

# Neoliberal Madrid

Beatriz García – Observatorio Metropolitano de Madrid

[www.observatoriometropolitano.org](http://www.observatoriometropolitano.org)

As we analysed in our first research and book *Madrid ¿la suma de todos?*, in the last twenty years, Madrid has undergone a massive transformation. Before analyzing the Neoliberal Madrid, we would like to introduce some general considerations about the city.

## 1. General considerations

During the so-called “Transition” after general Franco's death, the Spanish Estate adopted a semi-federal administrative system, where the different regions, called “Comunidades Autonomas” [M1], have acquired a ruling capacity over some important areas that were previously in the hands of the central government such as the health and education systems, much of the authority in urbanism and certain taxes; so that each government of a Comunidad Autónoma has, as a result, a big capacity to influence in its own territory. The Comunidad Autónoma de Madrid (CAM) is basically conformed by the Madrid metropolitan area: the municipality of Madrid and few surrounding towns structurally dependant on the big city [M2]. Both the city council and the Comunidad have been governed by the Partido Popular (right wing) since 1991 in the city and 2003 in the region, with Alberto Ruiz Gallardon (now ministry of Justice) and Esperanza Aguirre as its most prominent politicians.



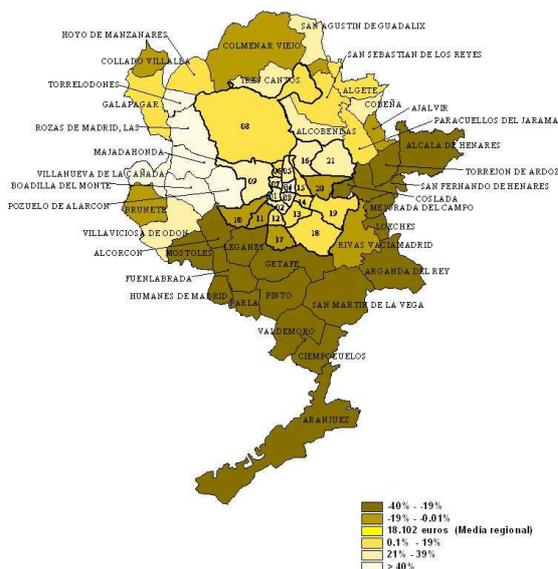
The CAM has almost 6.5 million inhabitants of which more than 5 live in the metropolitan area of Madrid and 3.2 in the city Madrid itself. [M3] This population has grown a 15% since 1990, due mainly to the arrival of nearly 800.000 foreigners attracted by the economic development of the city; most of them are Ecuadorian and Moroccan.

In the analyses we made, regarding the labour and productive structure, we detected a growing social polarization, also for the upward period, in the process of globalization of the city:

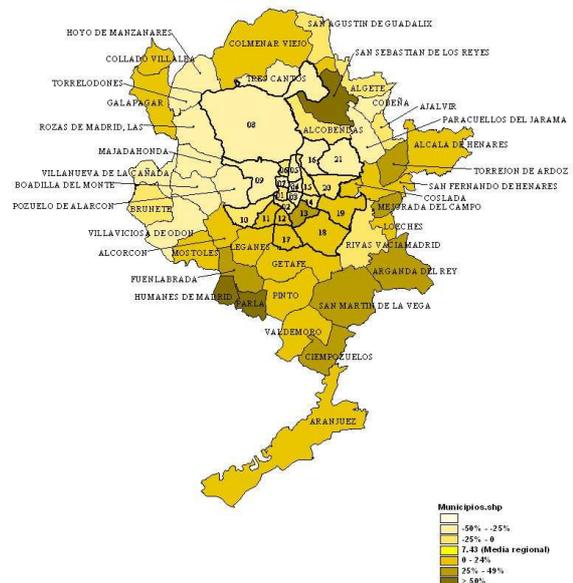
- 1) Madrid became home of the head quarters of important former national companies in strategic sectors (as Iberia or Telefónica) and other financial agencies; Madrid also has a big airport hub and an important Stock Exchange. This fact attracted other companies which provided services to the business sector (consulting, marketing, communications, law services...) where many of their workers can be considered part of a *global class*. [F4]
- 2) The increase of the service and construction sectors has made majority the social stratum of precarious workers, with less rights, stability and protection; young Spaniards, women and migrants are the most part of we have called the *servo-proletariat*, because of pronounced component of service to the high classes.
- 3) Old industrial working class and public employed see themselves reduced, with big problems of reproduction of their class, ever for their own children.

