The Squatting Phenomenon in Barcelona

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Abstract
Spain is suffering from the repercussions of a financial crisis that has caused the country great social and political chaos. The financial crisis in Spain originates from a bubble on the Spanish real estate market. Ownership of one’s home was promoted to the point that non-ownership was viewed as an anomaly. The construction industry was prosperous to the extent that it practically drove the entire economy. Everyone wanted to buy and the credit bubble grew larger as prices accelerated. The bubble burst as a direct consequence of the financial crisis in 2008 and the economy quickly started to dismantle. Unemployment went sky high and as people lost their jobs they were no longer able to sustain payments for debts, and as a consequence more than 500 000 evictions have been carried out on households across Spain. At present 20 evictions per day are performed only in Barcelona.

Together with the high rate of unemployment, the elevated level of indebtedness is the second main reason why Spain is recovering so slowly from the crisis. The current debt-to-GDP rate is close to exceeding 100 %. While banks were rescued by the government little has been done to help those that have lost their homes. The real estate bubble and the following crisis have created an uneven distribution of wealth and polarized society; Spain is currently the country with the highest wealth gap in the EU. Inequality, poverty and unemployment have all been proved to be major causes for homelessness, which has increased by over 55 % in Barcelona after the collapse of the financial system.

The increase in homelessness and the discontent the handling of the crisis has generated among the people have caused a surge of squatting movements across Spain. The aim of this thesis has been to increase the understanding of why Spain was so deeply affected by the financial crisis and to make out how these circumstances have increased the appearance of squatting movements. To answer these questions I have carried out a literature review and performed several interviews with experts in different areas, as well as a case study of a squatting movement in Barcelona where the study was performed. In order to present my conclusions I have outlined a map of the paths that have led to squatting where the significant roles of austerity measures and wealth inequality emerge.

As the citizens have organized themselves through forming associations and political parties the political climate has changed and Spain stands before an important choice where the traditional two-party system is threatened for the first time. The conduct of squatters will be influenced by the actions of the politicians. I have distinguished three types of negotiation tactics that can be employed by squatters in Barcelona. Finally, three possible scenarios are presented and the outcome will be determined by the results of the upcoming regional and national elections, which in turn depend on the public opinion. In this way the citizens have a decisive role in deciding which direction Spain will take.
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Sammanfattning


Tillsammans med den höga arbetslösheten är graden av skuldsättning den andra huvudsakliga faktorn som förklarar varför Spanien återhämtar sig så pass långsamt från krisen. Den nuvarande skuldkvoten i förhållande till BNP är nära att överstiga 100 %. Medan bankerna räddades från konkurs av staten har mycket lite genomförts för att hjälpa dem som förlorat sina hem. Fastighetsbubblan och den efterföljande krisen har polariserat det spanska samhället; Spanien är nu det mest ojämlika landet i EU vad gäller fördelningen av rikedom. Ojämlikhet, arbetslöshet och fattigdom har alla visat sig vara pådrivande faktorer för hemlöshet, som har ökat med 55 % i Barcelona efter krisen.

Den ökade hemlösheten och missnöjet som hanteringen av krisen har orsakat har lett till en ökning av ockupationsrörelser i Spanien. Syftet med denna uppsats har varit att öka förståelsen för varför Spanien drabbades så hårt av finanskrisen samt att undersöka hur dessa faktorer samspeledes till att öka förekomsten av ockupationsrörelser. För att reda ut dessa frågor har jag genomfört en litteraturstudie följt av flera intervjuer med experter inom olika områden, samt en fallstudie av en ockupationsrörelse i Barcelona där studien ägde rum. Mina slutsatser presenteras i en tankearka över de vägar som har lett fram till husockupationer, där betydelsen av åtstramningsprogrammen och den ökade ojämlikheten tydligt framgår.

Som en följd av att medborgarna har organiserat sig politiskt har det politiska klimatet ändrats och Spanien står nu inför ett vägskäl där det traditionella tvåpartisystemet är hotat för första gången. Husockupanterens uppträdande kommer att bero på vilka åtgärder politikerna väljer att ta. Jag har i och med det identifierat tre olika typer av förhändlingsstrategier som husockuppenhet i Barcelona kan välja mellan. Till sist har jag urskilt tre tänkbara framtidsscenario. Det slutliga utfallet kommer att bero på resulterandet av de kommande politiska valen, vilka i sin tur beror på opinionen i samhället. I den meningen har medborgarna nu en avgörande roll i att bestämma vilken riktning Spanien ska ta.
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1 Introduction
Spain is currently suffering from the aftermath of a financial crisis that sprung from a price bubble on the housing market that burst when the financial crisis paralysed the economy in 2008. The crisis has had severe social consequences for the people of Spain: the employment rate has hit rock bottom, millions of people have lost their jobs and many have even been evicted from their homes. The paper takes the outbreak of the economic crisis as its starting point, however, a historical background is provided when considered necessary.

During the boom, the construction market was thriving and new apartment buildings were constructed at a high pace. When the financial crisis hit Spain, many construction firms went bankrupt and banks took over the ownership of the buildings. Property prices plummeted and banks have been waiting to sell until prices rise again. These buildings have since then been abandoned.

When the severe effects of the crisis started to show, the government rescued national banks from bankruptcy and in doing so performing extensive cuts in the public sector together with large privatizations. This has turned Spain into a country highly indebted - a troublesome situation that has resulted in several social movements of protest. Among these are so called squatters (occupants) where people in vulnerable situations have claimed access to the abandoned buildings in order to have somewhere to live.

1.1 Aim of the study
The aim of the study is to expand the understanding of the squatting phenomenon in terms of how it arises and how it is sustained, and the processes that lie behind. Furthermore, the aim is to identify the ideal state as perceived by the two different main stakeholders, i.e. the squatters and the authorities, and with help of game theory forecast what outcome we can expect of the situation in a few years’ time.

1.2 Problem formulation
The phenomenon of squatting in itself is not new even in Spain; however, the occurrence has escalated as a result of the financial crisis. The squatters are ready to negotiate with authorities, however the willingness of authorities to respond to squatters has up until now been narrow. To reach a solution further comprehension of the problem is needed. For this reason the paper aims at explaining how squatting has developed in Spain and how the situation is sustained. The problem formulation can be divided into several sub questions. The scope of this paper will be to answer the following four questions:
1. What factors caused the financial crisis in Spain?
2. How do these factors explain the emergence of squatting movements?
3. How do squatters operate and how is the situation maintained?
4. What outcome can we expect of the situation?

1.3 Sampling
The thesis focuses on the squatting movements in Spain that have arisen as a consequence of the financial crisis of 2008. The study will have a particular focus on Barcelona, where the study will be performed. Nonetheless, the study aims to be largely applicable on squatting movements across Spain.
2 Method
The thesis will be based on a thorough literature review as well as a case study of a squatting social movement in Barcelona. In addition several interviews will be performed with the Spanish authorities and experts.

2.1 Literature review
Extensive literature has been written on the subject of the Spanish financial crisis and there is also information to be found on the more specific subject of squatting. Thorough investigation of such literature will constitute a large part of this paper since it is essential, not least for the credibility of the paper, to have an in-depth understanding of the factors that caused the financial crisis in the first place and the social consequences it has had for the people of Spain.

Despite abundant information, statistics on vacant buildings, evictions due to mortgage defaults or non-forthcoming rents etc. is not easily available and in addition poorly reliable. I have acquired a large part of the statistics referred to in this paper from interviews and as far it has been possible data has been verified with other sources such as the Spanish National Institute of Statistics. However, we need to acknowledge the fact that exact numbers may not be accurate.

In a second part, a literature review on the subject of game theory will be presented in order to provide a basis from which to investigate if it is possible to analyse possible outcomes of the situation with the help of game theory.

2.2 Case study
To gain insight into how squatters reason, a closer investigation needs to be done on such a group. The investigation should provide answers to questions such as “What do we know about squatters?” and “What are their objectives?”

Naturally, the idea is also to meet with spokespersons and members from at least one of these movements. However the focus will be on the movement as such, not on the individuals behind it. From the interviews, I essentially want to learn about the ambitions of the movement.

The case study will be performed in Barcelona, one of the regions worst hit in Spain by the financial crisis. At the turn of the year 2007/2008 the stock of newly built apartments still unsold in the whole of Spain was approximately 700 000, of which Cataluña stood for a good 15 %. Barcelona alone stood for almost 9 % of the supply of unsold homes, which made it the province with the largest share of the stock (Kouvatsis, 2011).

A case study is appropriate since the aim of this thesis is to answer questions of how and why. A case study allows for the phenomenon to be studied and analysed from several angles, seen from the perspectives of different stakeholders. Interviews with members and spokespersons for the squatting association constitute one part of the case study. Additional data includes my own observations, secondary data and external literature regarding the movement.
2.3 Interviews
So as to involve several perspectives on the phenomenon, which I believe is necessary in order to eventually reach a solution, face-to-face interviews will be held with the essential stakeholders, namely regional authorities and spokespersons from the social movements. Respondents from the squatting associations will be able to participate anonymously. Participants will approve the notes from the interviews, to ensure I have not misinterpreted answers.

Interviews will be semi-structured so that there is room for additional comments from the interviewees and openings to change the direction of the conversations. I believe that this is the best approach when trying to expand the knowledge of a phenomenon, otherwise valuable information risks to be screened out because of too narrow questions. The semi-structured format, however, requires more of me as the interviewer and I will need to be well prepared and informed on the subject in order to be able to respond to unexpected new information.

In total, a number of 7 interviews have been performed for this thesis.

2.4 A qualitative and inductive study
The study is based on qualitative research methods considering the exploratory character of the investigation. Again, the aim of the paper is to gain initial understanding of the squatting phenomenon why I believe that a qualitative survey method is the best approach. This way new and unexpected information can reach surface.

The study is inductive since it aims to understand the phenomenon of squatting by building theory around it, rather than applying existing theory. Regarding the analysis, the idea is to sketch possible future scenarios by using game theory.
3 The downfall of the system

Spain is suffering from a financial crisis that has turned into an equally serious social and political turmoil. This chapter aims to explain the factors that caused the collapse of the Spanish economy.

3.1 Introduction to the crisis

The financial crisis in Spain originates from a real estate bubble that burst as a direct consequence of the international financial crisis in 2008. In this sense this is a global crisis. Ownership of one’s home was promoted to the point that non-ownership was viewed as an anomaly. As a result of the collapse unemployment rate increased rapidly and reached its peak in 2013 at 27%. The current unemployment rate is approximately 23% (datosmacro.com, 2015). Although the massive unemployment has affected all layers of the Spanish society, the poorest part of the population has been worst hit. Many families lost the ability to pay for their debts and as a consequence, more than half a million foreclosures have been carried out since 2007 on households that have been unable to pay mortgage fees (Benítez, 2012).

The construction industry was the sector that primarily drove the economic growth, a sector that at the time of the boom, 1995-2007, employed numerous Spanish citizens. The demand for housing augmented as employment rates and salaries increased and people experienced a surge in acquisition power. Simultaneously, the degree of household debt increased by each year (Bosch Meda, 2012). Between the year of 2003 and 2007 approximately 700 000 apartments were added to the Spanish housing stock each year (Kouvatis, 2011), which implied an enormous need for workers within construction. Spain’s production of new homes accounted for approximately 30% of the total stock in the Euro area from the millennium until the crash (Lindvall, 2009). In fact, construction in Spain surpassed the joint construction of France, Germany and Italy, despite the fact that they already had the highest supply of dwellings relative to the population (500 dwellings per every 1000 inhabitants) (Bosch Meda, 2012). One of the most evident warning signs was that the Spanish GDP growth was in direct proportion to the real estate market. In 2007, 45% of loans were issued to construction and related sectors (Carballo-Cruz, 2011). As property prices increased, GDP was growing too; the problem was that the growth was entirely based on the price increase of property, which in turn depended on borrowed money (Bosch Meda, 2012).

