germany<sup>18</sup>. It employs about 2 million people, which accounts for about 5% of all German employees<sup>19</sup>. The considerable amount of people working in the industry is therefore the first reason why it is seen as so important. Secondly, unionisation rates are very high. They are higher than in any other sector. For example, in the case of Volkswagen, up to 95% of workers are members of their union, the IG *Metall*<sup>20</sup>. Thirdly, the industry is geopolitically very important for Germany. An incredible 75% of cars in Germany are produced for export<sup>21</sup>. Consequently, the industry is partly responsible for the huge German export surplus<sup>22</sup>. There is a distinction to be made

between the German car industry and the car industry in Germany (that exports 75%). Why is that? The German car industry produces half of all cars in other countries. Those countries are often located in Central and Eastern Europe. Complex value chains that go far beyond the country’s borders are therefore controlled from Germany<sup>23</sup>. Consequently, the product and its production processes do not only directly matter due to their high amount of emissions in terms of production and consumption/use of cars within Germany but in a wider geographical area. This argument shows that the exploration of connections of a single case (like here: the car industry in Germany) are crucial to understand its significance.

To start with theories about the “big picture” I will in the next section explore ideas of how the concepts of nature and labour relate, before explaining the case in more detail.

**7 How can the relationship between nature and labour be conceptualised?**

I found three major ideas on how to relate the fields of nature and labour.

**7.1 Jobs vs. environment – the dichotomy**

First, there is the simple jobs vs. environment dichotomy. It supposes that there are two options: for example, a polluting coal plant can either be kept open or it can be closed. The consequences of keeping it open might be locally disastrous for the environment, or even globally for the climate, if you think about how many coal plants there are all around the world. However, if you close the plant, the local environment will be better off, but what about all the staff that worked there? The social consequences of mass unemployment are potentially disastrous for a community, especially if it is a rather small town where most of the inhabitants make their living from this single plant<sup>24</sup>.

In similar conflicts, environmental organisations often expected labourers to side with the employer against stricter environmental regulation rather than happily losing their jobs. Contrarily, trade unionists thought about nature as privatised, a resource and input for the production process and therefore on capital’s side of the relations of production divide. These attitudes led to mutual hostilities and hindered cooperation between both types of organisations. Labour and nature studies are seen as separate fields, and so are trade unions and environmental organisations<sup>25</sup>.

Attempting to link this idea to the classification of climate change in the previous section, this view might be closest to the dominant economic framing as it also represents the currently prevailing paradigm.

1 - Dominant economic framing (pollution “for free” vs. carbon pricing)	a - Jobs vs. environment dichotomy
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Figure 1: Mapping of economic framing and framing of relationships between nature and labour

**7.2 Jobs, environmental protection and money – combining conflicting goals**

An early attempt to bridge this divide was just transition conceptions. The idea goes back to the 1970s. Back then a US trade unionist, Toni Mazzochi, and an ecologist and labour activist, Barry Commoner, simply decided to not oppose pollution-caused chemical plant closures. Instead, they demanded compensations for workers and new training opportunities<sup>26</sup>. The German trade union IG *Metall* also states that the approach to environmental issues by trade unions frequently happened through health and safety topics<sup>27</sup>. Using that path, the concept of just transition

justifies the environmental engagement of trade unions. It could be linked to green-growth conceptions.

2 – Green-growth framing	b - Jobs, environmental protection and money, just transition conceptions
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Figure 2: Mapping of economic framing and framing of relationships between nature and labour

Taking into consideration the economic goal for earning profits, Flemming and Reuter describe the magical triangle of conflicting goals. It depicts the goal conflict between economic, social and ecological needs. The adjective “magical” refers to the idea that not all goals can be reached at the same time at the same level. This allegedly results in necessary compromise solutions<sup>28</sup>. Different timescales play a role too in that conflict. Monetary and occupational needs are usually immediately pressing and visible in the short term. Contrarily, nature is cyclic and long-term oriented, and the effects of environmental protection might never be felt – if successful. Therefore, is it in the interest of workers to protect the environment?

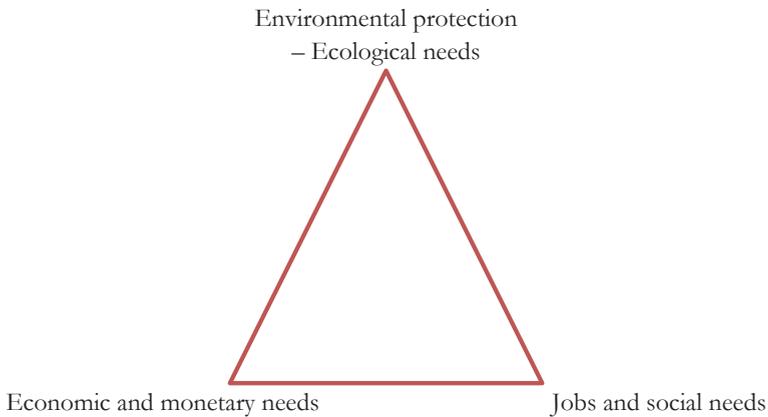


Figure 3: Magical triangle of conflicting goals

### 7.3 Labour as a father, nature as a mother – the partnership approach

There is a third perspective, which sees humans/workers and nature as equals, as partners. Consequently, nature’s interests and needs equal workers’ interests and needs as they cannot be separated. “Environment as a partner” approaches result in ecology no longer being subdued to economic interests. This would present a decisive shift in climate policies<sup>29</sup>. An academic discipline that questions pristine nature as a category distinct from humans is called political ecology. The argument is that who defines what nature is (or not) is already a question of power, and that power of definition is unevenly distributed<sup>30</sup>.

3 - Marxist framing	c - labour as a father, nature as a mother, the partnership approach
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Figure 4: Mapping of economic framing and framing of relationships between nature and labour

The sociologist Nora Räthzel and psychologist David Uzzel have established an academic field which they called “environmental labour studies”. It intends to reconcile the protection of jobs with the protection of the environment<sup>31</sup>. They wrote that “the question of the position of labour and the labour movement towards the climate crisis and its role in solving it becomes more urgent than ever”<sup>32</sup>. I will include two main findings from their research here which are potentially useful for trade unions’ environmental strategies in a partnership approach. The authors conducted interviews with trade unionists in the Global North and South. As an outcome of these projects they firstly write that in mainstream conceptions, workers are presented as victims of climate change measures – and not as victims of climate change itself. The opposite would be to regard them as actors, as “masters of their own fate”<sup>33</sup>. A change of perspective could change the range of possible actions. Secondly, they found three paths to develop a consciousness to overcome the perception of “nature as labour’s ‘other’”. Those were “(...) either the character of work itself, the experiences of connectivity or a comprehensive worldview (which need not be religious)”<sup>34</sup>. From a partnership perspective, environmental protection is a general ecological interest shared by workers to keep the environment, as their own source of life, in a healthy state.

I tried to contribute to the field of environmental labour studies by analysing a specific trade union’s perspective in a definite country and industry case, the German car industry, in my master thesis. This case study therefore addresses a research gap, the examination of “the perspectives of individual trade unions in particular countries”<sup>35</sup>, explicitly identified by Hampton.

## 8 Workers as strategic climate actors in theory

Theories and ideas I found on how workers could act to slow down global warming are firstly economic conversion and secondly new forms of industrial democracy.

Economic conversion means a process to change products, respective manufacturing processes, and their corresponding marketing<sup>36</sup>. This definition from Marc Baldwin refers to a single company. However, in the German context, discussions about conversion are experiencing a renaissance lately. That is happening in the context of the bigger issue of a socio-ecological and democratic transformation of the economy, according to Blöcker<sup>37</sup>.

Historically, the term of conversion has mostly been connected to the issue of arms conversion. In the aftermath of the 1968 student protests a strong peace-movement emerged. Similar to the issue of jobs or environmental protection today, many jobs back then were dependent upon military production. To overcome that arms-versus-jobs conflict, coalitions of workers and peace activists started initiatives to develop alternative products and production mechanisms, the most famous one being the Lucas Aerospace Corporate plan in the UK in 1974. The workers suggested producing socially useful products like renewable energy systems or medical equipment rather than arms in an attempt to prevent site closures due to military spending cuts. However, management refused to consider the radical suggestion to negotiate with their staff representatives about products rather than only working time and remuneration<sup>38</sup>. The initiative failed.

Conversion is difficult to achieve due to several factors and burdens<sup>39</sup>. However, it is not impossible, thinking about several categories of conversion. One example of conversion would be Opel’s development from sewing machines to bicycles to cars. This example is categorised as “world-economically driven” conversion by Blöcker. She argues that there are also democratic forms of conversion which connect questions of what is produced with the issue of how this is done<sup>40</sup>.

This argumentation leads us to the second idea of democratisation tendencies or industrial democracy. Some people think that the present parliamentary democratic system is only a half-finished form of democracy as it leaves out the economic sphere. Why should it be the best form

for states to be governed democratically but not for other organisations like companies? Following the 2007–9 financial and economic crisis, more people started thinking about issues of democratisation after the failure of finance capitalism became obvious. One of those expressing that idea was the operating board member of *IG Metall*, Hans-Jürgen Urban. In 2011 he theoretically outlined a concept for an economic democracy of the 21st century<sup>41</sup>.