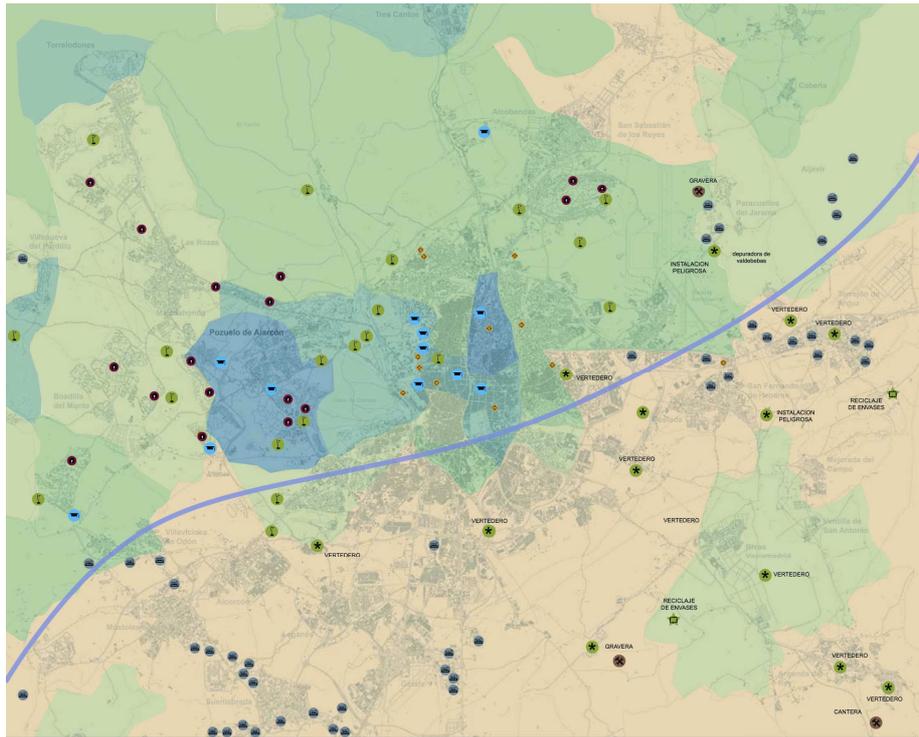
The city of Madrid is a dual one also in a territorial perspective; if we analyse different variables as housing prices, incomes, employment and infrastructures, we can see the best rates in the NW of the region, and the worst in the SE [MAP 6-9]

**Renta bruta per cápita de los municipios y distritos del área metropolitana de Madrid, 2008**



**Parados por habitantes de los municipios y distritos del área metropolitana de Madrid, 2010**





This social and urban segregation has been crossed by the real state bubble and the management of the crisis. The wages didn't grow since 90s and people could only access to a house by credit. The amount of these mortgages exceeded the value of the properties and were approved without stable incomes; often they were given with other personal and for-purchase credits, what created a "wealth effect" that increased the demand and all economic magnitudes. [F10-11] Many of the inhabitants of the old workers areas in South and East Madrid and in the southern towns sold their houses to migrants and moved to new zones of the city expansion [M12-13]. The Spaniard precarious young and the migrants who bought in this period, many often guaranteed by their families, were the first to be hired and stopped paying their mortgages. Now they are under threat of evictions and, even after being evicted, they will be in debt because dation in payment doesn't work in Spain. In the other side, the persons who had before a patrimony to invest, that is, that didn't buy or get indebted for a house to live, were the only ones in getting profit of the bubble; together with banks, state building agencies and financial agencies. So, the apparent general growing in the period became more polarization in the crash.