The construction business was prosperous and paid well. Wages for a construction worker could reach the same levels as for engineers or other highly skilled occupations, which gave many young persons incentives to leave the educational system early and take a job in construction. As construction required more and more manpower, both domestic and foreign labour moved towards this industry. Furthermore, foreign labour force immigrated to Spain to take over jobs in agriculture, which added to the already high demand for housing. After the collapse a large part of the foreign workers left Spain, a circumstance that further accumulated the stock of vacant buildings (Lindvall, 2009).

The construction industry is an influent sector on the economy as a whole as it moves other sectors such as material supply and delivery, infrastructure and related services. However, other areas of the economy did not develop at the same pace, which in turn pushed even more people towards the construction industry. In fact, during the boom period, about 23% of the working population had their employment in construction or related industries (Carballo-Cruz, 2011). This explains the large number of people to be found in unemployment today. Partly due to the lack of higher education, this group of people has had great difficulties finding a new job after the collapse (López Moreno, 2014). This indicates that unemployment in Spain today is a structural problem, which will be discussed later on.
When prices on the Spanish housing market increased in the beginning of the new millennium the growth did not correspond to fundamentals, which has been considered evidence that the acceleration of prices was indeed an effect of a price bubble on the property market (Salvados Documentary, 2014). Between 1997 and 2007 the real increase in property prices was 115 % (Carballo-Cruz, 2011). The situation in Spain after the burst of the bubble has been terrible. Millions of people have lost their jobs, many have been evicted from their homes and several years after the collapse over one million newly constructed homes have not yet been sold. In total the stock of vacant dwellings is currently estimated to 3,5 million, not taking into account second homes. Almost 3 million of these are in a good and fully liveable state (INE, 2011). The Spanish supply of vacant housing is by far the greatest in Europe and would be enough to shelter the total of the EU’s homeless population (The Local, 2014). This is evidence of the so-called ‘Spanish paradox’: a large supply of housing that coexists with a vast unsatisfied need for accommodation (Pareja Eastaway, 2015-05-13).

The problem of an amplifying stock of vacant buildings existed even before the crisis. This is explained by the rapid increase in property prices that prevailed during the years prior to the burst of the bubble. As a matter of fact, the increase in property value made property investments worthwhile as such, so many investors bought properties without the intention to rent out the apartments. Moreover, the emancipation of a new generation was approaching and so it also occurred that parents bought apartments for their sons and daughters for future use, keeping them unoccupied in the meantime (Bosch Meda, 2015-03-04).

### 3.2 Unemployment: explaining the current situation

Spain suffers from several structural weaknesses whereof unemployment is one. Unemployment is one of the major reasons that the Spanish economy has not yet recovered and is also one of the greatest barriers for its recovery (Carballo-Cruz, 2011). The population in unemployment have some common characteristics: they are typically long-term unemployed, young (under 29 years old) and have scarce qualifications in terms of education and experience. Among immigrants unemployment rate reaches 35 % and among the young population the equivalent number exceeds 50 % (Carballo-Cruz, 2011). Carballo-Cruz summarizes the causes of the high unemployment rate in three explanations. First of all, he mentions the large number of workers in construction that lost their jobs in connection to the housing crisis. In fact, the construction sector alone stood for more than 13 % of total employment in Spain during the boom period. Secondly, he mentions the appreciation of the real exchange rate after Spain became a member of the EMU that increased the cost of labour force, which in turn reduced Spain’s competitiveness. Due to the crisis, companies were obliged to make cutbacks in order to maintain cost-effectiveness. Seeing that they were unable to devalue the currency and thereby save on salaries, the only way to reduce costs was to cut down on staff. The final explanation provided by Carballo-Cruz is the dual labour market conditions. Besides inflexibility of wages and working hours the Spanish labour market is distinguished by a severe worker’s segmentation due to a regulation system that provides a very strong protection for workers with permanent contracts and extremely limited protection for the remaining work force. Workers with secure employment are protected by high severance pays. The severance pay is an amount of money paid to the employee upon dismissal, and typically equals one to two weeks pay for every worked year. During the years preceding the crisis in Spain, this amount corresponded to nine weeks pay for each year the employee had spent at the company (Svd Världen, 2010). On the other side of the labour market there are the modestly paid workers with precarious employments that grant almost no protection what so ever. Due to the higher protection of the first group of workers, and the lower productivity of the latter, changes are mainly carried out at the expense of employees within the second group (Carballo-Cruz, 2011). As pointed out earlier, the highest rates of unemployment are to be found within this cluster. Carballo-Cruz states “this institutional
structure of the Spanish labour market generates great intergenerational injustice, since older generations enjoy an extraordinary level of protection and considerable wage increases at the expense of younger ones” (Carballo-Cruz, 2011).

The rigidity of the labour market is in itself a contributing factor as for why Spain was especially affected by the international crisis. The high severance pays made it expensive for companies to dismiss personnel to the degree that they went bankrupt instead. Still today, the regulations make it unattractive for firms to hire new staff, which constitutes an obstacle to reduce the high level of unemployment. Moreover, the regulation system further adds to the structural problems of the labour market since it makes it unappealing for employees to switch job, considering that the benefits that they have correspond to the time they have been employed by the company. Lastly, it is problematic because when employees lose their jobs they are subject to generous compensation so that they are not eager to get out of unemployment (López Moreno, 2014). After the crisis, some measures have been taken to alter the institutional structure and increase flexibility on the labour market. These changes will not be discussed in this paper; I find it sufficient to state that these reforms have not had desired effect as inequality persists on the Spanish labour market.

Between 2007 and 2010 unemployment quickly accelerated from a good 8 % to slightly surpass 20 %. This is an increase in almost three million people, see figure 1. The deepest recession was felt in the first quarter of 2009, when GDP dropped by 6.3 % and around 800 000 people lost their jobs. The reason that there was a certain delay of the effect of the crisis is that public spending was upheld until 2010 in an attempt to offset the impact of the severe reduction of private investments. However, in 2010 cutbacks were carried out and the economy experienced a sharp drop in public investment by more than 17 % (Carballo-Cruz, 2011).

Figure 1. Number of persons in unemployment in Spain January 2005 - February 2015. Source: El Mundo, 2015.

In addition to the reasons offered by Carballo-Cruz there are several other factors that explain the high unemployment rate observed in Spain. For instance, Spanish labour force is characterized by low mobility, mainly for traditional reasons that are related to the strong desire to stay close to family. This is true for young as well as older generations. Only 12 % of the Spanish population works outside their region of birth (López Moreno, 2014). A second reason is the bureaucratic difficulty for entrepreneurs to create new companies, a process that is especially complicated in Spain in comparison to other countries (López Moreno, 2014). A third factor is the reduced acquisition power of the population caused by the cuts in public spending, which can be detected by a significant decrease in consumption. This drop in demand makes manufacturers reduce production in a way that lowers profitability and forces companies to further cut down on staff, which in turn makes consumption decrease even more (López Moreno, 2014).
mentioned earlier, a considerable number of students dropped out of university to pursue a job in construction during the boom period, which has left them with low qualifications and makes it hard for them to obtain a new job in a different sector. A vivid subject of today is that of the 5 million Spanish “ninis”, youths that neither work nor study (Peña, 2015). There is also a mismatch between what students choose to study and what the labour market needs in terms of capabilities and the system lacks tools to attract students to required educations. A majority of the young population that does get a job has temporary contracts (85 %) (López Moreno, 2014). In fact, recent surveys show that the average temporary contract regards four to six weeks of work (Martin, 2015-05-29).

What is more, Spain has an extensive underground economy. Although difficult to measure, it is estimated that the black market constitutes about 19 % of GDP. Informal sectors are especially the property market, commerce, agriculture and restaurants, as well as domestic services and sales through e-commerce (López Moreno, 2014). Spain has a suspected long history of a shadow economy. Proof of this, some say, is that during the boom Spain had an all time low unemployment rate – at 8 %. This number would be considered an indication of a deep economic crisis in almost any other developed nation but in Spain companies claimed that they could not find labour to hire during this period (Mallet & Dinmore, 2011).

Several critics are of the opinion that the government’s strategy of increasing labour market flexibility while cutting back on welfare has been incorrect. They suggest that the key to exit the crisis is quite the opposite: namely to generate economic growth by stimulating consumption through increased public spending, which they believe would create a growing demand and stimulate the economy (López Moreno, 2014).

3.3 A financial system along with a population in debt

Together with the high rate of unemployment, the elevated level of indebtedness is the second main reason why Spain is recovering so slowly from the crisis (Carballo-Cruz, 2011). This section aims to describe the course of events that explains how Spain got to this state.

In 2002, Spain became a member of the European Monetary Union. This would come to have a huge effect on the Spanish economy, since they now had to adapt to the interest rate set by the European Central Bank. After the crisis, the European Central Bank decreased interest rates significantly as a means to reactivate the economy, see figure 2. Taking into account inflation, the real interest rate was often negative (Bosch Meda, 2012). This contributed to the increase in demand for housing as well as the acceleration of property prices. Would it not have been for the EMU, Spain would have been able to increase the nominal interest rate so that it surpassed the inflation, and that way real interest rates would have increased, making demand decrease as a consequence. Unable to do so, real interest rates kept decreasing as inflation increased, constantly adding to an increase in demand (Östlund, 2010).
When the financial crisis hit the United States, the supply of loans was immediately strangled. Consequently the national banks of Spain, that where already in high debt, could not acquire new finances; neither could they continue to issue loans to the citizens who wanted to buy apartments. Accordingly, the construction firms could not sell the apartments and were no longer able to reimburse the loans to the banks (Martín, 2015-05-29). This way many buildings ended up in the possession of banks.

The housing crisis spread to the banking system through the absurd acceleration of prices that triggered the credit bubble through increasing mortgages. As mentioned, loans issued by banks related to real estate or construction accounted for 45 % of GDP in 2007, whereas their weight in production was just beneath 20 % (Carballo-Cruz, 2011). This disproportionate exposure to a specific part of the economy implied a great vulnerability of the financial system. However, it is very important to note that private debt was mainly issued to banks that engaged in real estate activities and not to households (merely 9 % of bank losses were associated to mortgages) (Oxfam, 2012). This is a reason that the rescuing of banks has caused such disappointment among the population.

Although Spanish praxis regulated mortgage rates to 80 % of market value, it was common to receive a 100 % loan from the bank. The households normally did not have any savings and because there were no public appraisers valuations differed substantially, and the banks often agreed to lend the total amount of the purchase-sum. The households normally depended on at least two incomes to be able to pay the monthly costs of the mortgage but with the crisis, there were nearly no families that were not affected by unemployment and it was not uncommon that all family members were unemployed, and so many families started having troubles paying their mortgages (Pareja Eastaway, 2015-05-13).