The concept builds in some areas on older democratisation conceptions, like stressing the importance of the political dimensions of power and the limits of the currently practised form of German co-determination structures. New is the strong focus on embeddedness<sup>42</sup>. The individual worker should be embedded in company co-determination structures. Those should be embedded within broader structures and strategies across companies, but also across regional and structural policies and broader macroeconomic social and labour-market considerations. This multi-level concept would expand from a European to a national, regional and operational level as it would consider today's power structures as well as the importance of ecological aspects. In that regard he stresses that ecological conversion strategies are key. Even though Urban writes in this article that he is aware of the difficulties such a project would have to overcome, alliances in the form of a “mosaic-left” could help in his perspective to realise it together in small steps<sup>43</sup>.

I used in my research the term “industrial democracy” rather than economic democracy to capture industrial trade union perspectives and ideas, because in my reading of the entire discourse the notion of economic democracy became rather blurry.

## 9 Workers as strategic climate actors – observations in practice – a case study of the German automotive industry (09/2015–06/2020) out of IG Metall's trade union perspective

As described above, the automobile sector in Germany is crucial for the organisational strength of *IG Metall*. Consequently my case study concentrated on how the jobs vs. environment dynamics play out there. As sources I used *Metallzeitung*, the *IG Metall* membership magazine, from which I analysed articles and readers' letters over the time period 09/2015–06/2020. Based on this material, a preliminary version of phases and events was drafted, examining how tensions and tendencies unfolded in that time period. It was tested and extended in a second research phase by three semi-structured expert interviews. The experts were *IG Metall* trade unionists from different levels, partly professionally connected to the car industry. The following analysis is based on those resources. I will concentrate on the main topics I identified, to highlight the responses and actions of the trade union in recent years.

### 9.1 Defence of existing jobs in the sector

As a labour interest organisation, safeguarding the jobs of their members is the core goal of *IG Metall*. Consequently when the news of illegal “defeat devices” in certain VW diesel car models became public in September 2015, the first reaction of workers and their union representatives was rather defensive. Later, after the full range of the scandal became better known, the works council and trade union distanced themselves from the denounced activities, the “criminal behaviour of a few”<sup>44</sup>.

The illegal mechanism was discovered in the US by the EPA (Environmental Protection Agency). Diesel cars appeared to be “clean” and in line with nitrogen oxides (NOx) emission standards under laboratory testing conditions. However, real-world NOx-emissions could, depending on the conditions, soar up to 40 times the allowed US standards<sup>45</sup>. In the US only about 3% of cars operate with diesel engines. Contrarily, in the – at this time booming – European car market, more than half of the passenger fleet was powered by Diesel! There, it was subsequently discovered that cars sold used similar cheating devices<sup>46</sup>.

Allegedly, stickers appeared on staff's cars around the VW headquarters signalling that they stood with Volkswagen. Additionally, an article in *Metallzeitung* in the November 2015 edition was dubbed "Priority for Environment and Employment". It focused on defending the importance of diesel technology on the grounds of its comparative climate-friendliness as diesel cars comparatively emit less CO<sub>2</sub>! Therefore, the technology was presented as crucial to meet 2020 emission reduction goals. Questioning the technology itself, the article argued, would result in endangering thousands of jobs as 70,000 positions are directly connected to it<sup>47</sup>. Later on, in 2017, Frank Iwer, the head of strategic and political planning of *IG Metall*, stated that diesel needs to become cleaner. His argument was similar, that clean diesel is indispensable due to environmental protection reasons. However, he definitely positioned himself against looming diesel driving bans in cities (due to its high NO<sub>x</sub>-emissions)<sup>48</sup>. So *IG Metall* representatives attempted to defend jobs (and diesel) at first by defending the car industry and its product – because this highly unionised industry still offers a high number of fixed contracts, the German ideal.

## 9.2 Economic security policies

Out of the realisation that it would not be possible to stop a green changeover in the car industry, the union adapted its strategy to manage it instead. To provide "security in change" became the new paradigm<sup>49</sup>. Two instruments suggested for that purpose are firstly future (collective) agreements and secondly transformation short-work schemes. Both are flexible instruments that build upon traditional social partnership cooperation. Employers' representatives and employees' representatives together negotiate compromises as it has been established in the yearly collective bargaining process.

Future agreements are based on examples like the VW future agreement<sup>50</sup>. Employment security is negotiated as an exchange for support regarding the far-reaching transformation of the company's strategy. VW has committed itself to becoming the world market leader in E-mobility<sup>51</sup>. This goal demands enormous investments in new products (such as electric engines) and production processes. As a result, some workers' qualifications might not be needed any longer.

However, rather than firing them, the strategy is to qualify existing workers for the new tasks and processes. Consequently, developing a strategy of new products and subsequently needed qualification and investments are key areas of agreements for the future. As entire industries expect fundamental structural changes due to the digital and ecological transformations, the idea was to scale up future agreements. At the beginning of 2020, after months of a weakening economic situation, the goal was to include future collective agreements in the already existing collective bargaining process. On an industry level, the duty to negotiate enterprise-level future agreements was supposed to be codified. The plan was to determine the concrete investments, products and necessary qualifications for the workforce<sup>52</sup>. Nonetheless, the COVID-19 pandemic and subsequent emergency measures and lockdowns led to a postponement of these measures.

A second instrument suggested is the transformation short-work scheme. The idea of short-work schemes is to prevent redundancies during difficult economic times. Staff are working fewer hours, but getting paid comparatively more than the hours they work – the difference is covered by public funding. The idea is that it is better to preserve employment structures, expecting that those will boost the economic recovery rather than to have mass unemployment. This model was said to have contributed to the fast recovery of the German economy after the 2008/9 crisis<sup>53</sup>. The union planned to adapt this model for transformation periods during lengthy conversion processes that would go along with a lack of work as the workforce would have to adapt to changed requirements and activities. In those situations, the transformation of short-term allowances should be used as a bridge. The new system should

connect short-work with qualification and re-training of staff so that they could continue to be employed with their new skills after the transformation<sup>54</sup>.

The pandemic caused short-work schemes connected with subsidised allowances to be used on unprecedented scales to bridge the economic lockdowns. 7.5 million people were in such schemes in April 2020<sup>55</sup>. However, the issue of qualification of the workforce was mainly not pursued by companies. Even though suddenly unprecedented public financial resources were mobilised to fight the consequences of the pandemic, the issue of transformation has been rather put on hold in favour of conservation of the current economic structure. Since the pandemic started at the beginning of 2020, the long-term future appears more insecure than ever. All three interviewees agreed more or less that the COVID-19 crisis endangered transformation attempts as companies might be tempted to focus on short-term survival rather than making long-term plans, which leads to increasing pressure for profits<sup>56</sup>.

What were transformation ideas for the automotive industry before?

### 9.3 Plans for greener production

The alternative driving technology debate mushroomed after the diesel scandal got publicly known. Its image as clean technology has subsequently suffered. Moreover, EU emission standards have become stricter. Electric vehicles were first propagated as a substitute, but their production allegedly consumes 60% more energy than the ones of conventional cars, therefore it is only more sustainable after a certain amount of kilometres are driven (30,000–100,000km) depending on the power mix of renewable and conventional energy<sup>57</sup>. Other technological suggestions are hydrogen cars or so-called E-Fuels, both far from market ready<sup>58</sup>. In the expert interviews, the question of future drive technology was judged as open, surrounded by question marks. Car registration statistics in Germany tell a story of the commercial irrelevance of alternative drive technology until mid-2020. In the first half of 2020, even though they are heavily subsidised by the state, electric cars made up only 3.7% of total car registrations<sup>59</sup>! This demonstrates that results are minor.

However, the subsidies show the state's support for alternative drive technologies. The political climate has already changed. This was demonstrated by the traditionally union-friendly Social Democratic Party which in 2020 explicitly did not support a buying premium for diesel cars as part of the economic recovery package due to COVID-19, discussed as an "environmental premium". This stance led to considerable upheaval and public accusations that the party would let down workers. The diverging opinions about that hot issue were also visible in the interviews<sup>60</sup>.

In the course of my analysis, it became clear that the union's perspective is still more focused on the "green growth" framing, in which there is no conflict between jobs and the environment as innovation will both safeguard jobs and protect the environment, rather than on visions for more encompassing mobility transitions. The baseline assumption I observed is generally that the car as a product will remain indispensable for the nation, even though drive technology is expected to change<sup>61</sup>. However, there have also been broader transformation alliance attempts for action.

### 9.4 Alliances

On June 29, 2019, IG *Metall* organised in Berlin a demonstration to demand fair change, which should be social, ecological and democratic. The demonstration was organised in alliance with an environmental organisation (NABU) and a welfare alliance (VdK). The insight that solidary alliances are needed to enable transition was crucial for this action. Therefore it can be classified as one concrete attempt in which workers acted as "strategic climate actors". The event with about 50,000 participants took place in sunny conditions, not only weather-wise. Mid-2019 the car industry could look back at a very successful economic decade before the economic situation

started to darken in the second half of the year. Statements of participating union members expressed some sense of agency: “we ourselves have to stand up for our future”<sup>62</sup>. This action demonstrated the potential for a partnership approach towards climate change in which workers and trade unions are key forces for climate mitigation.