## **2. Madrid as laboratory of neoliberal urban policies**

The processes we have described are not result of a natural state of things, but result of public policies (fiscal, economic, labour, urbanism) promoted by the government in the State, in the CAM and in the city. They use their capacities to the advantage of the financial and the real-estate building sector; they changed laws and wasted public resources in their benefit: they changed the land uses, made tax reduction to favour the home purchase instead of renting, they approved huge urban plans, developed mega-infrastructures and mega-events.

Following many of the main radical geographers (Harvey, Sassen, Smith...), we think that Madrid is a perfect example of the spatial fix of globalization, a laboratory of neoliberal policies, even before the crisis. We don't talk about specific neoliberal projects, but the whole city as a neoliberal project. Governments in CAM and council understood the city as an enterprise and they became managers in the capitalistic frame of international competition between cities and regions, investing all money in urban transformation and giving up their responsibility in social policies.

1) They tried to attract investments, enterprises and tourism by means of taxes reductions, infrastructure and city brand;

2) They turned the urban planning in a real-estate growth machine;

3) They decreased the public budget and outsourced all the public services they could, generating huge transferences to the Church, the big construction companies and their own ideological allies.

That's why we say that Madrid, besides neoliberal, is a revanchist city ruled by neoconservative principles. Because of the short time we have, we will get into only the two former points.

### **1) Attraction of investments, enterprises and tourism**

- Taxes: CAM suppressed the taxes on Inheritances and Gifts and reduced the Tax on Patrimony; also reduced the autonomic Income Tax. In 2008 Budget, these measures made the government not to get 1.588 millions of Euros, but only 2% of the population saw itself benefited.
- Infrastructures: Terminal 4 of Madrid-Barajas was build, growing in extension and capacity; the airport is the first enterprise in the region and generates the 15% of PIB. The fever for airports spread wider in Spain and another airport was build, in closed Castilla-La Mancha, to get low-cost flight to the capital; this airport is now closed, after having only two flights a day for some years. In other hand, high speed train lines have been developed in Spain, up to be the longest in the world, only behind Chine; since 1992, the invest arises to 40.000 millions of Euros but the most part of the people never use it: the expensive price of the tickets make that only enterprises or high classes utilizes it.

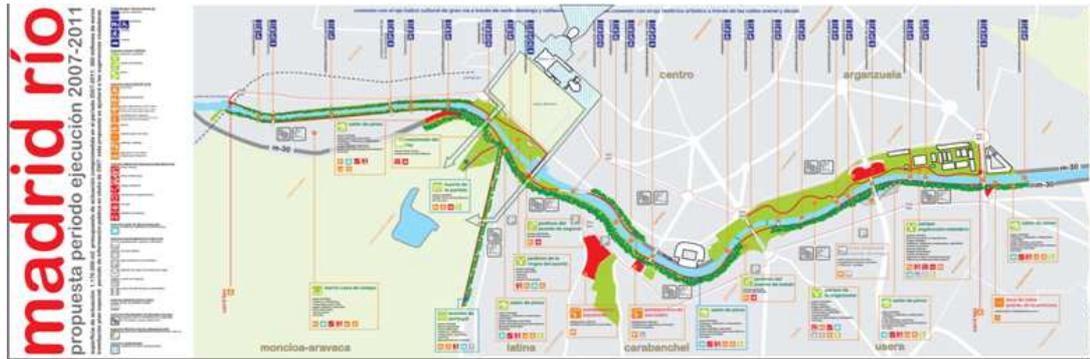


- City Brand: With the goal of marketing the city, in order to compete with the Spanish cities of “sol y playa” [sun and beach], Madrid has specialized in tourism of museum and cultural events.