The recovery of the Spanish economy is impeded by the European sovereign debt crisis. A country’s national debt is constituted by internal and external debt, the external part being the sovereign debt. Sovereign debt is issued by national governments, mainly sold to foreign countries, in order to fund the issuing country’s development (Financial Times Lexicon). The risk, and thereby the applied interest rate, is determined according to the stability of the
government in question. Sovereign debt is unsecured, which means that holders cannot claim national assets. If a country defaults, it will have difficulties obtaining financing in the future. If the risk of default increases, the holders will renegotiate the interest rate. The risk of default augments with unfavourable changes of the exchange rate or as a result of overvalued underlying assets (Carballo-Cruz, 2011). Accordingly, the risk of default augmented in Spain as it became evident that the value of property was overestimated. A country that is in control of its currency is able to devalue it in a crisis. Conversely, as a member of the EU a country is unable to do so and in this context belonging to the EU can deepen the crisis, following the same logic as we have witnessed earlier (due to the inability to control nominal interest rates). In the Spanish case, the situation was worsened by the dependence of foreign capital. In the year of 2010, foreign investors held almost half of the sovereign debt. Furthermore, during the period between 2002 and 2010, only one third of the funds that had financed the economic growth came from Spain (Carballo-Cruz, 2011). This demonstrates how exposed Spain was to changes in the international economy, how dependent it was on the constant flow of foreign capital and how severe the effects were of its sudden cease.

During the flourishing period huge investments were made in infrastructure including highways, airports and public places. When the bubble burst, the regions were no longer capable of sustaining payments for bills and debts. There has been concern that the Spanish state is too dependent on its banks and vice versa. At present, when the government issues debt, it is mainly bought by national banks, as international demand for Spanish debt has decreased significantly due to the high risk of not getting reimbursed (Martín, 2015-05-29). That is, the increased risk and insecurity that followed when Spain entered into the crisis made foreign financiers of the credit institutions withdraw the supply of money, which resulted in a problem of liquidity for the Spanish banks. Thus, the debt is bought by the national banks and subsequently the funds from the debt are used to buy even more government debt. However, there is uncertainty on how long this can go on, considering that the wealth of the Spanish banks steadily fades (Huffington Post, 2012). The national debt rate is currently close to exceeding 100 % of GDP (Trading Economics, 2015) and it is projected to increase in the coming years (Statista, 2015). This means that the Spanish state practically owes more than what it produces and thus the total production of the country is not enough to pay its debt. According to policies of the European Union the debt rate must not surpass 60 % of GDP (RTE News, 2014). As for Spain, it will take hard work from generations to come before the debt can be repaid.

Between the years of 1995 and 2006 the degree of debt of the Spanish households increased by a factor of three. This implied a serious problem of solvency (the ability to pay debts) that arose when the value of the loans surpassed the value of the dwellings (Kouvatissis, 2011). The situation in Spain is especially unfavourable for the citizens because those who have gotten their homes expropriated by the bank still need to pay their mortgages (similar to the conditions on the Swedish market). That is, the dwellings do not constitute a security for the loans in the same sense as in many other countries such as the UK or the US (belegal.com). If the dwelling has experienced a drop in value, the property is said to be in ‘negative equity’, which means that the bank will claim the remaining debt. This way the bank has double protection (belegal.com). With the enormous price falls that came with the crisis a considerable portion of the population found themselves in this situation. This is one of the major factors that has urged the formation of several social movements, especially the PAH (Plataforma de Afectados por la Hipoteca, in English: Platform for People Affected by Mortgages), that will be discussed later in this paper.

All in all, the situation is extremely worrisome. And although particularly troubled, Spain is not the only country to find itself in debt. Even at an international level the financial system is based
on debt due to budget deficits (Bosch Meda, 2015-03-04). This is both problematic and unsustainable. If everyone is in debt, does actual wealth even exist?

3.4 What went wrong?
The fact that Spain was particularly affected by the international crisis is partly explained by the tradition of owning homes. More than 80% of the Spanish families own their homes and over 20% owns more than one home. Furthermore, a share of over 80% of the total wealth of the Spanish households consists of real estate, a number far higher than in other countries (Bosch Meda, 2015-03-04). After the crisis the private rent sector has gone up in Spain as well as in other European countries (Bosch Meda, 2015-03-04), but this might be a temporary change, as some experts see signs that Spain is repeating the same mistake all over again, and continues to disclaim responsibility of providing social housing.

The present situation is a result of a political system that goes a long way back in time. During Franco’s dictatorship ownership of one’s home was propagated as a means to control the population. In the 1960’s, over 50% of housing was rental property - a share that has decreased ever since, see figure 3. The fact that owning is the most common alternative today is entirely the doings of Franco. If the people were in debt they would be working in order to pay debts, which would keep them and their families dependent on the system and too ‘busy’ to demonstrate or protest (Salvados Documentary, 2014). However in the 1960’s, a strong immigration of poor people from rural areas into the cities of Spain took place and the regime was forced to increase the stock of rental property in the cities. These buildings were of extremely poor quality and as a matter of fact, the apartment buildings that were constructed in the outskirts of Barcelona suffer from an illness called “aluminosis” (a structural weakness of buildings as a result of inadequate building materials containing aluminium) which makes them practically unliveable today (Tapada, 2015-04-30).

Figure 3. Owned (blue) vs. rented (yellow) property in Spain 1950 - 2001. Source: Pereda et al., 2004.

During the transition period to democracy that followed the dictatorship, responsibilities of public services such as health care, education, and housing were decentralised to the regional governments. However, the distribution of income was not decentralized in the same way and the different regions were therefore in need of capital. This is why, in many regions of Spain, the municipalities changed the use of land to potential urban land and earned money on building permits for that land. While regional and local governments were making great earnings the over-generous policy lead to an urban sprawl (Tapada, 2015-04-30). Subsidies made it more profitable
to build and sell than to build and rent out the property. Still today, the politics is formed as to subvention construction per building, which is problematic since it encourages the production as such and does not create incentives to construct buildings of good quality or spacious living. 66% of the budget dedicated to housing aid is directed to the acquisition of a home, such as tax reductions of interest payments, which pushes people to buy rather than rent property (Salvados Documentary, 2014). Keep in mind that social housing is only 1% of total housing whereas 85% is owned property (when including second homes). In 2011 the government implemented a tax reduction to favour the acquisition of property in an attempt to reduce the stock of empty buildings. However, this seemed to be an opportunity for a very limited number of households, instead of favouring social housing or renting (Carballo-Cruz, 2011).

As stated, the construction industry has a multiplication effect since it moves other sectors, which makes it a powerful tool to use in times of recession. Nonetheless, Spain used the advantages of construction the other way around during the boom period. The multiplying effect also implies that when construction goes badly, other sectors follow. This is why many experts suggest that construction should be slowed down in times of strong growth - to avoid bubbles and maintain the possibility to use construction as a means to reactivate the economy in times of recession (Bosch Meda, 2012). In the case of construction a stable pace of production is to be preferred, due to the fact that it can take years to finish a construction, which implies a risk that the building upon completion does not have the value that was calculated at the beginning of the constructing project. If the production accelerates the risk of an over-heated market augments. Owing to the multiplying effect of construction, a building wave took place after Spain entered the EU, when Spain needed a push in the economic growth in order to compete with the other countries within the EU (Pareja Eastaway, 2015-05-13).

Part of the explanation to the accelerated growth of the construction sector during the boom is the then high demand for vacation homes along the Spanish coast. In the case of second homes, the foreign demand was especially high. In this context it is worth mentioning that the tourist oriented coast regions of Spain are among the ones worst hit by the crisis, including Catalonia (Kouvatsis, 2011).

The economic growth caused several benefits, such as increased salaries and political profits. The political profits consisted in a reduction of the unemployment rate, an increase in housing values (remember that the great majority of the Spanish households own their home, and an increase in house prices is thereby favourable for this large part of the population) and ultimately an increase in tax revenues (Carballo-Cruz, 2011). This generated large earnings to the authorities that did not seem to consider that these gains were of short-lived nature.

A big issue that has been widely criticised is that the government as well as the opposition consistently ignored warnings of an approaching collapse. The fear of a financial crisis existed already in the early 2000’s, but the government remained passive until the actual collapse in 2008. Short-term reasoning among politicians may be part of the reason, corruption and lack of competency might account for further explanations. It has been asserted that few understood the gravity of the situation, however, among warnings from 2003 and 2004 even very exact predictions of what was to come can be found (Bosch Meda, 2012). It is important to keep in mind that prices started to go up sharply from 1998, so price increases went on for 10 years before the collapse. After years of not being listened to even the most persistent voices got tired and started to focus on something else (Bosch Meda, 2015-03-04). Furthermore, academic persons were often employed by the government or the banks, and these institutions turned the blind side against these facts to avoid spreading worry. This led to a kind of ‘auto censorship’,
meaning that the government and the banks did not always make their own findings available to
the public.

During the boom, everyone had expectations of benefits - the bubble was ‘good’ for everyone
before it burst: Investors hoped for increase in value and got good yields, banks got to issue
loans, politicians gained popularity, municipalities got income from taxes and building permits,
construction firms made profit. The ones that bought for living purpose were the only ones not
deliberately taking part in speculation, although naturally, they also hoped for increase in value. It
seems the bubble depended on myopic expectations - everyone believed that prices would
increase eternally. The bubble, hence, is not only the fault of the elites; its creation required the
participation of the entire society (Bosch Meda, 2015-03-04). In fact, many of those affected by
the crisis that turn to the PAH, we will see later, feel guilt that they have brought the situation
upon themselves.

3.5 What is the situation in Spain today?
Property prices are estimated to have decreased about 50 % compared to peak values preceding
the crisis. Official numbers are lower as authorities do not want to cause alarm on the market.
SAREB\(^2\) has sold a part of the real estate stock but it would be unwise to sell the whole stock at
once. On the one hand, they need to sell a part of the stock to equalize the balances and reduce
the debt. On the other hand, if they were to put the whole stock on the market prices would fall
even further because of the great increase in supply of property (Bosch Meda, 2015-03-04).
Furthermore, to sell the stock at bargain prices while the citizens of Spain stand without
acquisition power, would be unethical and could be seen as a betrayal against the own population.
Indeed, the buyers of the properties are often multinational companies, foreign investors and to
some extent wealthy Spanish investors.

Lately, during the past six months or so, property prices in Barcelona have begun to increase and
transaction periods have decreased (Bosch Meda, 2015-03-04). Yet the future development of
prices is difficult to foresee. Generally after a price bubble, there is a sharp drop of prices
immediately after the collapse, after which prices fluctuate before equilibrium is found.
According to Jordi Bosch, this is the stage at which the economy is currently to be found.
Interest rates are back at a low level thus investment in property is once again attractive. This is
especially true for Barcelona, where there is a considerable foreign demand for real estate.
In the particular case of Barcelona, there is also a demand of highly skilled immigrants looking for
rented property (Pareja Eastaway, 2015-05-13).