### 9.5 Leadership and membership perspectives

Especially interesting in my research was the analysis of the readers’ letters in *Metallzeitung*. For sure, only some pre-selected ones were printed, but they allow an insight into the diverging opinions. For instance, some members keep demanding more environmental engagement of their union whereas others ask them to lobby against diesel driving bans in cities. A 91-year-old member even criticised the missing self-reflection of IG *Metall* in connection with the emission scandal. Another union member writes “(...) *we trade unionists are challenged to overcome the hitherto popular ‘jobs against environment’ policy and need to step in (more) actively for necessary radical environmental pollution measures and the preservation of jobs – for a future where humans and nature are in harmony*”<sup>63</sup>. She therefore described an understanding of a partnership between nature and labour.

## Conclusion – what more could be done?

Based on my analysis I would say that IG *Metall* mainly understands the climate crisis in a just transition conception. This understanding relates to the magic triangle perception of conflicting ecological, economic and social goals. In this chapter I link it to Hampton’s green-growth category as it shares the basic assumptions.

Greening production is seen as requiring state support, qualification and investments. The union, therefore, proposed instruments like future collective agreements and transformation short-work schemes. Those try to combine allegedly conflicting occupational, natural protection and monetary goals. Still, nature is mostly not regarded as a partner. Therefore my first point would be an impulse to rethink the theoretical understanding. Can there be jobs on a dead planet? Starting from a different framing of a partnership approach, nature as an indispensable ally of labour understandings has great potential to enable workers and trade unions to become leading “strategic climate actors”. There are already slight developments in that direction like the alliances forged for the fair change demonstration and workers pushing their union to act.

But the daily difficulties of a pandemic make it harder to focus on long-term issues like the climate crisis rather than on short-term survival. And through remote working, the room to talk about it literally disappears. But communications are crucial for an interest representation organisation like a union. So are actions for a self-perception as being able to change things. As difficult as the pandemic circumstances are, unions need to communicate and find spaces and formats for action. This is especially true now as they need to provide “security in change” for their members during the structural transformation of the economy.

What is the goal of this transformation that should be social, ecological and democratic? There seems to be an agreement of a broad direction for that longer-term changeover that has emerged as a “transformation” concept. As one main driver of this transformation in the automotive industry, CO<sub>2</sub> reduction regulations were mentioned. They have been becoming progressively stricter due to climate mitigation reasons. Nevertheless, the analysis shows that the definite goal of the transition seems to be more unclear than ever: Is it a change of drive technology, conserving current economic structures, or a broader mobility transition? The latter is preached sometimes in the industrial trade unions’ communications whereas the former seems to be operationally pursued in detail. Considering the importance of the car industry for the union, a firmer commitment to a broader mobility transition might be difficult. However, the COVID-19 pandemic could provide a changed idea of social “system relevance” of work (and

cars), additionally to the environmental dimension. This experience could probably enable workers to see how nature and labour connect – if they keep their jobs.

## Notes

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<http://manchester.universitypressscholarship.com/view/10.7228/manchester/9780719080975.001.0001/upso-9780719080975-chapter-2>.
15. In terms of the dualistic approach of VoC (Varieties of Capitalism), Germany is seen as a Coordinated Market Economy (CME), for which strong trade unions and informal networks are analytical criteria. The opposite ideal type are Liberal Market Economies (LMEs) for which the UK or US are named as typical cases that depend mainly on market arrangements. For more see: Hall, Peter, and David Soskice, eds. *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. New York: Oxford University Press, 2001.
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17. Haas, Tobias, and Markus Wissen. 2019. “Automobiler Konsens am Ende? Wie die Linke bestehende Risse vertiefen könnte.” *«Bahn frei» - Rosa-Luxemburg-Stiftung*, 2019, 35.  
<https://www.rosalux.de/publikation/id/42212/bahn-frei>.
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Handelsblatt. n.d. “Automobilindustrie News: Neueste Nachrichten aus der Autobranche.” Accessed May 5, 2020. <https://www.handelsblatt.com/themen/automobilindustrie>.

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However, trade union figures usually give the number of people employed in the car industry as around 800,000: IG Metall. “Abgaskrise, Klimaziele - die IG Metall hat Antworten” Metallzeitung - Mitgliederzeitung der IG Metall, 68, December 2016, 3, <https://www.igmetall.de/service/publikationen-und-studien/periodika/ausgaben-der-metallzeitung?p=4&#results>.

20. Blöcker et al. “Auto- und Zulieferungsindustrie in der Transformation.” 32.

21. Blöcker et al. “Auto- und Zulieferungsindustrie in der Transformation.” 37.

22. Export surplus means if a country exports more products with higher value than it imports. The opposite is in the trade balance is a deficit. For example Germany has been known (and widely criticized) for its huge export surplus. For more info on that topic see: Britannica Academic, n.d. “Balance of trade.” Accessed February 15, 2021, <https://www.britannica.com/topic/balance-of-trade#ref892435>.

23. Compare: Blöcker et al. „Auto- und Zulieferungsindustrie in der Transformation.” 37, footnote 10. The historical context explains how this constellation developed especially since the 1990s. Several major car companies are headquartered in (former West) Germany but partly outsourced production to contractors and lower-wage countries.

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28. Flemming, Jana, and Norbert Reuter. “Gewerkschaften: Wer Kann Es Sich Leisten Zu Verzichten?” *Konzeptwerk Neue Ökonomie EV, DFG-Kolleg Postwachstumsgesellschaften, Degrowth in Bewegung*, 2017, 32: 191.

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31. Räthzel and David Uzzel. “Trade Unions and Climate Change: The Jobs versus Environment Dilemma.” 1216.

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33. Räthzel, Nora, and David Uzzel. “The Future of Work: Trade Unions in Transformation.” 160.

34. Räthzel, Nora, and David Uzzel. “The Future of Work: Trade Unions in Transformation.” 161.

35. Hampton, Paul. 2018. “Trade Unions and Climate Politics: Prisoners of Neoliberalism or Swords of Climate Justice?” *Globalizations* 15 (4) 2018: 484. <https://doi.org/10.1080/14747731.2018.1454673>.

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37. Blöcker et al. "Auto- und Zulieferungsindustrie in der Transformation." 16–18.
38. Wainwright, Hilary and Dave Elliott. *The Lucas Plan: A New Trade Unionism in the Making?* Book, Whole. London: Allison & Busby, 1982.
39. To learn more about that see Hampton Blöcker et al. They list problems like other people might be employed with different skills for new products and so the original staff would still lose their jobs because re-skilling and training programs are not always effective. Those new jobs could provide worse working conditions like less money and also be geographically at a different place Hampton, Workers and Trade Unions for Climate Solidarity, 68–71. Or that workers usually don't own the tools they need for work and that conversion takes quite some time and needs long breath: Blöcker et al., "Auto- und Zulieferungsindustrie in der Transformation." 18–20.
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51. *Wirtschaftswoche*. "Neue Volkswagen-Strategie: Arroganz gehört der Vergangenheit an." November 22, 2016. <https://www.wiwo.de/unternehmen/auto/neue-volkswagen-strategie-arroganz-geht-der-vergangenheit-an/14876586.html>.
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## 8. Central Banks and Financial Literacy: Lessons from the Brazilian Experience

*Based on the thesis "Central Banks, Financial Literacy and Household Empowerment: A Feasibility Analysis of Implementing Financial Education in Brazilian Schools"*

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### Introduction

The first quarter of 2020 witnessed the outbreak of the coronavirus pandemic. As part of the efforts to curb the spread of the virus, numerous countries closed their borders, imposed severe travel restrictions and introduced varying levels of confinement measures.<sup>1</sup> By March, COVID-19<sup>2</sup> had put 20% of the global population in lockdown, causing businesses to shut down and millions to lose their jobs.<sup>3</sup> The public health emergency put fiscal authorities and central banks under the spotlight, as coordinated crisis-response and stimulus packages were expected to be announced as part of the national action plans to fight income risk and decline in economic activity.<sup>4</sup> Yet, a severe recession was predicted as an inevitable outcome of the health crisis – and it indeed occurred.

This scenario has drawn attention to the fragile financial situation of families and businesses. At the dawn of the crisis, while large companies sought huge financial bailouts and government support, small businesses and working-class families were expected to use their savings to cope during the emergency situation.<sup>5</sup> As central banks and governments started to announce measures to fight the adverse economic impacts of COVID-19, it soon became evident that a majority of families, from low- to high-income economies,<sup>6</sup> were not financially prepared to get through the economic shock provoked by the pandemic. Among other predicaments, the crisis exposed the vulnerability of households living pay cheque to pay cheque, the insufficiency of savings and limited emergency funds, when existing at all, raising the question of how families could be better prepared for moments of contingency.