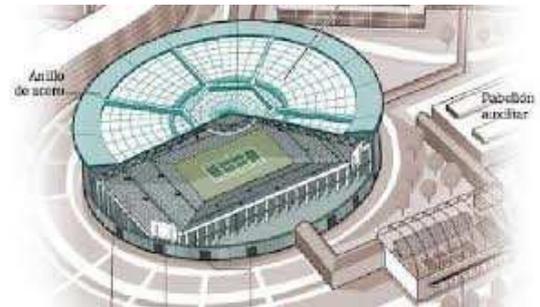
Several rehabilitation operations have taken place in the city centre. In the new “Art Walk” [Paseo del arte], Reina Sofia Museum was expanded [F16] and a spectacular floating building, Caixa Forum, was erected [F17]; Thyssen and Prado museum complete the walk. “Commercial Exe” is around Gran Via Street, where old building have become fashion shops and theatres for musicals. In these two parts of the city, there have been gentrification processes and the poorest have had to move. [MAP14]. In the “Financial Exe” in Castellana Avenue, four skyscrapers have been summed to the small Madrid skyline; multinational enterprises as Repsol and Sacyr have their own towers. [F18] Indeed, there is not a better expression of the bubble, and it is an unforgettable one, because you can see them from all part in the region.



The “River Operation” tried to regain the careless and polluted river Manzanares and create a water-front in the style of other European cities [F19]. With this purpose, the M30, the ring railway, was planned to lay underground. The cost of the operation was 3.197 millions of Euros, apart from the money for the new park; the council will be in debt for the next 35 years and the payment of the interests drowns the city budget. To avoid the needed environmental reports, the council turn officially the railway in a normal “street” [F20].

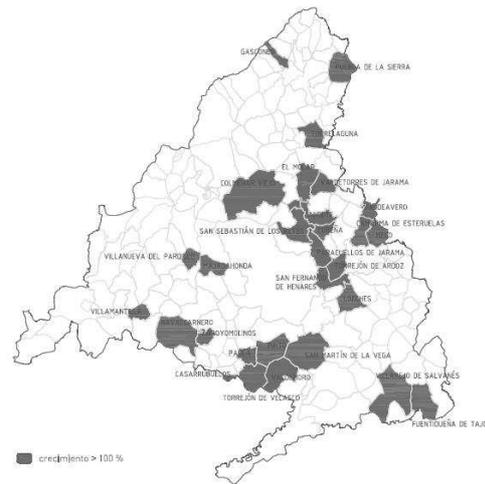
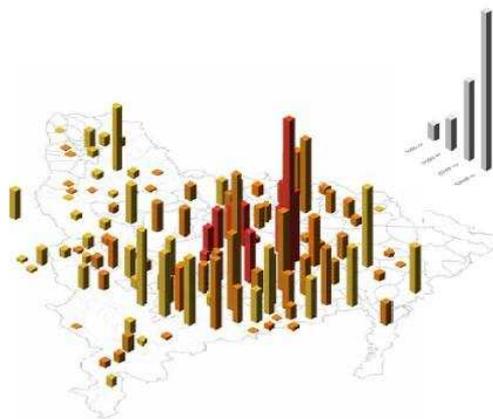


For last, Madrid has run for Olympic Games of 2012, 2016 and now, 2020. Cities candidates must build some infrastructure, useless most of times for the citizens. It is the case of Caja Mágica [F21], Madrid-Arena [F22] and Olympic Stadium in San Blas [F23].