The present situation in Spain can be compared to the public debt crisis in Latin America in the
1980’s when interest rates increased due to the petroleum crisis. Many countries in Latin
America, especially the ones governed by military regimes, had borrowed huge amounts of
money from world institutions, and found themselves in very compromising situations when

\(^2\) SAREB is a private institution that was established in November 2012 on the command of the
government as a tool to restructure the Spanish economy and it can be described as a giant real
estate agent considering the numerous properties in its possession - properties that it has taken
over from banks. Its mission is to reactivate the Spanish economy and decrease the national debt.
The objective is to settle the debt by the year of 2027. SAREB operates in two ways. Its first task
is to dispense with the problematic real estate assets. The second undertaking is to create an
independent unit to manage and liquidate the assets. This method was also used in Sweden after
the housing crisis in the early 1990’s. The assets that are in SAREB’s possession are 80 %
financial assets and 20 % real estate assets. SAREB does not buy mortgages from individuals.
SAREB consists of 55 % private capital and 45 % public capital.
interest rates on their debt skyrocketed. The IMF and the World Bank stepped in with extensive aid programs but the conditions for the support were among others severe cuts in public spending and privatization programs. As a consequence, poverty increased and many Latin American countries have still not recovered (Bosch Meda, 2012). Certain organisations, such as Oxfam, mean that Spain is about to endure the same fate (Oxfam, 2012). In their briefing paper “Crisis, inequality and poverty” (2012) they state the following:

"The measures adopted in Latin America and South-East Asia were essentially similar to those being implemented to tackle this crisis and the foreseeable impacts of these measures are heading in the same direction. The management of those crises shows that the austerity model - focused on deficit reduction and shoring up the banking system by injecting public funds financed by exorbitant levels of debt-, does not generate growth. The tax rises and the cuts to spending on public policies and social welfare to finance this debt have a terrible cost to society. That cost is particularly felt by the most vulnerable groups, resulting in rising unemployment, poverty and inequality."

Bosch Meda (2012) further concludes that a more recent evidence for the relevance of this message is the results of the austerity measures taken in Ireland and Portugal – all with the same discouraging consequences: more public debt, less economic growth and greater social gaps.

Moreover, Bosch Meda points out that real estate bubbles create uneven distribution of wealth between property owners and tenants and thereby polarize society. In Spain it is clear that the poor and middle class are worst hit by the crisis. As taxpayers, they are the ones paying the debt. Consequently, middle class in Spain is steadily shrinking as poverty is expanding. Furthermore, gaps are increasing between social classes ever since the crisis (Bosch Meda, 2015-03-04). According to various independent surveys, income inequality has increased between 40 to 50 % after the crisis, making Spain the country with the highest wealth gap in the EU. The great increase in unemployment rate as well as the salary reductions are said to be the determining factors for this development, as both have affected the most vulnerable part of the population the most, causing them to have experienced the biggest drop in acquisition power (while the reduction of acquisition power after the crisis is 17 % on average for the population, the same number is only 3-4 % for the 10 % most wealthy) (Gualtieri, 2014). The graph below displays the development of the Gini-coefficient, the percentage of the population at risk of poverty and/or social exclusion, the percentage of the population with a yearly income below 8 000 €, and ultimately the rate of unemployment, according to a compilation of data performed by El País (2015). According to the same report, a third of the unemployed does not receive any unemployment compensation, 120 families loose their home every day and 2.3 million children live in poverty.

Figure 4. Development of the Gini-coefficient (red), the percentage of the population at risk of poverty and/or social exclusion (yellow), the percentage of the population with yearly income below 8 000 € (green) and ultimately the rate of unemployment (blue), between 1991 and 2014. Source: El País, 2015: La desigualdad en cifras.
The situation has been beneficial for the well off, as they have gained power after the crisis and are not the ones paying the debt. The taxation system has become more favourable to the rich during the last 10 to 20 years. Fiscal inequality implies that the tax payment of single-parent households equals that of multinational companies. Income tax and VAT accounts for 87% of tax revenue whereas corporation tax contributes with less than 10% (Oxfam, 2012). The unfair taxation system is also a factor pushing people towards the shadow economy. Proportionally, the poor and middle class are much more burdened by debt than the wealthy part of the population. At the same time, private debt has become public debt as a consequence of the public bail out that has nationalized the debt. As mentioned before, this has triggered an enormous feeling of deception among the population considering that companies and banks stood for the largest part of the debts, not households. Now the Spanish nation is in debt, and the middle and working class are the ones paying it as the government has increased taxes and carried out considerable cuts in public services as well as extensive privatizations. Besides, there is a rage among the people that the wealthy are escaping taxes. According to Oxfam (2012), Spain fails to secure more than 88 billion euros due to tax evasion and 44 billion euros through tax fraud, and the state has done very little, if anything, to break the trend. Rich, influential families as well as large companies and banks account for the major part of tax fraud. Moreover, 85% of IBEX 35 companies are present in tax paradises, a tendency that was on-going before the crisis and has been increasing ever since (Oxfam, 2012). The following chart displays the current wealth distribution in Spain:

![Wealth distribution in Spain](image)

Figure 5. Wealth distribution in Spain. Source: El País, 2015: La desigualdad en cifras.

After the crisis, the welfare state has been steadily dismantled - if there even was one to begin with. The rich profits even more from this because they can buy companies at cheap prices. Privatisations are a short-term method to generate income and this approach has been amply applied in Spain under the administration of the conservative PP government. However, seeing that this is a year of political campaigns for Spain no large privatizations are expected until after the elections, as difficult and controversial decisions are postponed (Bosch Meda, 2015-03-04).
The tendencies of increasing inequality, unemployment and poverty are highly relevant for the theme of this thesis since each one of them have been proven to be major causes for homelessness (O’Flaherty, 1996). O’Flaherty explicitly states that “income inequality is an important factor behind homelessness” (as costs for low-quality accommodation increase), as well as “the cost and availability of housing and lack of employment”. Although his research focuses on the market in the US I find it probable that his conclusions are relevant also for Europe and Spain. In Barcelona, homelessness has increased by nearly 55 % between 2008 and 2013 (Barcelona en Común, 2015).

The English organisation Shelter, a housing and homelessness charity in the UK, (2010) also sees evidence that wealth inequality is created via the housing market, favouring homeowners. If there is no access to social rental housing the situation is obviously worsened for those left outside the owner’s market. The situation becomes additionally problematic if property prices and housing costs in general increase more than salaries.

This way I argue that the wealth inequality (created by the separation between homeowners and non-homeowners) as well as the income inequality (generated by an acceleration of unemployment affecting the economically and socially vulnerable the most) are likely to account for the high increase in Barcelona’s homeless population.

At present, there is a proposition from the EU to restrict mortgages to 60 % of purchase-sum as to force households to save (Pareja Eastaway, 2015-05-13). This would probably hinder many families from acquiring property but on the other hand it would decrease the rate of risk and prevent the recent crisis from repeating itself. Pareja Eastaway means that the preference of buying vs. renting in Spain is not different from other countries, the difference is that it has not been favourable to rent in Spain. Provided that there is an accessible stock of rental property at reasonable rents, this might be a good proposition. On the other hand, a theme that is starting to be discussed is that of intermediate tenure as an option to ownership.

Pareja Eastaway believes Spain has not learned from the past. In contrast, the conservative government is making the same mistakes all over again. In 2011, they wanted to implement tax reliefs on the purchase of a second home to increase demand and reactivate the market, but the EU said no.

3.6 The political climate
Ever since the dictatorship with Francisco Franco in the lead came to an end in 1975, Spain has had a tradition of an unofficial two-party system where the socialist party PSOE (Partido Socialista Obrero Español) and the conservative PP (Partido Popular) have dominated the political arena. During the years both preceding and succeeding the crisis, Spain was ruled by the PSOE that were in power for eight consecutive years between 2004 and 2011. The former government led by PP from 1996 to 2004 had handed over the economy in a state of growth, which enabled PSOE to prioritize costly social improvements over the economy (López Moreno, 2014). What it seems, they did not think to create a buffer in that time of economic wealth. During the second mandate of PSOE, however, the depth of the crisis and its severe effects on the country had become more than evident which compelled the government to rescue national banks by directing all financial resources towards these financial institutions, having to make extensive cut-downs in the public sector such as education and healthcare. The government was also pressured to reduce public spending in order to receive economic support from the EU and the IMF. The austerity adjustments gave life to an enormous and widespread dissatisfaction across the country that resulted in a ferocious wave of societal protest, which will be discussed in detail in the following chapter. As a result, the PSOE was defeated in the general elections of
2011, after which PP is once again in power. Nevertheless, according to recent surveys the Spanish two-party system is now threatened for the first time in modern history (El Mundo, 2015).

A newcomer in Spanish politics has quickly gained territory: the left wing party Podemos. Podemos was founded in January 2014 and the party advocates further public participation in the democratic module, rejects privatisations of public assets, defends human rights and promotes social control of financial institutions (Domingo San Juan & Martínez López, 2014). Merely 20 days after allowing membership Podemos grew to be the third biggest political party, and as of today, it has grown to pending between being the second or third biggest party. This reveals a huge desire of the people to change the political sphere. Although the PP did not perform well in the local elections in May, it was the party to receive the most votes in total and is continuously the largest party in surveys regarding the upcoming national election.

The local development follows the same course as national politics. Podemos is only running for national elections but the party backs several local and regional parties in different parts of Spain. In Barcelona Podemos supports Barcelona en Común which is led by Ada Colau, a woman who participated in founding the PAH. After the local elections in May 24 this year, Colau was elected the new mayor of Barcelona with a share of 25% of the votes. Barcelona en Común wants to put a definite end to evictions, place penalty fees on banks that possess vacant property and increase the supply of social housing. Furthermore, Colau has promised to decrease wages significantly for elected officials and perform a politics of redistributing Barcelona’s wealth (The Guardian, 2015).

Despite the fact that several front figures of Podemos have their roots in social movements (consider for example Ada Colau, one of the founders of PAH) the squatting phenomenon is not on the political agenda of today. Undoubtedly, the vast majority agrees that the entitlement to a home ought to be a human right. Unfortunately though, the matter is more complex. Property is a delicate subject. This is due to the fact that Spain, at present as well as historically, is a conservative country and property rights are not easily touched. Add to that the fact that over 80% of the Spanish population are house owners. Further still, more than 50% of the house owners do not have mortgages seeing that the tradition of owning your home goes a long way back in time. These circumstances add up to the fact that the issue of squatting is deliberately avoided ahead of elections (Bosch Meda 2015).

The regional election for Catalonia is planned to be held in September whereas the general election is scheduled for the end of this year. The outcome will affect the possibilities for Colau to act for change.

3.7 Summary
In this section the factors that drove the demand and supply of property are summarized in order to comprehend how construction accelerated so as to cause the real estate bubble. The table shows factors that contributed to increase and decrease demand and supply and are divided in sub categories 1 and 2, 1 being factors that existed before the growth period and 2 being causes that were specific for the boom.
Table: Factors Driving Demand and Supply

**Demand**

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<tr>
<td>• Scarce supply of rental housing</td>
<td>• Many were already house owners</td>
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<tr>
<td>• Immigration (mainly low income, before and during the boom, although accelerated during the boom)</td>
<td>• Property got expensive, so that everyone could not afford to buy even during the boom, despite generous lending conditions</td>
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<tr>
<td>• Politics that favour ownership through subsidies</td>
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<td>2</td>
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<tr>
<td>• Foreign demand for vacation homes</td>
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<td>• Emancipation of a new generation</td>
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<td>• Domestic demand for second homes</td>
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<tr>
<td>• Decreased unemployment rate together with increased salaries</td>
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<tr>
<td>• Low interest rates</td>
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<td>• Generous lending policies (up to 100%)</td>
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<tr>
<td>• Rapid and steep price increases</td>
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<tr>
<td>• People pushed towards ownership (media, public opinion)</td>
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<tr>
<td>• Tax reductions of interest payments on mortgages</td>
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<tr>
<td>• Absence of loud warning voices</td>
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<tr>
<td>• Myopic expectations</td>
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**Supply**

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<tr>
<td>• Subsidies for construction companies</td>
<td>• Already large stock of property</td>
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<td>• Large supply of land offered by municipalities</td>
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<td>• Large stock of property in a bad state</td>
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<tr>
<td>2</td>
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<tr>
<td>• Surveys that showed high demand</td>
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<tr>
<td>• Low interest rates</td>
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<td>• Rapid and steep price increases</td>
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<td>• Myopic expectations</td>
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Figure 6. A summary of the factors driving demand and supply during the years preceding the crisis. Source: Own elaboration.
4 The squatters and related movements

We have seen how across the country, millions of people have lost their jobs due to the financial crisis and found themselves evicted and homeless. The previous chapter has described how this development has led to the surge of social movements and protest. A number of these movements have been created as a result of the despair that the change of living situation has caused. In this chapter we will learn more about these associations that form the squatting movement.