The concern is not new. As stated by Keynes, during times of crisis the failures and straws of the monetary system are made evident, leading to an increase in debates and opening up the search for solutions.<sup>7</sup> During the 1990s, after the financial crises that hit emerging economies rapidly spread globally, researchers and policymakers committed to finding solutions to prevent further crises and promote the stability of the increasingly interconnected global economy. At the time, the neoliberal agenda which prescribed that states should be minimal caused welfare benefits to shrink, resulting in a growing belief that financial planning was essential for families to survive in the new contours of the economic system. In that scenario, one of the proposals shifted the attention from market and regulators to consumers, claiming that families and

individual financial decisions were fundamental for the stability of the national and international economic systems.<sup>8</sup>

From the 2000s onwards, studies relating financial literacy to multiple economic outcomes grew considerably, and the topic was included in the governance agenda of the Organisation for Economic Co-operation and Development<sup>9</sup> (OECD) and the G20. Simultaneously, while financial markets expanded, regulation shrank. The increasing sophistication of financial products and services posed challenges for consumers, confronted with complex financial decisions. Improving financial literacy levels, therefore, became a priority for public policies in order to increase the stability of national and international economic systems and household empowerment.

This chapter presents an overview of financial education as a topic in the international agenda, having the Brazilian programme as a case study. Brazil formally adhered to the international recommendations for financially educating young people in 2010, with the launch of the *National Strategy for Financial Education*.<sup>10</sup> Having the *Central Bank of Brazil* as a leading institution, one of the core proposals of the strategy was the programme *Financial Education in Schools*, which included the topic as a compulsory subject in the school curriculum from 2020 onwards. In presenting a *feasibility analysis of implementing financial education in Brazilian schools*, this section discusses the evolution of the subject in the international agenda, the influence of multiple actors in such policies, while criticising some of the core arguments for the relevance of financial education.

This piece is structured into five main parts, dedicated to examining the following topics: the meaning and relevance of financial literacy; how it has become a matter of public policy in the international agenda; the guidelines for financial education programmes; the main concerns around the topic, and finally, what we can learn from the Brazilian initiative. Overall, this study investigates the coordinated efforts of national governments, central banks, and the OECD, in the face of the challenges to promote a more inclusive and egalitarian economic environment. The fundamental question that guides this research is *are those institutions doing enough?*

## 1 What is financial literacy and why does it matter?

Research on financial literacy expanded in the 1990s and the 2000s in response to changes in the global economy. While financial services companies conducted surveys to understand the investment profiles of their clients, diversify their portfolios and expand their customer base,<sup>11</sup> academic research investigated the relations between financial literacy, consumer empowerment and financial behaviour,<sup>12</sup> to inform regulatory agencies and policymakers about the role of the topic on the new economic scenario. From increasing savings to promote financial security among the poor,<sup>13</sup> to empowering consumers to making informed decisions,<sup>14</sup> financial literacy is presented as a solution to individual responsibility for economic security and retirement planning in the face of the shrinking role of the state,<sup>15</sup> and as instrumental to supporting challenging consumers' decisions before increasingly complex financial markets.

As a relatively new field of study, attempts have been made to define and distinguish closely related concepts such as financial literacy and financial education, often applied as synonymous.<sup>16</sup> Financial literacy has been generally presented as knowledge of financial issues that enables savvy behaviour, thus mitigating the intrinsic risks which are inevitable in the climate of economic shocks, income variations and incurring debt.

In a comprehensive research dedicated to developing a standardised approach to the topic, Huston<sup>17</sup> found that contents related to financial literacy typically comprise four major areas: money and personal finance concepts, borrowing, savings and investment, and protecting resources through risk management techniques.<sup>18</sup> Following the general definition of literacy, which is the understanding and the use of information,<sup>19</sup> financial literacy can be explained as a

two-dimensional concept, encompassing the knowledge of personal finance, and the application of such knowledge to making informed decisions.

Lusardi and Mitchell define financial literacy as “peoples’ ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt and pensions.”<sup>20</sup> The authors regard financial education as a form of investment in human capital, fundamental for consumers to plan household budgets, participate in financial markets, plan retirement and accumulate wealth. According to these researchers, financial education can enhance both aspects of financial literacy, improving the human capital needed to generate specific behaviours associated with financial wellbeing, and minimising the influence of factors such as cultural background, socioeconomic situation and personal bias.<sup>21</sup>

The relevance of financial literacy has been attributed to the growing individual “*responsibilisation*”<sup>22</sup> The term describes the process of holding individuals instead of states accountable for welfare, being largely associated with neo-liberal political discourse.<sup>23</sup> Dominant research has reinforced this mechanism, to the detriment of the flaws of an economic system prone to injustice and exploitation, and founded on cyclical crises. Under that logic, financial literacy has been promoted as a determinant factor to fighting poverty,<sup>24</sup> addressing inequality,<sup>25</sup> fostering saving behaviour,<sup>26</sup> preventing overindebtedness,<sup>27</sup> preparing families for financial emergencies and shocks,<sup>28</sup> planning retirement,<sup>29</sup> ultimately increasing household financial wellbeing.<sup>30</sup> In that sense, state responsibility would be limited to implementing public policies to advance financial education.

Following this rationale, financial literacy is pointed as crucial in reducing households’ financial vulnerability and fighting poverty. Lusardi claims that knowledge of personal finances and planning could derive from employer-sponsored initiatives and also from the experience of family members, and low-income households are generally excluded in both cases.<sup>31</sup> Research also provided evidence positively correlating higher levels of financial knowledge to better allocation of resources over life cycles, making financially knowledgeable individuals less susceptible to economic uncertainties and less dependent on social security systems.<sup>32</sup>

As individuals increasingly become in charge of planning their retirement, having savings and investments, alongside pension schemes and social security, are essential for households to preserve income and consumption levels after retirement.<sup>33</sup> Moreover, more sophisticated financial products and services, and the role of advertising in stimulating excessive consumption added complexity to the financial decision process.<sup>34</sup> As a result of financial illiteracy, individual ‘mistakes’ with regards to financial management and planning could ‘burden’ society as a whole.<sup>35</sup> Furthermore, financially illiterate individuals are more exposed to incurring costly transactions.<sup>36</sup>

According to the rationale presented by dominant research, acquiring financial education is costly for individuals, while it also depreciates with time.<sup>37</sup> Therefore, public policies have a role in reducing financial illiteracy, preparing individuals to take on the responsibility for their retirement plans and have precautionary savings to face the income risks posed by the current macroeconomics.<sup>38</sup>

Financial education programmes should, therefore, prepare individuals to make savvy decisions and prevent risky behaviour that would impact their future. Mandatory financial education programmes requiring people to “acquire basic financial knowledge” should constitute part of regulatory measures to address individual incapacity of making informed decisions, minimising the social risks of financial illiteracy,<sup>39</sup> benefiting the population and the economy as a whole.<sup>40</sup>

## **2 How has financial literacy become a matter of public policy in the international agenda?**

In the 1990s, a series of financial crises hit emerging markets<sup>41</sup> and quickly spread across the globe,<sup>42</sup> exposing the fragility of the international financial system in the face of integrated

economies:<sup>43</sup> the Mexican crisis in 1994, the Asian crisis in 1997, and the Russian crisis in 1998. Those national-turned-global crises triggered a process of strengthened coordination at the international level. In response, the group of seven wealthiest economies known as the G7<sup>44</sup> decided to expand the dialogue to emerging markets, thus founding the G20<sup>45</sup> in 1999.<sup>46</sup>

The successive shocks with cascading effects had demonstrated that the globalised financial market presented a series of threats in itself, and governance was necessary to mitigate the risks of future crises.<sup>47</sup> At the same time, a significant increase in the supply of financial services and products was taking place globally, in parallel with a substantial reduction in welfare and social benefits. With the growing complexity of markets, consumers' decisions often involve credit and financial services choices. Added to this, life expectancy rates were on the rise both in advanced and in emerging markets and developing economies, driving reformulation of pension plans.