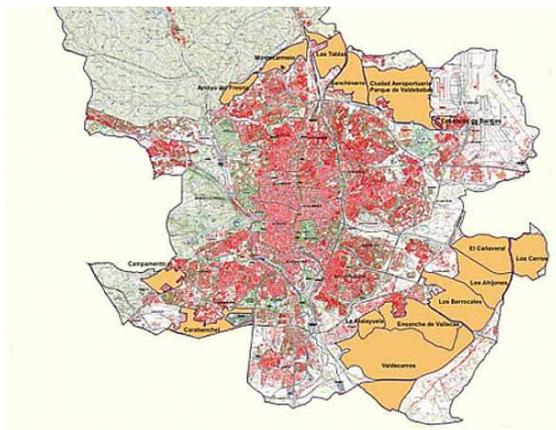




8. Expectativas de crecimiento de los municipios de la Comunidad de Madrid



In the city of Madrid, many operations were planned but today we will emphasise only one: the PAUs [M13]. With these “Urban Expansion Plans”, Madrid reached all its territory. 177.668 houses were planned in an area of 6.834 h. for 444.172 persons; some of these PAUs were like medium-sized towns as Salamanca. The model of neighbourhood was based on low densities, huge avenues and gated communities. Commercial sector was planned only for malls, so very wide streets are mostly empty. [F30-31] Car is obligated to get out and in the area, and often to buy or go to public services. Nowadays, many buildings of the PAUs are empty or half-built; their future is an enigma: Will their medium-class inhabitants remain? Or they will abandon because of the deterioration, squatting and isolation?



The same as the PAUs, with the crash of real-estate bubble, many plans are stopped. PP governments obey the austerity policies and public works are under cuts, although less than other public services. In this context, an unbelievable proposal appears: Eurovegas.

### 3. Eurovegas

Las Vegas Sand, a corporation of USA with mega-casinos in Las Vegas, Singapur y Macao, has proposed build a mega-complex with 12 skyscraper-hotels, 6 casinos, 3 golf fields, several theatres, centre of conventions and shops, in Alcorcón, a town in the south of Madrid. Las Vegas Sand and the governments expect a 25.000 € millions investment and 250.000 jobs. To get that, Las Vegas Sand requires legislative changes in several matters.



The CAM has already made some. First, approved that private projects, like this one, could be considered of “regional interest”. After this, approved fiscal reductions for such projects of “regional interest” on IBI and ICO taxes, as Las Vegas Sand had demanded. This shouldn’t be enough, and the CAM, in last Budget, has created a new entity: the “Integrated Centres of Development” [Centros integrados de desarrollo – CIDs].

CIDs take advantages as: 1) Discounts on taxes for each job; 2) Discounts in purchase of equipment and investments in facilities; 3) Discount of 95% in Property Transfer Tax and Stamp Duty; 4) No limitations of height of skyscrapers; 5) Changes in land law in order to the government can transfer rural land; 6) Reductions of taxes on gambling to 10-20% (before it was 45%); 7) Permission to the corporation to lend money to their players (what was forbidden).

That is, Madrid government is ready to get into neoliberal competition between cities and regions (even in the State, with Barcelona), by generating specific legal entities to certain zones and business, with less rights and taxes, in exchange of promises of investments and jobs (the rigorous reports of Platform “Eurovegas No” have set only 30.000 jobs, not 250.000, and bad-quality ones: Las Vegas Sand has also required changes in Workers Statute and Foreign Law). In a revival of the “brick age” that we have described, they are ready to assume:

- High spending in infrastructure (in this case, railways, AVE and tube lines, urbanization of the area, public services to new people and tourists).
- Loss of income (by transferring land, fiscal reduction or exaction).
- Huge environmental costs (it is expect to use so much water as 110.000 hab. city; so much electricity as a 676.000 hab. city; and to produce 117.5 ton. of rubbish for which the city is not prepared).

In exchange of all that, LVS only commit to the first phase of 6 years if the rate of benefits won't reach 20% (when the average in gambling sector is 10%); so it is possible that, besides the empty railways, the empty airport and the empty houses, Madrid will have an empty casino. Otherwise, if LVS gets its goals of changing Gambling Law in CAM to introduce "junket" role and VIP bet systems, Eurovegas can become an area of money laundering and fiscal evasion.

Eurovegas is, indeed, the exacerbation of neoliberal model that use the territory, the laws and the public investments to the advantage of certain economic sector, without having in mind the sustainability of these productive bets, even in a short-term.

Fortunately, Platform Eurovegas No [F33] and other social movements are facing these policies. The Platform has elaborated, besides videos and other material, six splendid reports that refute LVS's promises; two demonstrations were convoked and several hundred people get out to the streets [F34]. There is a local node in Alcorcon, which is very important to discuss with all people of the zone about this project.



If austerity policies go ahead and the productive structure of the country won't change, the polarity in the city will increase. The social crisis has already started. However, there is a huge consensus against traditional politicians and we really believe that real democracy is not so far away.