In Spain squatting was first observed in the 1980’s and then reached its peak around 1995 when it became a criminal offense and henceforth decreased. At that time the movement was principally a youth movement. Since 2007 squatting became more common again and with the 15M movement a squatting wave has taken place across the entire nation due to the hundreds of evictions each day (Martínez López, 2013). In the following section we will learn about the origin and the development of the 15M movement.

4.1 Social movements in Spain and the birth of the 15M movement

It was in the 1960’s that the initial signs of social movement under the dictatorship were starting to show. The first movement to be created was the AAVV (Asociación de vecinos), a network among neighbours that formed in Madrid and then spread to other parts of Spain. During the decades of the 60-70-80’s the AAVV and the FAVB (Federación de Asociaciones de Vecinos), another neighbourhood association, were both very strong organizations. They were the first movements to demand social rights. These groups still have influence, but today their members are part of an older generation and they are less radical in their demands than newly formed movements (Gallart, 2015-02-25). Furthermore, these movements were forcefully debilitated with the democratization of the country, due to several complex reasons that will not be discussed in this paper. In short, it can be affirmed that the support for protesters weakened. After the death of Franco, when a period of transition to a democracy began, the people who had been working secretly were finally able to organize themselves openly and could enter the political system via different political parties. This way the power was shifted from civilians to politicians. With that change there is also a certain loss of power because there is a difference in how individuals and independent groups can act and how politicians can act. When being a part of the political system one has to adapt and play by different rules. In a certain sense, the 15M movement, the creation of the PAH and the fact that Ada Colau is entering politics is about finally achieving what the 60’s movement failed to accomplish (Tapada, 2015-04-30). However, it is possible that Podemos will undergo the same debilitation when entering the political system as previous movements have experienced (Gallart, 2015-02-25). As a matter of fact, according to some, Podemos is going through a process of becoming more ‘middle-of-the-road’, just like every other party trying to gain success in politics (Bosch Meda, 2015-03-04). While gaining political influence a part of their strength is lost in the process of adapting to the political system.

The 15M movement (also called the indignants’ movement) is a social movement that took off after a huge demonstration in plaza Puerta del Sol in Madrid on the 15th of May 2011 (hence the name 15M). It is an anti-crisis movement and the forces behind it spring from an enormous discontent among the people of Spain. Mainly, the movement protests against the alleged de-democratisation of the nation, especially the electoral procedure, the corruption and neoliberal course of action that has marked both PP and PSOE. The movement has achieved to get more people actively involved in politics (Domíngo San Juan & Martínez López, 2014). Through Podemos, the 15M movement has managed to shaken the entire political panorama by putting the traditional two-party system to an end. They have been persistent in their message that the strategies presented by the traditional political options will destruct the welfare state (Domíngo San Juan & Martínez López, 2014).
The movement has managed to have the politicians include a number of their (more modest) pleas in their manifest for the elections. One by one, these include “the reform of the electoral system, the regulation of citizen initiated legislation, administrative transparency, punishment of corruption, the creation of public banks and the bill to enforce the non-recourse debt for unpaid mortgages” (Domingo San Juan & Martínez López, 2014).

Looking at the current situation in Spain, one can conclude that the movement has been successful in its intention to disturb the dominance of the PP and PSOE on the political arena and presenting a non-institutional counterpart to the ruling elite and to some extent even influence the political agenda. However, considering the development of the socio-economic situation of the people the movement has accomplished very little so far on improving equality. In contrast, the government has realized new neoliberal policies, further cutbacks in public services and a further authoritarian legal framework during the last few years. One of the biggest fiascos in this context was the inability to hinder the PP and PSOE from formulating a change in the constitution, making public debt the number one priority in public spending. According to Domingo San Juan and Martínez López the limited influence of the 15M movement on the institutional processes can be understood in the light of a still very strong elite and the limited direct access of the movement to the powers that be and the implementation of stricter and more oppressive laws against the movement (Domingo San Juan & Martínez López, 2014).

The 15M movement consists of various forms of citizen initiatives. Regarding the PAH (who had already existed for two years when the 15M movement was born) the progress of the 15M movement helped fuel the organisation and spread it across Spain, while it also enhanced their legitimacy and public support. The increase in support was especially notable during the eviction campaigns when hundreds of people showed up to prevent the dislodgment of the persons inside (Delclòs, 2013).

The 15M movement has entailed several citizen initiated actions such as protests in addition to campaigns of different character, numerous squatted houses and social centres as well as campaigns to stop evictions and finally the growth of several new political parties, the biggest one being Podemos, that function as the link between the movement and the authorities. It is important to note that Podemos is not a direct representation of the 15M movement. Similar to the relationship between the PAH and the 15M movement, the entities are careful to stress their independence of one another. The movement’s credibility and legitimacy is largely based on its autonomy from any political party (Domingo San Juan & Martínez López, 2014).

In the table below the claims raised by the 15M movement are pictured, such as to implement non-recourse loans, enforce public control of the banks and stop privatizations and cuts in the public sector. Pay special attention to the claims raised by PAH that regard, for instance, the provision of social rental housing in proprietorship of banks and the implementation of penalty fees for possessing long-term vacant dwellings. Martínez López (2013) states that “Vacancy is mainly due to market speculation and serves, exclusively, the real estate proprietors’ spurious interests” and is thus unfavourable for society at large.
4.2 The squatting phenomenon

Miguel Ángel Martínez López, professor in Sociology, has investigated the phenomenon of house occupations over several years, and shows that this phenomenon has existed in European cities since the late 1960’s (Martínez López, 2012).

Martínez López (2012) argues that the squatters’ movement has contributed to urban politics in several aspects. Above all, the movement has provided an autonomous and non-institutional way of citizen involvement, a mode of taking matters into their own hands and a manner for the public to display discontent and protest against the system. The aspect of autonomy implies that the squatters are separated to the highest extent possible from institutionalized operators like political parties, labour unions, any formal organisations or enterprises or commercial mass media. This is an important feature and in point of fact the movements detach themselves from being too closely connected to any specific political party and some even refuse to hire an attorney in case of a legal conflict. There is a concern that the ground rules differ for institutional actors and non-institutional actors (such as themselves), and therefore it is an essential stance to distantiate their own activities and positions from political actors or other established units. Furthermore, Martínez López stresses the social benefits that the squatters’ movement has produced for the people involved as well as for urban politics as a whole (Martínez López, 2012). It is noteworthy to point out that the use of the term ‘squatters’ often implies that the collective aims to turn their squat into a long-term home. That is, squatters intend to stay in the building for at least one year and during their stay they make renovations and improvements of the dwellings (Pruijt, 2003).

Squatting generally concerns social centres or dwellings in urban areas, however rural squatting also occurs and is then often the subject of self-sufficient living (e.g. Can Masdeu in the outskirts of Barcelona). Therefore, the squatters’ movement is foremost an urban social movement in which citizens try to achieve influence on the urban environment and local politics (Pruijt 2011). Squatting typically defies what they consider to be the very core of capitalism: urban speculation,
housing shortages, unbearable financial debts and the inflation of housing prices (Martínez López & Cattaneo, 2014).

Martínez López (2012) defines squatting as a “direct action aimed to satisfy a collective need through social disobedience against the oppressive protection of property rights”. Although independent from any political party, the movements in themselves are not apolitical. In contrast, squatting involves political activities such as assemblies, protests and demonstrations as well as direct actions and campaigns, often aimed to change property rights in particular. The movements tend to develop into cooperative self-managing associations in various aspects of life. To mention a few, these include the restoration of buildings (turning abandoned and dilapidated dwellings into homes), the sharing of food and the assistance among neighbours (Martínez López, 2012).

Squatters are often active on social media and are eager to express their point of view. On their own blog one of these movements, Corrala de Vecinas la Utopía (2014), writes about their situation and the stories of the people behind the movement. They say that they are willing to negotiate with the authorities and that they are expecting them to solve their situation. A common and very essential view is that the authorities hold the responsibility for the crisis – it was the system that failed, not the people.

4.2.1 Squatting strategies

The Dutch professor Hans Pruijt has come up with five definitions of different types of squatting: deprivation based squatting, squatting as an alternative housing strategy, entrepreneurial squatting, conservational squatting and political squatting (Pruijt, 2011). In the chart below, figure 8, the disparities between the different types are presented. It is safe to assume that different types of squatting exist in Spain and it is also clear that the reasons behind squatting for living purposes and occupying social centres differ. The definition that comes closest to describe the acceleration of squatting in Spain after the crisis is deprivation based squatting. I will come back to discussing to what extent the definition is applicable for the PAH that is the case study investigated in this paper.

<table>
<thead>
<tr>
<th>Activists’ goals</th>
<th>Squatting as an alternative housing strategy</th>
<th>Entrepreneurial squatting</th>
<th>Conservational squatting</th>
<th>Political squatting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing housing for needy people.</td>
<td>Creating housing for themselves, while adding to the affordable housing stock.</td>
<td>Setting up an establishment.</td>
<td>Preserving a cityscape or landscape.</td>
<td>Building up counter-power to the state.</td>
</tr>
<tr>
<td>Class</td>
<td>Lower class squatters supported by middle class activists.</td>
<td>Middle class (but not exclusively).</td>
<td>Middle class (but not exclusively).</td>
<td>Middle class (but not exclusively).</td>
</tr>
<tr>
<td>Type of buildings</td>
<td>Regular low-income housing stock increasingly left-empty.</td>
<td>Buildings that are either too bad or too good to be rented out as low-income housing.</td>
<td>Ne-housing spaces.</td>
<td>Buildings emptied because of a planned change in land use.</td>
</tr>
<tr>
<td>Demands</td>
<td>Middle, temporary housing or alternative accommodations (Better) place on waiting list.</td>
<td>Being left alone.</td>
<td>Being left alone.</td>
<td>Reversal of planning.</td>
</tr>
<tr>
<td>Framing</td>
<td>Clear message: inescapable bureaucrats ignore needs of homeless people.</td>
<td>Focus on action, framing not very important.</td>
<td>Valuable role of the establishment in the community.</td>
<td>Against technocratic planning and destruction of the environment.</td>
</tr>
<tr>
<td>Cultural and political embedding</td>
<td>Sometimes a tenuous link with radical politics.</td>
<td>Embedded in counter culture, tie with other movements.</td>
<td>Embedded in counter culture, tie with other movements.</td>
<td>Linked with Marxist organizations or movements.</td>
</tr>
<tr>
<td>Specific problems</td>
<td>Does not work for people whose housing need are not widely acknowledged. Top-down organization limits movement spread and increases vulnerability.</td>
<td>Social control.</td>
<td>Preserving identity after legalization.</td>
<td>None.</td>
</tr>
</tbody>
</table>

Figure 8. Characteristics of squatting according to the 5 different types defined by Pruijt. Source: Pruijt, 2011
In deprivation based squatting, a common feature is that there is a general consensus that the ones affected have not brought the situation on themselves but rather been let down by authorities, which makes them deserve housing. This distinction excludes many groups from taking part in this type of squatting and the strategy is only approachable for vulnerable and exposed groups of persons. The support that this group receives gives some legitimacy to this kind of squatters and it is something that they try to take advantage of in their framing, for example by taking on buildings owned by ‘immoral’ institutions. A possible additional advantage of this tactic is that these institutions would not dare evict occupants (Pruijt, 2011). Evictions that do take place can cause scandal which somewhat earns this group of squatters political purpose. Demands are clearly directed to authorities and among the political requests is occasionally the appropriation of vacant housing. This is in distinct contrast to for example squatting as an alternative housing strategy where the objective is not to obtain something from society but merely to live undisturbed in occupied property (Pruijt, 2011).