In the early 2000s, the Organisation for Economic Co-operation and Development (OECD) acknowledged the growing importance of financial education in its reports about insurance, pensions and financial markets.<sup>48</sup> In recognising the topic as an "important complement to market conduct and prudential regulation",<sup>49</sup> efforts to improve individuals' financial behaviour were addressed as priorities for regulators and policymakers. As part of a project for the global economic governance agreed upon by the G20 countries,<sup>50</sup> the OECD, in its role of supporting the activities of the former,<sup>51</sup> launched a *Financial Education Programme*<sup>52</sup> to establish a standardised set of definitions, recommendations and measuring instruments to subsidise the development of coordinated and tailored national strategies for financial education.<sup>53</sup>

Governance should target macroeconomic policies through regulatory bodies and supervision authorities. Microeconomic policies should focus on consumers to guarantee that, by making more informed and planned decisions, individuals would contribute to the equilibrium of financial systems.<sup>54</sup> In this sense, individual financial decisions and planning became central to the stability of financial systems and economies in the long run:

Considering that as financial markets become increasingly sophisticated and households assume more of the responsibility and risk for financial decisions, especially in the field of retirement savings, financially educated individuals are necessary to ensure sufficient levels of investor and consumer protection as well as the smooth functioning, not only of financial markets, but also of the economy.<sup>55</sup>

To address consumer decisions and behaviour, it was necessary to examine how individuals made financial decisions and managed their money.<sup>56</sup> The OECD surveys to assess general understanding of financial literacy in different countries revealed overall poor financial literacy rates, proving that the public was generally unprepared to make informed financial decisions.<sup>57</sup> Discussions about the importance of financial education then began as a permanent policy response to preserve families' and individuals' financial wellbeing and national economies, ultimately contributing to the balance of the global economy. G20 countries, then represented by Central Bank Governors and Finance Ministers, met regularly to discuss policies and share best practices on financial education, with the support of OECD's publications about the topic.<sup>58</sup>

In the process of providing technical expertise to subsidise public policies, the OECD developed its own conceptualisation of financial education and literacy, established a common set of principles, defined target groups, included the topic on its *Programme for International Student Assessment* (PISA) and determined the objectives to be achieved with financial education programmes. To strengthen cooperation among countries, the *International Network on Financial Education* (OECD/INFE) was created in 2008. The OECD principles have been endorsed by G20 countries developing their national strategies for financial education, including the Brazilian policymakers, reinforcing the Organisation's influence in promoting education policies worldwide and global education governance.<sup>59</sup>

### 3 What are the guidelines for financial education programmes?

After including the topic on its work programme for 2003–2004, the OECD published the *Recommendations on Good Practices and Principles for Financial Literacy and Awareness*,<sup>60</sup> addressing the lack of conceptualisation by establishing a common approach, and presenting good practices with regards to public action. Financial education, consumer protection and regulations constitute the OECD's trilogy of policies to promote individual financial empowerment and wellbeing, which the organisation deems crucial to the stability of the financial system.<sup>61</sup>

The recommendations acknowledged the complexity of financial markets and the demographic changes that pose challenges to households, individuals and the functioning of economic systems, advising countries to advance financial education programmes.<sup>62</sup> Financial literacy was presented as the general understanding of finance-related concepts, whereas financial education should be the tool to provide or improve this understanding, ultimately affecting consumers' behaviour by promoting awareness for more informed financial decisions.<sup>63</sup>

Financial education should be taken into account in the regulatory and administrative framework and considered as a tool to promote economic growth, confidence and stability, together with regulation of financial institutions and consumer protection (including the regulation of financial information and advice).<sup>64</sup>

The OECD *International Network on Financial Education* (OECD/INFE) was launched in 2008 as a branch exclusively dedicated to disseminating principles, conducting research and publishing guidebooks to support governments and policymakers to design and implement national strategies.<sup>65</sup> As the new responsible body for the Financial Education Project, the OECD/INFE published a framework for the development of national financial literacy surveys, enabling the Network to conduct an international comparative analysis.<sup>66</sup>

In sequence, the OECD/INFE published the *High-Level Principles on National Strategies for Financial Education*, an overarching instrument of global guidance and awareness, containing policy options to support governments and public authorities to develop "efficient national strategies for financial education" considering different national contexts.<sup>67</sup> Implementing the subject in schools constituted a compulsory part of the scope of national strategies.<sup>68</sup> To do so, the *Guidelines on Financial Education in Schools*<sup>69</sup> recommended that such programmes should be developed under the guidance and the support of the OECD, particularly through the work of the INFE.<sup>70</sup> Financial education in schools was defined as "the teaching of financial knowledge, understanding, skills, behaviours, attitudes and values which will enable students to make savvy and effective financial decisions in their daily life and when they become adults."<sup>71</sup> It should be implemented as a mandatory subject, in a cross-curricular approach, to guarantee universal access to the topic and overcome constraints on educational systems and overloaded schools curricula.<sup>72</sup> The content should be adaptable to national, regional and local circumstances, and provide engaging and real-life context.

As for the governance, the Guidelines attributed the leading and coordination roles of the programmes to governments, central banks, financial regulatory entities and ministries of education. These public authorities would be responsible for involving interested stakeholders from private and civil sectors, to secure both a top-down and bottom-up coalition. While teachers and educators should provide pedagogical expertise, private financial institutions, such as banks, would contribute with specialist up-to-date knowledge on financial issues, communication resources and funding.

For measuring the outcomes of the programmes on a national level, and creating international indicators on financial literacy, the OECD categorically recommended the *Programme for International Student Assessment* (PISA) tests.<sup>73</sup> PISA was launched by the OECD in 2000. It consists of cyclical tests designed to measure young adults' knowledge and skills, from the perspective of real-life situations, evaluating the contributions and the gaps on educational systems to the development of competencies necessary for knowledge-based economies.<sup>74</sup> In creating a standardised benchmark to assess and rank students, educators and school systems of

the participating countries, it provides international comparative indicators of educational systems and student performance, to support policy debates. The PISA financial literacy test, applied since 2012, assesses four different content categories: money and transactions, planning and managing finances, risk and reward, and financial landscape.

The work of the OECD/INFE was endorsed by the G20 in 2012, and adopted by countries implementing their national strategies for financial education, thus consolidating the OECD's prominent role in global education policies and reinforcing the convergence between economic policy and education.<sup>75</sup> Nevertheless, the theoretical approach advanced by the OECD has been the object of severe criticism. Although recognising the risks associated with a general lack of financial literacy, in the face of the complexity of financial decisions, research has questioned the agenda promoted by financial education programmes.

#### **4 Who are the main critics to financial literacy and financial education programmes?**

While dominant research linked a series of economic outcomes to financial education, such as empowering households, fighting poverty and addressing inequality, part of the studies saw this relation with prudence and scepticism. The rationale sustaining the theoretical approach has been consistently contested, and studies have raised concerns about financial education being employed as a rhetoric to advance market interests.

The OECD recommendations for financial education marked a transition in regulatory policies, shifting focus from suppliers to consumers. Social changes resulting from neoliberal reforms and flexibilisation of labour markets in the early 2000s limited the state capacity to provide social services and economic security in most of the globalised world. In parallel, deregulatory policies alongside the expansion of financial markets created an unmissable opportunity for financial companies to expand their portfolio by offering mass-market savings and investment products. With the diminishing role of states in providing tax-funded public services, firms lobbied for financial education to be included on the public policy agenda, as a way to stimulate consumer demand through providing information about planning and the consequent use of financial products and services, thus transforming “social welfare into privatised needs for products to finance personal care and development, smooth income over time, and manage risk.”<sup>76</sup>

Public policies to improve financial literacy were, in fact, designed to influence individuals' perception about the role of the state in social welfare and their expectations of the financial market, to justify individual responsibility for financial wellbeing. Nevertheless, part of the literature claims that financial education was extrapolated from being instrumental in addressing systemic poverty, inequality and financial hardship, to becoming central for individual responsabilisation, subverting the rationality that attributes to the failures of the financial market a threat to consumer welfare. Under that logic, wrong decisions by consumers posed a risk to financial markets. Therefore, literate consumers played a role in regulating financial markets through monitoring financial firms, ultimately contributing to economic stability both nationally and globally. In this sense, the literature advises that financial education supports the financialisation of welfare, advancing the interests of private financial institutions in offering services and products once provided by the state, while also protecting regulators and financial firms by holding capable financial consumers accountable for the negative consequences of their choices.<sup>77</sup> Additionally, the sponsorship of private entities poses challenges in terms of preventing a conflict of interest with their commercial activities.<sup>78</sup>

The model endorsed by public policies, represented by the assumption that *financial education* increased *financial literacy*, leading to *good financial decisions and behaviour*, lacked empirical support.<sup>79</sup> Schools-based financial education programmes had presented inconclusive results.<sup>80</sup> Due to a lack of clarity regarding methods and approaches, improving financial behaviour and

reducing financial vulnerability of families and individuals through financial education remained solely a possibility.<sup>81</sup>

The underlying assumption that poor financial outcomes necessarily resulted from bad financial decisions reflected an ideology that largely neglected factors such as job loss, resources constraints, discrimination, gender gap, the impact of pandemic and natural disasters, and irrational factors, for instance. Moreover, the extensive use of marketing resources to manoeuvre consumers' decisions and the ever-changing dynamics of the financial market, constantly offering new products and services, created a significant imbalance in the consumer–market relation. Other factors could influence financial decisions, such as the complexity of financial markets, non-rational determinants of financial behaviour and unexpected shocks, limiting the effectiveness of financial education programmes.<sup>82</sup>

The use of international standardised assessments such as PISA raised concerns about the risks derived from a shift towards international accountability for national education systems.<sup>83</sup> In addition to methodological bias and suppression of cultural diversity, strong criticism was directed to the economisation of education policies driven by economic demands and labour market orientations.<sup>84</sup> In the same vein, some authors condemned the employment of global policies for financial education to legitimise the interests of financial markets.<sup>85</sup>

The next section investigates how the Brazilian case illustrates the implementation of such policies and what can be learned from the country's experience so far.

## 5 What is the Brazilian initiative?

The Brazilian programme is based on the OECD recommendations, adapted to the national context. It derives from the country's increasing participation in the global economy, its inclusion in the G20 group, and a closer relation with the OECD. Since the G20 countries were represented by central bank governors and finance ministers, the *Central Bank of Brazil* (BCB) was involved in discussions about financial education from the outset, leading the project alongside the Ministry of Finance and the Ministry of Education.

