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The discontent of a small Europe

Conversations on the infrastructure crisis and other real or imaginary crises of the Catalans, during the first decade of the twenty-first century.

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Excessive expectations

Ricard Fernández is the Director of Habitat for Catalonia and Aragon, in the middle of the property *tsunami*. I met him in the summer of 2006, at one of the many meetings in the Town and Country Planning and Public Works Ministry where the Infrastructure Plan of Catalonia, which in the end ICV rejected, was discussed with the Environment and Housing Ministry. Then, during that first tripartite government which was like the *Dragon-Khan* roller coaster, Ricard was Secretary General of the Environment and Housing Ministry.

I tell him: You're always in the right place!

Yes, I'm used to managing crises, if that's what you mean. During the economic recession after the 1992 Olympic Games I worked on stabilizing the municipal treasuries, and before I was Secretary General of the Young Communists of Catalonia, when we weren't ecosocialists!

From the crisis of communism to the crisis of the first tripartite government, and including the crisis of the municipal treasuries, and now Director of Habitat for Catalonia and Aragon, in the middle of the property crisis.

These crises are not as dramatic as they seem.

I ask him: Has construction stopped?

Yes, there has been a sudden drop. Cycles exist; *whatever goes up must go down*. And there are still some 250,000 unsold flats in Catalonia, in the middle of 2009, which the creditor banks will almost certainly end up with, before many property companies, one by one, go into temporary receivership, following the collapse of Martinsa. The price of housing will continue to go down, it will fall more than 30%, I'm sure. Because property crises are always sudden, capital goods are future gains and are based on expectations, which are shattered overnight, they deflate in the same way as the stock market crises. Therefore, during the big crises the stock market is closed for a few days so that everyone can do their calculations and no-one makes hasty decisions, and the landing can be softer. This is one of the key roles of the public administrations and of

the regulators: to have a global and longer-term vision in order to cushion the sometimes hysterical fluctuations of the markets. Coal needs to be put in the machine when it stops, and taken out when we go too fast. The problem is that the governments and the administrations react too slowly.

How is the Spanish government handling the crisis?

Not very well, because the structural changes that had to be carried out haven't been done. While in the rest of Europe the rates of economic growth were already moderate, or low, the Spanish government continued to think that Spain would reduce its above four per cent rates gradually, that there would be a smooth landing, and that it was not necessary to take any measures in the property sector, such as taxing quick gains, balancing the tax allowances for the purchase of housing with those of rents, controlling the excessive credit for the purchase of land and of housing, prioritizing the restoration of housing instead of reclassification and fast urban development processes, as occurred on the Mediterranean coast. The fall has been sudden, unemployment will rise, and the government surplus will soon disappear and internal consumption will fall. The economy will inevitably become depressed.

What is the origin of the international financial and property crisis?

Anyone who wants to understand the international economic crisis, even the *liquidity trap* or whatever it's called, should re-read John Kenneth Galbraith, *A Short History of Financial Euphoria*. Joaquín Estefanía devoted a page to him in *El País (Profecías del capitalismo, 29 September 1991)*, in which he explained that, since the *tulip mania* of the 17th century in Holland, there have been successive episodes of crisis like this one, and in every case there is an incredible amnesia in relation to its precedents, caused by the appearance of new financial instruments which seem new, always based on the phenomenon of leverage (the goods that back the instruments are minuscule, and evanescent). Years ago it was obvious that the deregulation of the financial system in the United States had generated a range of new financial instruments which, among other things, were used to conceal a very curious product which has ended up intoxicating the worldwide financial system: the subprime mortgages that were granted to not very solvent purchasers, inflating the real value of the housing placed as

collateral. When these buyers, mostly humble people, blacks or Hispanics from the south of the country, could not make the repayments on the loans that they applied for to purchase above their possibilities, the banks realized that they could not recover the loans with the real values of housing which no longer has solvent buyers. The Nobel prize-winner Joseph Stiglitz warned about this in January 2006, and no-one took any notice. One out of every six families with subprime mortgages was a defaulter, and this made the castle collapse. If we compare the Spanish bubble with the American one we can see, although the authorities deny it, that our subprimes also exist but that they are more in the development, and not, or at least not yet, when this conversation is published, who knows? – among the end buyers. Moreover, the developers are not selling the flats for three reasons: the excess supply (we may end this year with 900,000 empty flats in Spain!), the increase (both in prices and in interest rates) and, above all, the liquidity crisis generated in the United States.

What recipes do you propose to help get us out of this crisis?