According to Pruijt’s definition of deprivation based squatting there is a separation between activists and the individuals that are being helped. He even distinguishes the different socio-economic origin of activists and those ‘deprived’ of housing. More specifically he argues that activists have their roots in the middle class while the beneficiaries come from poorer economical circumstances. The ‘activists’ are the ones that procure dwellings for the ones in need. The separation of tasks in this way further reinforces the perception that occupants in deprivation based squatting are in an inferior position and need assistance (Pruijt, 2011).

### 4.2.2 Preconditions for squatting

Instinctively, the basic condition for house occupation is insufficiency in housing opportunities together with a (plentiful) stock of vacant property (Pruijt, 2003). Martínez López states that an abundant quantity of vacant buildings correlates with parameters such as “economic crisis and slumping construction, reduction in rental housing stock, privatisation of formerly public houses, increasing levels of private ownership of housing, changes of use in specific buildings, decline of industrial activities, urban renewal processes, etc.” (Martínez López, 2012). As we have seen, every single one of these factors corresponds very well to the case of Barcelona. The conditions of opportunity are especially favourable if the uninhabited dwellings are in a ready-to-live state and if the urban renewal processes (in which schools, factories etc. are abandoned) are slow, so that buildings are empty for a suspended period of time. It is also beneficial if the legal framework is not too strict or suppressive, if mass media coverage is not too hostile and if the squat has good relations to other social movements, that lead to legitimacy and the exchanging of knowledge and experiences. This latter circumstance is in fact one of the major factors that makes squatting an urban movement instead of isolated events of house occupations, because it ends up being a pursuit of compound goals and societal transformation in an even broader context than solving the housing situation (Martínez López, 2012).

As a matter of fact, in a well functioning (capitalist) market, there is a constant supply of vacant property in order to allow for sellers to postpone a transaction while awaiting a higher price. It is common for real estate owners to hold property if there is an anticipated profit to earn. Because of this reason, the vacancy level is never zero and there is always a possibility for squatting (Martínez López, 2012).

However, the mere existence of vacant buildings does not automatically entail the presence of squatting movements. The probability of squats increases if there is a homeless and underprivileged population to match the supply. As we have seen, Spain has had a tradition of rather high vacancy levels in comparison to other European countries. However, after the latest economic crisis, the country has witnessed an increase in squatting movements, as well as other social and urban movements.
4.3 What about the abandoned buildings?
Brendan O’Flaherty, professor of economics at Columbia University, argues that the phenomenon of abandoned buildings can only be understood if we include the aspect of uncertainty in the analysis. O’Flaherty (1992) explains the phenomenon of abandoned buildings and how it can occur - despite a situation where people find themselves without a home - and discusses how these buildings can still uphold positive value, and how cities should deal with abandoned buildings. According to O’Flaherty, there are three different definitions of the term ‘abandonment’. The first definition refers to when the house owner stops taking care of the maintenance of the building, the second definition concerns the owner’s loss of the legal right to the property, while the third definition refers to the demolition of the building. The ‘Spanish paradox’ gives evidence to the statement that abandoned buildings do not only appear in a market where supply exceeds demand. In some way, the owners - generally the banks in this case - must perceive a value of the property in order to keep it within their stock.

4.4 Squatting in Barcelona
In Sants, a neighbourhood in Barcelona not too far from the centre, there are exceptionally many squatting movements which has to do with the fact that Sants was an industry zone and had many workers living in the area. So traditionally, there were many influent associations of workers in this particular neighbourhood which is a common characteristic of the areas with many squatting movements, seeing that there is a habit of organizing oneself in this type of associations (Gallart, 2015-02-25). There are large differences between neighbourhoods in Barcelona. Squatters are often concentrated in less attractive areas of the city, especially traditional neighbourhoods of the working class. Many times, these are neighbourhoods where prices are still falling (Bosch Meda, 2015-03-04).

According to Gallart, an architect at La Col3, the platforms often have different functions and one of them is normally to represent the platform. This group handles the negotiations with authority that is usually the municipality. Gallart says that the negotiation between squatters and authorities is often a ‘power game’. The movements occupy the buildings first because this gives them an advantage in negotiations (and also because they want to avoid long official processes). It is hard to negotiate and get allowance to occupy a building. Moreover, the authorities have access to more information, and it is difficult to negotiate with them. Also (or therefore), the movements want to depend as little as possible on authorities.

Gallart suggests that the authorities, for instance, could form a system where you as a property owner have to pay remedies if you have a building empty for too long, or they could go in with money to pay the depositions or pay the rent if the tenants are unable to do so. This would be a way to put pressure on actors on the real estate market that it is not acceptable to have empty buildings in this situation where so many people do not have a home. Considering the support that squatters have among the people, it is bad image for the banks or private actors to get their buildings occupied. In conclusion, there is a set of measures that could be taken to change the situation for squatters. These mainly regard housing policy regulations, and while conditions of the financial market are regulated by the national government, housing policies are regulated and

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3 La Col is an architectural firm that consists of a group of young architects who have worked in with squatters in two different ways: either ‘within’ the movement by reaching out a helping hand to some of them from time to time, and sometimes ‘in between’ movements and authorities. For example, they have worked with a project on the behalf of a movement that is called Can Batlló that is an industrial site in the neighbourhood of Sants in Barcelona.
mostly financed by regional governments. One way to improve the conditions for the people affected by the housing crisis would be to dedicate a portion of SAREB’s real estate stock to social housing (Bosch Meda, 2015-03-04). This has already been done to a small extent in the region of Aragón, where 80 dwellings where yielded at reduced rents (maximum 40 % of net income) to people in the need for a home within their means) (sareb.es).

There are two main ways in which individuals get access to occupied buildings. The most common one is for the citizens to go through an organization such as the PAH to get access to an apartment. However, in urban areas a black market has emerged where unknown operators occupy abandoned buildings, change the locks of the dwellings and subsequently *charge individuals in the need for a home for access to the apartments*. Needless to say, the individuals that pay have no legal rights to the homes that they have paid for (Bosch Meda, 2015-03-04).

It is relevant to account for who possesses the abandoned buildings. The main holder of the squatted buildings is SAREB. Nonetheless, the owner can also be another bank or a private property owner, although this is unusual (Bosch Meda, 2015-03-04). It is important to note that PAH is very careful to make sure that only buildings owned by SAREB or other banks are occupied (PAH, 2015).

**4.5 Case study: PAH**

The first Platform for People Affected by Mortgages (continuously referred to as PAH – La Plataforma de Afectados por la Hipoteca) was established in 2009 in Barcelona. Today there are about 200 PAH associations across Spain. The PAH can be said to function as a lobbyist that puts pressure on authorities to act. Their goal is to get banks to declare mortgages as non-recourse loans and their long-term objective is to achieve a reform of the legal system to assure the right to a decent home. They also take vacant buildings owned by financial institutions like SAREB in possession and give them to evicted families. Again, only 1 % of housing is public housing and according to the PAH this per cent is soon to become privatized. The PAH propagates an increase of social housing based on family income.

The PAH is estimated to have a 90 % support among the people of Spain (even among voters for the conservative PP), according to an independent survey (Hancox, 2015). Because the houses that PAH occupies are all buildings that the banks want to ‘remove’ from the housing market, many think of their occupations as morally acceptable.

The PAH wants changes of the legal system that guarantee every citizen’s right to a decent home. The platform takes action in three ways:

1. They work to stop evictions.
2. They renegotiate mortgage conditions with the bank.
3. They provide members with a home through their campaign called Obra social.

Since the formation of PAH, the platform has managed to stop over 1100 evictions and reallocate nearly 1200 persons. Only in Barcelona they have occupied (or liberated, to use another word) 15 buildings in the hands of banks and especially the SAREB, which has provided more than 700 people with a place to live. The negotiations with the bank can have different purposes. A majority of the people want to request a ‘dación en pago’ (a non-recourse loan), which means that the borrower hands back the keys to the bank and in doing so gets fully discharged with the mortgage (belegal.com). Legally, this option is only possible if the property is not in ‘negative equity’, which is never the case for the members of the PAH, which makes negotiations complicated. Other members are not prepared to leave their homes, they instead want to keep on paying the mortgage so as to maintain the dwelling, but they want to achieve a reduction in interest rates in order to be able to sustain payments.
The PAH states that nearly everyone who seeks support at the organization is affected by the mortgages in the very way that they have been evicted from their homes or have received notion of eviction as they have a high debt to the banks (this is their target group). Many of these persons feel guilt that they have brought this situation upon themselves and their families, and one of the essential missions for the PAH is to empower their members and take the weight of the guilt off their shoulders. Many of their members are Latin-American families. The PAH organizes assemblies several nights a week, and every night has a special focus. Monday nights are general info meetings and during these evenings there are always various persons who attend for the first time. Everyone is their own advocate, the PAH does not provide attorneys. Therefore everyone is encouraged to attend the Monday meeting every week so as to learn as much as possible about the processes in order to be able to represent oneself in confrontation with banks or property owners. Other nights are dedicated to discussing strategies, coordination and organization, workshops on how to negotiate with the banks, meetings to share experiences and knowledge on how the procedure proceeds at different banks and so forth.

Since the number of people who rents property has increased after the crisis, lately the PAH has witnessed an increasing number of people who seek assistance not because they are affected by mortgages, but because they are not able to pay the rent. This is perceived as a new phenomenon by the PAH, since renting property was rather rare before the crisis. Certainly, this is not the original target group of the organisation, which is a probable explanation as for why the association has not come in contact with many households with this problem.

What does the PAH want? In concrete terms, they want to change the law as to free people from remaining mortgages. They want the government to force the banks and SAREB to provide their vacant buildings to the people for accessible rents based on the family income. In PAH’s opinion the banks have received so much economic support from the state that it owes the people something in return. They want the banks to stop cutting off electricity and water in occupied buildings and instead pay for these expenses, as to prevent that people are subjected to ‘energy poverty’. The PAH pursues these processes by issuing ILPs (Iniciativa Legislativa Popular – a citizen’s initiative). Such an initiative is a petition that if signed by a certain minimum of entitled voters, obliges the government to hold a referendum. In Spain the minimum amount of signatures needed is 500 000.