In December 2010, Brazil presented its *National Strategy for Financial Education (ENEF)*,<sup>86</sup> containing the *Action Plan for Financial Education in Schools*.<sup>87</sup> The development of the programme coincided with a national curricular reform, which resulted in the approval of a unified school curricula. The programme goals, governance structure and milestones are consolidated in the *ENEF Master Plan*.<sup>88</sup>

As recommended by the OECD, the first stage consisted of a national survey to measure financial literacy. The *Nationwide Survey of Financial Literacy*,<sup>89</sup> carried out in 2008, showed that general knowledge of financial education was low, leading individuals and families to mismanage their finances and make poor financial planning decisions.<sup>90</sup> As reported by the Financial Education Department of the Central Bank, “people do not plan their spending in the long run, take too long to prepare financially for retirement, are not fully aware of risks and of instruments for their protection, face difficulties in making decisions regarding loans and investments, and are vulnerable to fraud.”<sup>91</sup> Additionally, the resource to consumer credit and loans was part of the financial culture in the country, in detriment of planning savings and expenditure.<sup>92</sup> The survey also showed that the population had a limited understanding of financial products and services, and of basic economic concepts.

Citizens' decision-making process related to personal finances had been largely shaped by traumas derived from sustained high inflation and economic instability, especially in the 1980s and 1990s, the indexation policy, in which prices and wages were adjusted based on another price or indicator, successive changes in currency and the shock treatment carried out in 1990.<sup>93</sup>

In the late 1990s, under President Cardoso's administration, initiatives in the social area included conditional cash transfer programmes, antipoverty actions in which the government transfers a certain amount of money to households who meet specific criteria. Such initiatives

included the programme *Bolsa Escola*,<sup>94</sup> which offered an incentive scheme for low-income families' children to remain enrolled at school,<sup>95</sup> and *Bolsa Alimentação*,<sup>96</sup> aimed at improving the health and nutrition of low-income families.<sup>97</sup> In the 2000s, under the umbrella of *Bolsa Família*,<sup>98</sup> President Lula's administration consolidated and expanded the conditional cash transfer portfolio, adding initiatives to the existing programmes, while also continuing the expansion of minimum wage.<sup>99</sup>

With the social gains in the 2000s, new elements contributed to an already complex scenario. The enlargement of social policies in Brazil was intrinsically linked to the financialisation of wellbeing through the expansion of access to financial services, especially consumer credit.<sup>100</sup> Ideally, the supply of money through cash transfer programmes to boost consumption would only be employed as a starting point, aiming to break the cycle of economic inertia. Rather than generating redistribution, the model stimulated the expansion of financial services, allowing for the penetration of finance into economic and social areas through the double process of decay of public services and privatisation of welfare,<sup>101</sup> ultimately resulting in "a massive income transfer from the real economy to the financial sector."<sup>102</sup>

The credit offer had aggravating factors in the Brazilian system. Apart from being highly concentrated, the banking sector has reportedly had one of the highest interest rate spreads<sup>103</sup> – the profit resulting from interest rates on lending money – among the countries that measure this index.<sup>104</sup> The country consistently kept its position among the top five countries by interest spread in the 2000s.<sup>105</sup>

Policies to promote social and economic inclusion, alongside the credit expansion and the increasing offer of financial services, contributed to the development of a non-savings culture and increasing resource to loans and consumer credit. Access to financial services and the expansion of consumer credit, associated with high interest rates, resulted in higher indebtedness of families. These characteristics supported claims for the urgency of implementing financial literacy in Brazil as public policies, targeting different generations.<sup>106</sup>

Following the phases of pedagogic research and development, financial education was integrated into the *National Standard Curriculum* (BNCC)<sup>107</sup> as a transversal topic, to be compulsorily implemented in schools from 2020 onwards. The Curriculum is a normative document which sets the basic course programmes and pedagogic orientations to be followed by private and public schools. It unifies course programmes around a basic set of essential capabilities to be developed throughout compulsory schooling, with the purpose to secure the right to education for every student, and diminish gaps in learning opportunities.<sup>108</sup>

While central banks have been the leading institutions in endorsing international recommendations to develop such programmes, the ultimate role in implementing financial education as a domestic policy has been attributed to schools. In this sense, one may question whether the school system is prepared to conduct such a task, and what challenges need to be considered.

## 6 Is it feasible to implement financial education in Brazilian schools?

Financial literacy involves the development of numerical, reading and interpreting abilities to allow consumers to calculate possible outcomes of financial choices, applying knowledge to make informed financial decisions. Considering the transversal approach, an effective programme of financial education in schools presumes students' comprehension of other related topics, such as reading and mathematics, to be adequate, and that schools have sufficient resources to support an additional intercurricular discipline. Moreover, training of teaching staff should be satisfactory, so that the programme goals can be met. Since PISA results are intended to gauge the effectiveness of such programmes and provide data for international comparative analysis, this study analyses the feasibility of implementing financial education by examining the

situation of Brazilian schools, using data from the 2019 School Census and students' performance on PISA.

### 6.1 PISA results

Brazil has participated in PISA since the first edition in 2000, joining the financial literacy option from 2015. Brazil's scores are considerably lower than the OECD average in reading, mathematics, science and financial literacy, the subjects assessed during the test. A deeper examination of the results, nevertheless, reveals top performers score higher than students in advanced economies. PISA results hold a magnifying glass to Brazil's inequalities. Consistent underperformance, often below the minimum level of proficiency, reveals structural deficiencies within the educational system.

In the 2015 test Brazil showed the lowest country performance in mathematics, with 70% of students failing to achieve the minimum proficiency level.<sup>109</sup> In the 2018 assessment, 68% of students performed below the minimum, attained from 357 score points.<sup>110</sup> For comparative purposes, the OECD average in mathematical proficiency in that year was 76%. Brazilian students scored 383.6 points, below the scores achieved by students in Qatar (414), Peru (400) and Colombia (391).<sup>111</sup> Whereas the OECD reading proficiency average was 77%, in 2015, 50% of students in Brazil did not achieve the minimum level, and the same results were obtained in the 2018 cycle. The minimum proficiency in reading started from 407 points, and Brazilian students scored 407 and 413 in the 2015 and 2018 cycles, respectively. The 2018 scores place the country behind the scores obtained by students in Lithuania (476), Slovak Republic (458) and Chile (452).<sup>112</sup> In the science assessment, students scored 401 points in 2015, and 404 points in 2018. On both occasions, the total scores were below the minimum (409 points).<sup>113</sup> Around 45% of Brazilian students attained minimum proficiency, in contrast to the 78% OECD average.

Students' comprehension of core subjects is fundamental for the adequate understanding of financial education, considering its transversal approach. Hence, the underperformance in subjects such as mathematics, reading and sciences might pose serious impediments for the development of an additional topic. In the 2015 financial literacy assessment Brazil presented the lowest scores among the participating countries, as demonstrated in Figure 1.

Mean performance in financial literacy				
	Mean score	Range of ranks	Percentage of students	
			Below Level 2	Level 5
<b>OECD avg-10</b>	<b>489</b>		<b>22.3</b>	<b>11.8</b>
B-S-J-G (China)	566	1 - 1	9.4	33.4
Belgium (Flemish)	541	2 - 3	12.0	24.0
Canadian provinces	533	2 - 3	12.7	21.8
Russia	512	4 - 5	10.9	10.5
Netherlands	509	4 - 6	19.2	17.5
Australia	504	5 - 6	19.7	15.4
United States	487	7 - 9	21.6	10.2
Poland	485	7 - 9	20.1	8.0
Italy	483	7 - 9	19.8	6.5
Spain	469	10 - 10	24.7	5.6
Lithuania	449	11 - 12	31.5	3.7
Slovak Republic	445	11 - 12	34.7	6.3
Chile	432	13 - 13	38.1	3.1
Peru	403	14 - 14	48.2	1.2
Brazil	393	15 - 15	53.3	2.6

Figure 1: Mean performance in financial literacy<sup>114</sup>

More than half of the participating students could not reach the minimum proficiency level. Brazil's score (393 points) was below the 400 points recognised as the baseline level of proficiency in financial literacy.<sup>115</sup>

Despite the average low scores, an investigation of the performance of Brazilian students across different socio-economic groups reveals a different story. Socio-economic status considerably influences students' performance on PISA tests. Although this trend can be identified among other participating countries, performance gaps related to socio-economic status are considerably higher in Brazil in comparison to the OECD average. While the 2018 OECD average socio-economic gap in reading was 89 score points, Brazilian advantaged students outperformed disadvantaged participants by 97 score points.<sup>116</sup>

A comparison of Brazilian students' performance according to socio-economic background helps in understanding to what extent results are reflective of their disadvantaged or advantaged status. Figure 2 displays the attained proficiency (in percentage) according to socio-economic status in the 2015 and 2018 PISA assessments:

PISA 2015 and 2018 Results - Percentage Variation				
Proficiency Level of Brazilian Students	Average Results (%)	High Socio-economic Status (%)	Low Socio-economic Status (%)	Gap (%)
Sciences	18.2	53.1	8.8	44.3
Mathematics	12.3	43.6	4.4	39.2
Reading	25.5	60.1	15.5	44.6
Financial Education	21.8	46.9	14.8	32.1

Figure 2: Proficiency in PISA assessment according to students' socio-economic status<sup>117</sup>

Proficiency levels among advantaged students were considerably higher than the average results obtained by Brazilian students. Among disadvantaged students, attained proficiency was significantly lower than the average. The largest variation was observed on the reading test, in which 60.1% among advantaged students attained proficiency levels, against 15.5% of disadvantaged students. According to the OECD, around 6% of advantaged students were top performers in reading in PISA 2018. No top performers were identified among disadvantaged students in the country.<sup>118</sup> Brazil sits third in the reading assessment gap according to students' socio-economic status, behind Belarus (47.2%) and Israel (46.6%).<sup>119</sup>

The same discrepancies are evident when comparing scores obtained by Brazilian students in relation to their socio-economic status, as illustrated by Figure 3:

PISA 2015 and 2018 Results - Results in Score Points				
Brazilian students results	Average	High Socio-economic status	Low Socio-economic status	Gap
Sciences	403.6	483.3	380.7	102.6
Mathematics	383.6	461.8	360.8	101
Reading	412.9	492.2	389.6	102.6
Financial Education	393.5	457.4	375.6	81.8

Figure 3: Average score in PISA assessment according to students' socio-economic status<sup>120</sup>

The relevance of the gap becomes evident when cross-comparing these results with the ones obtained by students in other participating countries. When compared to other countries, top performers in Brazil (492.2) scored higher than the students with the highest overall average scores in reading, like Switzerland (483.9), Chile (452.3) and Italy (476.3).<sup>121</sup> In the meantime, the scores obtained by disadvantaged students (389.6) are similar to the average obtained by students in Azerbaijan (389.4), Thailand (392.9) and Saudi Arabia (399.2).

The same variation is found when comparing the results of Mathematics and Science assessments. A 35-score point variation is equivalent to one school year. In that sense, advantaged students are, on average, three years ahead of disadvantaged students in Brazilian schools.<sup>122</sup> The OECD finds the gap underlines the challenges Brazil faces in integrating disadvantaged students in a "fast-changing society, where opportunities are increasingly shaped by knowledge, skills and technology."<sup>123</sup>

Significant variation in performance was also identified across different Brazilian regions. Figure 4 illustrates the differences in performance on PISA Mathematics assessment across the five Brazilian geographic and administrative regions: North, Northeast, Central-West, Southeast, and South.

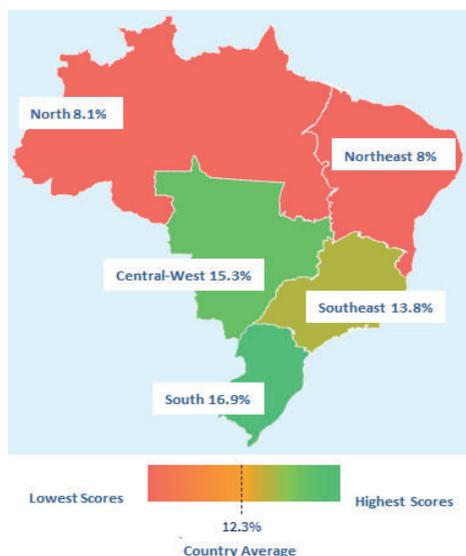


Figure 4: PISA Mathematics assessment learning rate across Brazilian regions<sup>124</sup>

The map shows the learning rate variation by region. On average, 12.3% of Brazilian students obtained minimal proficiency on the Mathematics test, as also seen in Figure 2. While students in the southern and central regions performed above the average, the learning rates among students in northern regions were considerably lower. The same pattern is found in comparing results of other topics assessed on PISA. Considering the national curriculum is unified and students across the country supposedly learn the same content, one may question what factors could explain such differences. The 2019 Schools Census might provide additional insight on the disparities across the education system in Brazil.

## 6.2 School Census

Regional disparities were also presented on the Brazil 2019 School Census,<sup>125</sup> which collected data about students' socio-economic background, enrolment rates, education levels of teaching and school staff, and school resources.

The survey identified significant variation on professional training of teachers across the different regions, especially among those in basic and secondary education. In analysing teachers' subject matter knowledge, the Census found that teachers in the southern regions, in general, had the adequate credentials, whereas teachers in the northern and Central-West areas were less equipped in comparison to their counterparts. Figure 5 show this variation regarding basic (first map) and secondary (second map) education:

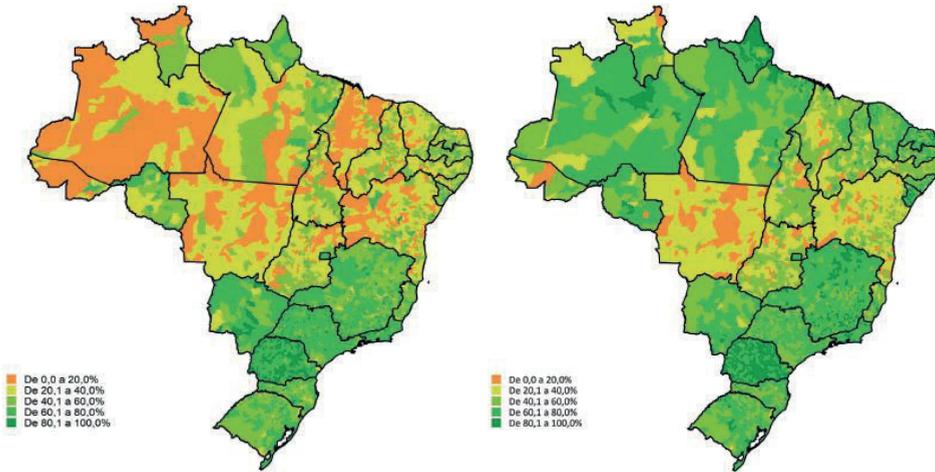


Figure 5: Adequate teacher training – basic and secondary education (\*De, a = From, to)<sup>126</sup>

A comparison between PISA learning rates (4) and adequate teacher training (5) evidences that students performed better in areas where educators were adequately prepared.

School infrastructure also contributes to disparities in the educational setting. Figure 6 displays the percentage of schools, per region, that offer adequate learning facilities, including libraries and study rooms.

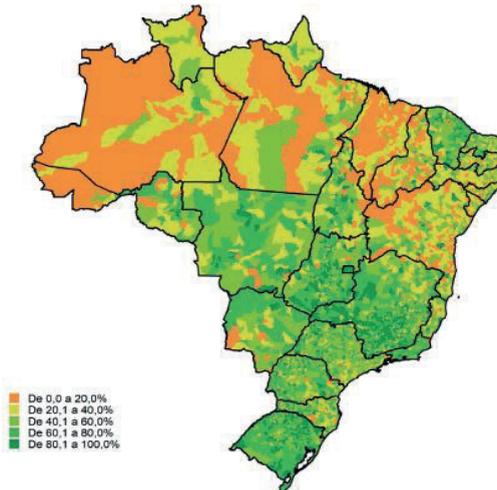


Figure 6: Percentage of schools with libraries and studying facilities<sup>127</sup>

Schools in the North, Northeast, and Central-West regions presented the lowest percentages with regard to appropriate school infrastructure, suggesting that the absence of adequate facilities negatively impacts the learning process. This might also indicate lack of investment and resources, which may affect the schools in those regions as a whole.

The Census also collected data about additional learning materials and technological resources, including interactive whiteboards, computers, tablets and internet access for students and educators. Private and federal public schools have more resources in comparison to municipal and state public schools, but full availability of resources was not found within any

school group.<sup>128</sup> The availability of resources might be an important factor to support the activities proposed in the financial education programme. Limited resources may restrict the extensive use of the pedagogic materials and the adequate training of educators.