We need more public investment. First, in the restoration of housing and the remodelling of neighbourhoods, especially old quarters and the urban outskirts generated by Francoist “boosterism”, and the promotion of social housing, because I believe that it is time to buy a lot of land and to build the social housing reserves foreseen in the National Housing Agreement and promoted by the INCASOL through the Strategic Residential Areas (ARE in Catalan), and the third policy is public investment in infrastructures, essential to boost demand through the public sector, as already mentioned, and here I would opt for infrastructures with sustainable mobility, for social welfare (healthcare, education and social facilities, etc.), energy (photovoltaic and wind farms, desalination plants, waste material and energy reuse centres, etc.) and the environment (especially the plans to improve natural spaces, which in Catalonia occupy 30% of the territory according to the delimitation established in 2006 in the Natura 2000 Network).

What do you think of the ARES, the new residential neighbourhoods that the Town and Country Planning Secretary is planning in medium and big towns?

The ARE are a good idea, but they are too late. But I think that it is very good that they are developed, aware that the market will be very slow to manage them, a process that will be closer on average to 5-8 years than to the 2-4 foreseen, so we are making housing for the next growth cycle. However, some AREs, those which already had a majority of initial public ownership and management, will be able to see the light in the coming years. What will happen is that first the urban development will be carried out with public money, using cooperation and expropriation systems, then the social housing and the free housing will be left for the end, on coming out of the crisis. Moreover, the quality of the urban development may not be that expected, and they will not leave as many facilities for the city, because the fall in the price of free housing will not allow excesses in the charges. As for the programme of buying flats to rent, I believe that it only makes sense with housing sold “at bargain price”, to allow the rental income to pay the charges of the debt.

Let's now talk about the concept of *sustainable infrastructures*. Why in ICV do you propose building so many railways? It appears that you are not at all concerned whether they will have sufficient demand to justify their social and economic use, in relation to other less costly investments with a lower environmental impact, such as improving the long-distance bus services and local and regional roads where they pass, which have high accident rates and high intensities of traffic, meaning, among other things, that the buses have excessively low commercial speeds. In those discussions that we had for the 2006 Infrastructure Plan, I was surprised that the Environment and Housing Ministry maintained that the more railway and the less roads the better, without the cost of the investments, or of their subsequent operation and maintenance, being a priority.

Yes, maybe among all of us we have generated a railway project inflation, but remember that that period, at the end of the first tripartite government, was especially tumultuous and that events happened very quickly, we did not have sufficient time to think through all the initiatives that we had undertaken to carry out.

How did you experience that left-wing, Catalan nationalist government, which the media called Dragon-Khan?

The first left-wing government arrived late, and moreover we had to adjust the teams in a twofold manner, between parties, and within the parties or the coalitions. I always admit that those of us who entered the first government of Catalonia after twenty-three years of Jordi Pujol governments were not the best, and this was the first promise that we broke. We came to government late, raising excessive expectations, but by that I do not want to blame the people who formed part of it, of course. These are generational issues, cycles in the history of a country or a city which go beyond the will or the capacity of everybody, which dragged us all along, whether we wanted it or not. The previous generation, that of Jordi Pujol and Pasqual Maragall, that of the mayors and councillors of 79, came to government younger and with the complicities of many years of anti-Franco struggle, in the midst of an economic crisis and with a scandalous unemployment level, but on overcoming the crisis they continued to ride the wave of growth in the mid-eighties, with the expectation of joining Europe, and the job culminated in 1992, in both Spain and Catalonia. That political generation did not make way for us, it succeeded itself throughout the nineties, and that is a fundamental difference with Madrid, where there was, for one reason or another, a generational change. And Spain continued to grow, Madrid developed enormously, there was a change of party in government, while in Catalonia we continued with the same political leadership, already greatly weakened, until 2004. Jordi Pujol's last governments were much worse than the first ones, and we had enormous expectations, we had generated great hope, and it is true that we did not live up to our promises, to all the hopes that we had awoken. This was a key moment to confront new challenges: suddenly Catalonia was no longer 6 million, we were more than 7 million, people from all around the world, more housing than ever was being built and young people had more problems than ever to access housing, Barcelona had become a preferential tourist destination but it was an old city, the city councils had scandalous structural deficits of financing, while the income arising from the property boom concealed this, and meanwhile, with so much work to do, we became embroiled without sufficient clarity of ideas first with the debates on the Bracons tunnel, and then with the definition of the new Statute, we were constantly involved in internal conflicts and pointless arguments which ended with early elections.

And even so, even on replacing Pasqual Maragall, the same parties obtained a good electoral result and are still governing.