PAH does not take a political stance in the sense that they support a particular political party. They do not feel that any of the two traditionally biggest parties PP or PSOE have done anything to improve the laws in this area. However they feel that there is some hope in Podemos and the other left wing parties and in Catalonia they have some faith in Ada Colau’s (the founder of PAH) party Barcelona in Común but they do not take anything for granted and they will keep on fighting for the citizens as long as it takes for the politicians to change the system, regardless of who is in power.
5. The authority
This chapter aims to describe how the authority responds to the quests of squatters.

5.1 The separation of powers in Spain
The power in Spain is divided in three levels of administration: National, regional and local level. The national government’s field of exclusive jurisdiction includes international affairs, monetary system, treasury and state debt, criminal, commercial and labour legislation, economic planning, finances and public safety (EU) while the regional government handles “organization of their own institutions of self-government, municipal boundaries, town planning, housing, public works, cultural affairs and organizations, tourism and social welfare” (EU). On the other hand, some of the municipality’s mandates include urban policies, protection of public health, social services and cultural activities (EU). Taxes are mainly regulated by national and regional authorities. As follows, the ability for regional and local authorities to carry out the politics they wish depends to a rather high degree on the national government.

Seeing as the focus of this investigation is on Barcelona the authority primarily referred to henceforth is the city council of the municipality of Barcelona.

5.2 The city council of Barcelona and the PAH
The Barcelona municipality is in recurrent relationship with the PAH and together with other actors the organisation is frequently invited to discussions and meetings and takes part in the configuration of plans and programs.

In 2007, the most left wing party in Catalonia proposed to implement a policy that stated that if a property did not fulfil its social function, the authorities would be able to force the property owner to rent out the property. This was expected to be especially useful in urban areas where demand for housing is higher than in other regions. The law in its current state provides the municipality with the authority to punish a property owner with a penalty fee if it can prove that the dwelling has been empty for two consecutive years (Le\textit{y} 18/2007 del Derecho a la Vivienda).

The municipality offers a service called Ofideute to families that cannot afford to pay their mortgage fees and risk to loose their only residence. Ofideute functions as a mediator between the household and the bank and helps renegotiate the conditions of the mortgage. However this aid does not constitute a guarantee that the conditions of the loans will be altered. The financial institutions are in no way obligated to change the conditions of the mortgage and are entitled to initiate a legal process to claim the debt. The option of debt rescheduling does not exist in Spain.

As earlier described, the tradition of owning your home goes a long way back in Spain. For this reason, the municipality has never had a great stock of public rental housing. As of today, Barcelona has a stock of in total 800 000 dwellings, whereof the municipality has 10 400 residences for renting at their disposal. How come the authority did not keep a bigger stock of rental property? It is always easy to second-guess, but the municipality argues that the situation for many Spanish households today, especially for elderly people with low income, is secure for the very reason that they are property owners and not tenants.

Since 2007/2008 it has been a priority to provide homes to those that lack one. The authority acknowledges the right to a home as a citizen’s right but it all comes down to a problem of resources. Since the demand for a home is very high there is a selection among the requests. Out of the municipality’s stock of properties there is always a certain level of vacancy in order to be able to solve the living situation in emergencies. In concrete numbers, it involves about 20 – 25 homes per month, leaving approximately 50 families short of a place to live. These numbers
indicate that the municipality attends to one third of the families in need of affordable housing. The families left out do not have many options. One can imagine that the alternatives consist of staying with relatives, check in at a pension, lodge in a shared apartment or ultimately pursue an occupied residence. Considering the scarce supply of residences that the municipality has at its disposal they prioritize those who have stuck to a legal path of pursuing a place to stay.

It is not in the hands of the municipality to decide how the banks should act in this matter. They cannot force the banks to dedicate their property to affordable housing (but the national government could!). What they do is provide a mediation service where they try to renegotiate the amount of the rent with the banks. Furthermore, many banks are unaware of a lot of data about their stock, such as its extension and state, and they do not know if it has been occupied or not. This might sound astonishing, but after the crisis and the creation of SAREB, there has been great disorganisation regarding the property pool and the banks would have to initiate an investigation in order to clear up the circumstances of the situation. However, some banks, for example Sabadell and Caixa Catalunya, are well aware of their stock of vacant property.

As stated before, the municipality can place a penalty fee on property owners that do not put their stock on the market. Nonetheless, the first penalization has not yet been realized. The municipality has however started an investigation that has been on going since October 2014 to find out the circumstances of the situation but it is very difficult to prove that the dwellings have indeed been empty for two years uninterruptedly. Moreover, very little would be achieved by penalizing the property owners except sending a signal that the authorities do not accept this. The important achievement would be to augment the supply of houses on the market.

It is not the responsibility of the banks to be a real estate agent. After the crisis the banks have, somewhat suddenly, become huge property owners and at the beginning of the crisis they were unaware of the magnitude this would have, and how many people would actually be unable to pay their mortgages. In retrospect, it would have been wise of the banks to suspend payments for a period of, say, two years, to give the households some time to recover and they would not have had this vast pool of vacant buildings. But the banks were unprepared for this course of events. Since the banks do not always know that they are the owners of a certain property, they do not pay for maintenance and the buildings are starting to fall into disrepair. If the banks had acted differently the situation would not have occurred. The situation would improve and benefit everyone involved if the banks signed over the properties in question to the municipality or social organisations that could offer the dwelling for those in need but again, these decisions reside with the banks and not with the municipality. Although the vacant properties do not generate any income to the banks in their current use this is not perceived as a likely outcome by the authorities. The banks want to await higher prices and then sell the property, and the same goes for SAREB, that does very little to engage in social renting.

The municipality does not evict residents from their own stock, but they are not able to stop evictions from being carried out. Among their residents the rent level is renegotiated if the tenants encounter problems that make it difficult for them to pay the monthly fees.

Besides the Ofideute, the municipality offers a mediation service between tenants and property owners. If property owners cannot lower the rent and tenants cannot match the current rent, the municipality can help with the difference. This aid reaches at most 240 € per month. It is important to keep in mind that the private rental market in Spain is very fragmented, and it is not unusual that private property owners are also affected by the crisis and highly indebted, which makes them in need of the rental income and unable to lower the charge (Bosch Meda, 2015-03-04).
The municipality further offers economic support, either a monthly subsidy or in special events an aid called Ayuda de Especial Urgencia, (at most 3000 €) for those who cannot pay either mortgage fees or the monthly charge for the residence. However, this aid is only available to a narrow number of people since the budget is restricted.

According to the Barcelona municipality 85 % of evictions are performed on tenants and not property owners. This number can also be found in the party program of Barcelona en Común. Many of these may not direct themselves to the PAH. This group of people are even more exposed than others because they have very low income and have never had enough income to get a mortgage. It is probably among this group of people that most squatters are to be found. However, it is not possible to find fully reliable statistics on this subject because judicial departments do not have data that distinguishes between different types of housing.

A political transfer of power would have the potential to change the direction of the housing situation since politicians have legislative power, for example the ability to change laws concerning mortgage conditions. At present, there is a lack of political will and of course economic resources to conduct a social housing policy. As for the situation in Catalonia, where the legislative power regarding housing policies lies, it is hard to know what politicians are planning because most of the attention goes to the question of independence. The matter is complex also due to the fact that politicians depend on banks to carry out many of their projects, and it might therefore not be in the politicians’ interest to impose fines on banks.
6 Analysis

In this chapter the outcome of the squatting phenomenon in Barcelona will be analysed from a game theory perspective.

6.1 A game theory perspective

The phenomenon of squatting can be related to the economic concept of game theory. However the word ‘game’ is somewhat misleading - the fact is that most research in game theory concentrates on how groups of individuals interact with each other, rather than investigating actual games such as poker or bridge (Levine, 2012). There are two branches of game theory: Cooperative and noncooperative game theory. The latter considers “how intelligent individuals interact with one another in an effort to achieve their own goals” (Levine, 2012). A non-cooperative game is what will be treated in this paper. It is important to note that the term non-cooperative does not mean that cooperation cannot occur - in fact, it is one of several possible outcomes. In game theory, the term ‘dominant strategy’ is often used. The dominant strategy is the one that will always be chosen by a certain player, no matter the strategy of the other player(s). It is not always the case that a dominant strategy exists for either player.

Game theory is when an individual takes into account the impacts of his actions on others when making his decisions: it is the study of the interaction between independent, self-interested agents. ‘Self-interested agents’ does not mean players want to harm each other or that they only care about themselves. It simply means that each agent has his own idea of the ideal state of circumstances, which can include good things happening to other agents.

In non-cooperative game theory the basic unit is the individual player whereas in cooperative game theory the basic unit is the group of players.

Non-cooperative game theory does not only apply in situations in which the interests of different agents are in conflict.

6.1.1 Setting up the game

The majority of squatters do not expect to squat for a lifetime. In contrast, squatting is merely a measure to achieve permanent housing. The occurrence of squatting movements surges when there is an increase of deprived individuals in the society, for instance after a financial crisis, as is the case in Spain. For this group of people, squatting is a tactical and political tool to resolve their living situation (Martínez López, 2012).

Squatters’ actions will mainly depend on how well authorities’ actions correspond to the squatters’ requirements and how obliging they are to their quests. Authorities actions, on the other hand, will mainly depend on their mandate they get from the voting population, pressure from external actors such as the EU, the IMF and the World Bank, as well as their own political agenda.

The relation between player 1 and 2 is complex in this particular case, since player 1 (the squatters) gradually ‘become’ player 2 (the authorities) as they get their claims acknowledged; squatters go from being illegal agents to becoming incorporated in the political arena, through a process of institutionalization where they 1. Organize themselves (e.g. PAH), 2. Raise political claims (e.g. via citizens’ initiatives), 3. Organize themselves politically (Barcelona en Comú) and 4. Enter the political system (Ada Colau the new mayor of Barcelona).

As squatters go from being player 1 to becoming player 2 the set of rules that they have to adapt to changes, and in some sense the capability to change diminishes (when gaining formal power they loose informal power, for example because they have to stay within the legal framework and they can no longer take advantage of the underdog position). Moreover, we should consider the
median voter theorem, which states that politics will adjust to the median voter. Although the changes suggested in the electoral program of Barcelona en Común imply that the party intends to essentially agree with the claims raised by the PAH, it is still not clear to what extent changes will be carried out. Ada Colau won 25% of votes, which certainly made her party the single biggest one, but she will still have to negotiate with other parties in order to form a coalition. This will entail compromises of the party program.

Martinez López (2012) has conducted an investigation on how squatters interact with the state in Madrid. One of his major conclusions from that research is that the question of legalization sooner or later becomes inevitable and that all squatters need to take up a definite position with regard to this matter. The process towards legalization takes off in strategic interaction through negotiations with the authorities (normally the City Council) as well as other concerned actors such as private or public property owners. He states that “negotiations with the state authorities and processes of legalization are the major forms of institutionalization involving squatters” and that “all kinds of negotiation involve a certain degree of institutionalization”. Institutionalization can be ‘flexible’ when the movements merely achieve social recognition and not formal lawfulness. Different degrees of flexibility are legitimacy and autonomy. These concepts are discussed in-depth in his article “How Do Squatters Deal with the State? Legalization and Anomalous Institutionalization in Madrid” (2013).