Enrolment rate is another underlying factor that contributes to the disparities in the Brazilian educational system. A comparative analysis of Brazilian students' performance from the first cycle of PISA from 2000 to 2018 shows improvement between 2003 and 2012, and relative stagnation after 2012,<sup>129</sup> as illustrated by Figure 7:

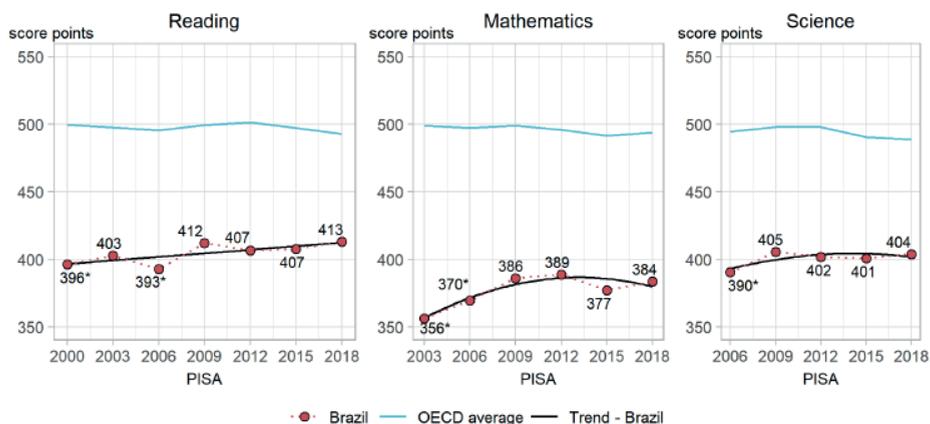


Figure 7: Trends in performance in Reading, Mathematics and Science<sup>130</sup>

The positive trend, according to the OECD, resulted from an expansion of secondary education in the period, when more than 500,000 students were added to the group of 15-year-old pupils eligible to participate in PISA.<sup>131</sup> Additionally, from 2006 to 2012, major investments were made in the educational system, with the education budget being readjusted above inflation rates in the period.<sup>132</sup>

The 2018 National Household Sample Survey measured access to education over the past decade.<sup>133</sup> In 2016, 99.3% of children aged between 6 and 14 were enrolled in schools. The peak of school enrolment for the next age group, from 15 to 17, was in 2018, when 88.2% of the children within that age group were enrolled.<sup>134</sup> The goal of the Ministry of Education, established on the National Education Plan, is to reach 100% enrolment in all age groups by 2024, 95% being the minimum acceptable rate.<sup>135</sup>

The 2019 School Census suggested a possible reversion of the trend in the past four years. Since 2015, the total number of enrolments in basic education decreased every year, as shown in Figure 8.

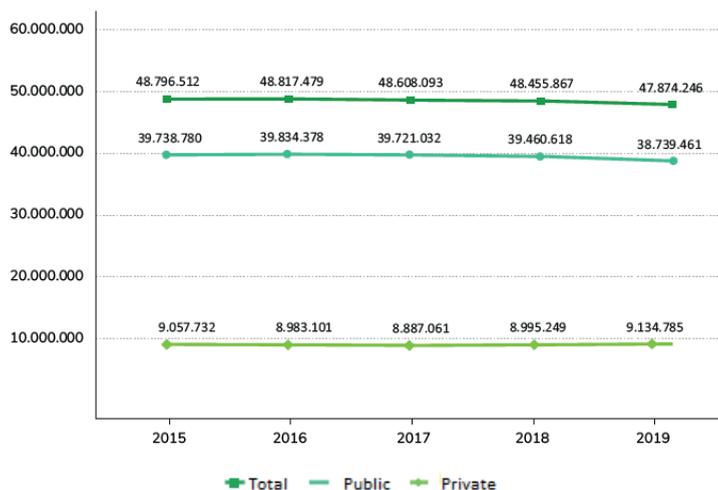


Figure 8: Basic education enrolment rate 2015–2019 – Brazil<sup>136</sup>

A decline in school enrolment might limit the reach of the programme for financial education. In 2017, the decrease already represented a total of 2 million children in school age (between 4 and 17 years old) that were not enrolled.<sup>137</sup> Of this total, over a million were in the group aged between 15 and 17. This period corresponds to the final years of compulsory schooling, in which students are prepared for the transition to higher education, employment or entrepreneurship.<sup>138</sup> According to the OECD, the final years of school education represent a period where financial decisions become crucial in students' lives, being fundamental for them to make informed decisions about the next steps.<sup>139</sup> While the target of 100% enrolment rate is not achieved, it is not possible to affirm that Brazilian students have universal access to education, and those who are excluded from the system are also beyond the reach of public policies for financial education in schools. Suboptimal enrolment rates then remain a matter to be considered by policymakers.

As a public policy based on the OECD recommendations for economic stability, ENEF aims to promote socioeconomic development and reduce inequality through the inclusion of financial education as a compulsory topic in schools.<sup>140</sup> Redressing inequality within the educational system is also one of the goals of the BNCC.<sup>141</sup> The educational system presents structural imbalances that pose challenges for advancing educational policies. Addressing such disparities is fundamental so that the implementation of financial education in schools does not contribute to a deepening inequality.

The inclusion of financial education in school curricula takes place concomitantly to the implementation of a national curricular reform, with the approval of the BNCC. The alignment of the main educational policies in Brazil with the Standard Curriculum, and the strong coalition formed by public, private and third sectors to promote financial education in schools, present an opportunity for the promotion of improvements in the educational system as a whole, so that the effectiveness of the educational policies are not compromised by structural disparities. This requires political will and commitment to the promotion of social and economic inclusion through education. In this sense, concern has been raised regarding the continuity of educational policies in Brazil.

In June 2020 a Presidential Decree altered core aspects of the ENEF,<sup>142</sup> revoking the principles of compulsory gratuitousness and of public interest of ENEF actions, and changing its governance structure, revealing the current administration's tendency to a centralise. Due to

the recent nature of such amendments, it is not yet possible to assess how, and to what extent, the revisions will affect the programme for financial education in schools.

Restrictive measures to fight the COVID-19 pandemic have caused severe disruptions in schools, precipitating an education crisis by exacerbating inequalities in the educational system.<sup>143</sup> With remote classes and the transition to online learning platforms, limited resources among schools and students represent one of several factors that generate learning exclusion.<sup>144</sup> In the face of the aggravated disparities, the inclusion of financial education might deepen inequality even further if the programme cannot reach students in different socio-economic groups evenly.

## Conclusion

This research identified elements in the school system that pose challenges for the implementation of financial education as a subject matter. Disparities within the school system might be further accentuated with the programme if not addressed properly. Structural inequality in Brazil is a problem with historical roots and multiple dimensions. Applying the same logic offered by literature in financial literacy, while financial educational exclusion perpetuates inequality, education inclusion comes across as a powerful tool in the fight against poverty, and as an effective driver for the promotion of welfare and economic development. If disparities are not properly considered, including financial education in school curricula might deepen inequality, this time based on financial literacy exclusion.

In focusing on socio-economic imbalances identified in the 2019 School Census and on PISA results, this research did not address other influencing factors like ethnicity, gender, students' emotional and social wellbeing, and parental education. Aspects related to educators' concerns, disparities among urban and rural schools, and investments in education are fundamental to assessing the challenges for the implementation of the programme. Additionally, educational disruptions caused by COVID-19 and the recent amendments promoted by the current administration raise questions that require further investigation.

Financial education might be fundamental in helping consumers make informed decisions and prevent fraud, considering that decisions with negative effects to families and individual financial wellbeing are derived solely from lack of information, in a system where regulation and enforcement protect the weaker side of commercial relations. In this sense, it can be a powerful complement to regulation and consumer protection.

Criticism of the current financial literacy approach raises several points that demand attention. The promotion of commercial interests through private sponsorship might distort the aim of implementing the topic in schools. In this respect, financial education might be employed as an instrument of conformity to the financial system, rather than developing the critical thinking necessary to social participation and to the improvement of the financial setting in the country. Moreover, apart from the persisting social and economic inequality in Brazil, the memory of relatively recent developments, such as inflation and confiscations, has been passed on to the younger generations, resulting in considerable distrustfulness and scepticism towards financial institutions and regulators in general.<sup>145</sup> At the same time, the domestic banking system is monopolistic, and the profitability derived from high spreads is related to the sceptical outlook. It is crucial that financial education in schools prepares young people to face this challenging environment with a critical attitude, being aware of their rights and how to exercise them, thus pushing authorities to improve regulations that limit the risk of fraud, enhancing trust in financial institutions.

Questionnaires to measure financial literacy, alone, should not be used as instruments to determine public policies to protect consumers' rights, tackle poverty, inequality and the financial vulnerability of families. That would be explicitly assuming that such problems are rooted in individual behaviour and not in complex social and economic issues that, at a minimum, are more likely to fall on the responsibility of states and the functioning of financial systems than on

working families struggling to make a living. Even though programmes for financial education should be developed considering the particularities of each national system, generalised assumptions upon which the recommendations were based make a case for unrealistic results to be expected from such programmes. Caution must be the watchword.

The literature suggests that financial education is instrumental in helping consumers make decisions that promote financial welfare. Those benefits, nevertheless, should be treated as such. Deploying financial literacy policies to hold citizens accountable for the results of market governance, political and economic decisions that consumers cannot control or influence denote a disproportionate extrapolation of the purposes of financial education programmes. Analysing how financial literacy theories developed into recommendations for public policies allows for an investigation of the multidimensional aspects of financial education. A comprehensive understanding of the multiple agendas that can be addressed through such programmes is crucial to contemplate different risks and maximise opportunities that fit economic development. The Brazilian case provides vast possibilities for further investigation of the global issue of financial education on a local level.

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After realising their theses' topics were all related to environmental and human sustainability, a group of young researchers from the Erasmus Mundus International Masters in Global Markets, Local Creativities decided they could take action by sharing their research findings in an easily-understandable, non-academic language, impacting communities outside the academic bubble by making knowledge accessible.

This book is the result of the ambition of this group of researchers to critically discuss the main issues of our times: environmental emergency and social inequality.

Through a collection of thought-provoking case studies, the reader is invited to reflect upon global issues, from the perspective of local initiatives, considering three main aspects of globalisation: space, global dynamics and social scene, and the role of institutions.



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