Ricard laughs. Yes, the alternative appeared to be much worse for the electors!

How do you see the political future now?

The crisis means that ICV's programme will make even more sense but, paradoxically, experience tells us that those who fight the most against poverty and for solidarity are often precisely those who produce the least result among those most affected, above all in an increasingly competitive and unsupportive society, and in which the most humble men and women do not see themselves as such either individually or, above all, collectively. Since the 1982 crisis, our electoral expectations have been frustrated. To a large extent we have lost our best "reserves" of votes. We have difficulties in the poorest neighbourhoods. The not at all satisfactory reality is that in the last general elections the average of ICV-EUiA in the 36 towns of Barcelona metropolitan area was 5.9% and that in many outlying neighbourhoods we were below 5%. At the beginning of the nineties the PSUC reconverted from eurocommunism to ecosocialism, fifteen years ago already, but it is not that easy to turn the page, and sometimes I find it strange to be a member of a party in which there are fewer workers than in some other parties! The vote for Iniciativa is low in the metropolitan neighbourhoods, but it is high in the Olympic Village, a New Age paradise, a cosmopolitan enclave. We need to be able to attract more talent to politics: less posts and better treated, in all senses. But we are experiencing a discrediting of everything that is public; politics is excessively verbalist, not very attractive. We are suffering from an obsessive-compulsive disorder by consensus and through centrality; we feel aversion toward the exposure of dissension, toward risk, toward the future.

And the future of Catalonia?

Since the crisis of the 70s, successive generations of young people have seen that they cannot fulfil the life account of their parents or grandparents. This is a key element. Nowadays, there is not a guaranteed future for those who study, or a stable, well-paid job consistent with the studies taken for those entering the labour market. The future is more open than ever, and we are confused by excessive information. However, although this crisis of the idea of the future exists for everyone, it is even more evident in the peripheral neighbourhoods, where phenomena of marginalization are combined with a

scarce presence of economic entrepreneurs and quality jobs. Now, with the beginning of the economic crisis, youth unemployment rates will rise and may again be extremely high in these neighbourhoods, social conflicts will increase, maybe with the more recent immigrants and their children. This reality is also expressed, fortunately in a creative manner, through cultural expressions. We should not be surprised that nowadays the young people from the neighbourhoods feel distant from the institutions, from the parties, from the residents' associations and from the unions, from other forms of association and even from feelings of belonging, among others to the nationals of Catalonia. All this is what concerns me the most, the social implications of the crisis, the conflicts that may arise in the peripheral neighbourhoods where emigration is accumulated.

You know these neighbourhoods well.

I am a son of immigrants, I know the neighbourhoods which were once called the *Red Belt* well: Sant Roc, in Badalona, Santa Coloma, where I worked, and Ciutat Badia, where I lived. I joined the PSUC, I studied economics, I worked on town councils and in private companies, and I only held political positions during the first three years of the tripartite government, although I have always experienced what is called *party life*. My wife is the coordinator of the ICV-EUiA parliamentary group. Work in the *private* sector, despite the property crisis, is not causing me more headaches than in the *public*. Working ten or more hours a day I still find time to go to the gym every day, at a quarter to seven, and to be available when my teenage daughters need me. I have lost twelve kilos in weight, although maybe you can't tell. I eat salads and fish, no meat or bread, or coffee, as recommended by my dietician, and every day I run, cycle in the gym, and play football on Sunday mornings, to generate some endomorphins. I try to have a balanced life, without excessive ups and downs. My current salary is quite a bit higher than what I earned as Secretary General of the Environment Ministry, and then I still had to give 10% to the party, like the rest of the high-ranking positions.

Soon you'll become a Buddhist, I say, or a golfer.

A Buddhist would be better.

Tell me, who are the powerful that you talk about in ICV?

In Catalonia, despite our industrial image, the structure of economic power is above all in the services sector, closely linked to financial institutions, especially the La Caixa group (Agbar, GasNatural, Abertis...), energy, telephony, gas, etc. The common denominator is that they depend to a large extent on contracts, concessions and public tariffs, so of course they are concerned about having great influence in politics. And, naturally, we can add the property sector and construction, and some big industrial groups: the chemical and car industries, the food and agriculture sector, etc. As Secretary General of Environment, I took a master's degree in enduring lobby and media pressures!

Many complain that you were too much in control, that infrastructures came to a standstill with unending environmental formalities and that what you did, rather than improve the infrastructures or the environment, was to throw a spanner in the works of the economic development of Catalonia.

Of course, he laughs, what do you want them to think?