Based on his observations of the case of squatting in Madrid, where both the occupation of housing and social centres were included in the research, Martínez López outlines four types of negotiations, as described in the table below, figure 9.

<table>
<thead>
<tr>
<th>Aim</th>
<th>Actors</th>
<th>Consequences for Squatters if Successful</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-level negotiations</td>
<td>Legalization of the squat (legal stability)</td>
<td>• Legal safety, temporal and spatial stability</td>
</tr>
<tr>
<td></td>
<td>• Private or public owner of the building</td>
<td>• Social and political recognition</td>
</tr>
<tr>
<td></td>
<td>• Local (or central) state</td>
<td>• Access to subsidies, plans, etc.</td>
</tr>
<tr>
<td></td>
<td>• Mediators and facilitators</td>
<td>• To pay rent, mortgage, taxes, etc.</td>
</tr>
<tr>
<td>Transactional negotiations</td>
<td>Access to legal subsidies, plans (citizen participation)</td>
<td>• Money for rehabilitation and social activities/programmes</td>
</tr>
<tr>
<td></td>
<td>• Local (or central) state</td>
<td>• Key information about policies and urban plans</td>
</tr>
<tr>
<td></td>
<td>• Independent planners</td>
<td>• Social and political recognition</td>
</tr>
<tr>
<td></td>
<td>• Other formal or movement organizations</td>
<td>• Indirectly, to avoid or delay eviction</td>
</tr>
<tr>
<td>Survival negotiations</td>
<td>Avoid or delay eviction (time)</td>
<td>• Legal defense of rights to housing and to use vacant space</td>
</tr>
<tr>
<td></td>
<td>• Private or public owner of the building</td>
<td>• Public exposure of speculation and threats to squatters</td>
</tr>
<tr>
<td></td>
<td>• Judicial court</td>
<td>• Longer duration of squatting</td>
</tr>
<tr>
<td></td>
<td>• Squatters’ attorneys</td>
<td>• Deal with repression</td>
</tr>
<tr>
<td></td>
<td>• Mass media</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Municipal architects</td>
<td></td>
</tr>
<tr>
<td>Forced negotiations</td>
<td>Reduce repression (safety)</td>
<td>• Legal defense of rights to housing and to use vacant space</td>
</tr>
<tr>
<td></td>
<td>• Judicial court</td>
<td>• Legal exposure of speculation and threats to squatters</td>
</tr>
<tr>
<td></td>
<td>• Police</td>
<td>• Longer duration of squatting</td>
</tr>
<tr>
<td></td>
<td>• Squatters’ attorneys</td>
<td>• Deal with repression</td>
</tr>
</tbody>
</table>

Figure 9. Type of negotiations in which squatters are involved. Source: Martínez López, 2013.

Depending on the choice of negotiation, generally, different degrees of institutionalization are achieved. The levels of institutionalization are presented in the following table:
In the first state of institutionalization, “Integration in state institutions”, the movement becomes incorporated into the state apparatus and is absorbed by the system, which means the dissolution of the squatting movement as such. This can occur if the squatters approach the state institutions for example by forming political parties or by participating actively in official planning processes.

The second form of institutionalization is described as a social and cultural integration into the system, where squatters can take part as deliberative councils but they do not obtain legality.

In the last type of institutionalization proposed by Martínez López the squatters cause the creation of anomalous institutions that are completely independent from the state and “represent a countercultural opposition to dominant institutions”. In this state of institutionalization squatters only attain a very low level of social and political recognition.

The different levels of institutionalization ‘offered’ to squatters can also be understood as different strategies of conflict management decided upon by the authority.

Taking as starting point the negotiation tactics distinguished by Martínez López, I have outlined three types of strategies that possibly could be employed by squatters in Barcelona, pending from high to low level of interaction, and associated them with the respective likely outcome. Additionally, the expected level of institutionalization is indicated for each type of negotiation. My categorizations are presented in figure 11.
<table>
<thead>
<tr>
<th>Type of negotiation</th>
<th>Aim and strategy</th>
<th>Actors involved</th>
<th>Probable outcome</th>
<th>Degree of institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of interaction</td>
<td>Legal stability: ensure provision of permanent housing without risk of eviction. If ability to pay changes rents are renegotiated so as not to exceed 30% of family income. Reformation of the legal system.</td>
<td>Local government, private and public property owners. To fulfil all demands involvement of the national government is also required.</td>
<td>Legal safety and a stable housing situation. Social and political recognition.</td>
<td>Legality: full incorporation into the state as the movements achieves lawfulness. The need for the movement gets obsolete as the government meets their claims.</td>
</tr>
<tr>
<td>Medium level of interaction</td>
<td>Access to subsidies, increased security on the private property market. Evictions are only carried out as a last-resort option and never without a plan on where to house evicted families. The strategy involves continued occupation of vacant property owned by “immoral” institutions and lobbying activities to change the legal system1.</td>
<td>Local government, private and public property owners and charity organisations (as there will still be a need for those).</td>
<td>Social and political recognition even if authorities do not fully look after squatters’ interests.</td>
<td>Legitimacy.</td>
</tr>
<tr>
<td>Low level of interaction</td>
<td>No prospect of achieving legal stability. Negotiations mainly regard postponing of evictions. The strategy involves continued fight and attracting negative attention to evictions for example by forming barricades to impede evictions. Moreover, squatters may have strategies that they do not want to reveal for this scenario.</td>
<td>Private and public property owners. Squatting remains a criminal offense and so the juridical court will be involved as well as squatters’ legal attorneys and the police.</td>
<td>Repression. Conflicts with police and authorities.</td>
<td>Autonomy, as the movement does not get recognition from the state.</td>
</tr>
</tbody>
</table>

Figure 11. Possible types of negotiations for squatters in the case of Barcelona. Source: Own elaboration.
6.1.2 Game tree

I have distinguished three overall scenarios. In scenario 1, which could be called the optimistic scenario, Ada Colau is able to carry out the alterations presented in Barcelona en Común’s party program and in a long-term perspective, national politics follow the same example and carry out extensive modifications of the legal and taxation system. An extensive modification of legislation could imply the implementation of non-recourse loans (dación en pago), and in a second step, revising the practice of eviction so that households will not be evicted if there is not a clear plan of where to house them and turn into praxis the refraining from eviction if there is no one moving into the dwelling after the family currently living there.

In an intermediate scenario, scenario 2, a number of regulations on the property market that all politicians could agree on are carried out such as stricter directives on the private rental market and possibly even rent control. Alterations could also entail promotion of intermediate tenure as a means to facilitate access to cheaper ownership.

As for the third scenario, which is a rather pessimistic one, Colau fails to perform any significant changes or suppression from the national government impedes any substantial alterations.

Which scenario we will see depends highly on the results from the upcoming regional and national election. The results of the elections, on the other hand, depend on the public opinion. In this way the citizens have a decisive role in determining which direction Spain will take. Each of the scenarios is associated to different costs that we need to take into consideration in order to evaluate the probable outcome. In the table below the costs for the local government associated to each scenario are asserted.

<table>
<thead>
<tr>
<th>Cost scenario 1</th>
<th>Cost scenario 2</th>
<th>Cost scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initially low cost if the government restrains from improving the situation for the homeless, but increased expenditures in a long-term perspective as homelessness causes economic costs (O’Flaherty). Costs can also imply popularity loss/loss of votes.</td>
<td>Changes of regulations imply low costs for the authority while it reduces social costs moderately. Costs might be connected to disturbing property owners and damaging the relations with banks.</td>
<td>Initial expenses related to amplifying social housing, through subsidies, new construction and renovation of damaged properties. This option saves economic costs in a long-term perspective but foremost it reduces social costs. Might damage relations with banks and large property owners due to penalty fees.</td>
</tr>
</tbody>
</table>

Figure 12. Costs associated to each scenario. Source: Own elaboration.

I will not make a further prediction of the most probable outcome for the scenarios, considering that time will tell and we will know more in a few months’ time. The result will be a trade-off between costs, resources and political will – and of course the success of negotiations between Barcelona en Común and other political parties.

Nevertheless, given the scenario that the (local) government will move towards, we can make a prediction about the squatters’ response. There is no dominant strategy for squatters, as the squatters’ strategy depends very much on the approach chosen by the government. Squatters will adapt their strategy to what is possible to get through. Given scenario 1, the strategy most likely employed by the squatters is “cooperation” – provided that the authorities will be prepared to involve in high level negotiations with organizations such as the PAH.
Given scenario 2, Squatters will be able to involve in negotiations with the local government but the authority will not be as obliging as in scenario 1. This will lead to a medium level of negotiations, “compromise”, adopted by the squatters, as they would rationally prefer to get some changes through over non.

In scenario 3, authorities are unreceptive to squatters’ requests, and squatters will likely adopt a more aggressive strategy, “opposition”, where they continue to raise public awareness of the exposed situation of Spain’s homeless population.

The next figure is a game tree where the possible courses of events are presented, with the expected level of institutionalization corresponding to each situation.

Figure 13. Game tree depicting possible courses of events, the case of Barcelona. Source: Own elaboration.
7 Discussion and conclusions

This thesis has aimed to answer the following questions:
1. What factors caused the financial crisis in Spain?
2. How do these factors explain the emergence of squatting movements?
3. How do squatters operate and how is the situation maintained?
4. What outcome can we expect of the situation?

In the following sections the results will be discussed.

7.1 What factors caused the financial crisis in Spain?

From the summary of chapter 3, it became clear that there is no single cause of the crisis. The factors pushing the demand and supply for real estate were extremely strong and there was very little done on the behalf of the government, opposition or banks to slow down the acceleration of the price increases or the pace of construction, despite an already abundant supply of property.

7.2 How do these factors explain the emergence of squatting movements?

In this section I aim to pin out, in a very summarized way, how the crisis has led to the increased appearance of squatting movements.

We have seen how Spain, for historical reasons, has developed into a country where ownership dominates the housing market, to the extent that 80% of the population are house owners. During the boom period, the demand for housing was enormous and prices escalated – events that we have seen concluded in a terrible collapse of the financial system. The years following the outbreak of the crisis would come to be characterized by austerity measures imposed by the state, while rates of unemployment reached levels never witnessed before: at most, the rate of unemployment went up to 27% in 2013. Conditions on the labour market and the formulation of the taxation system are factors that have contributed to the fact that Spain is today the EU’s most unequal country in terms of wealth distribution. As described earlier, both unemployment and wealth inequality are important factors for homelessness.

As many lost their jobs the ability to pay quickly diminished and people all over the country started to have difficulties paying their mortgage fees. In total more than 500 000 evictions have been carried out due to this fact. In Barcelona alone, the current number is approximately 20 evictions each day (Barcelona en Común, 2015). According to the municipality of Barcelona, 85% of these are due to non-payments of rents and not foreclosures. The municipality further declares that they manage to attend to a third of the applications for social housing that they receive each month. This implies that about two thirds of the families go into homelessness, in the sense that they lack a permanent solution to their housing problem. We do not know how many of these households that live in occupied buildings as squatters.

In the following chart I aim to display the paths that have led to squatting in the case of Barcelona. Note however that some of the figures are general for Spain and not particular for Barcelona.
Figure 14. Paths to squatting, the case of Barcelona. Source: Own elaboration.
7.3 How do squatters operate and how is the situation maintained?

As for the five types of squatters discerned by Pruijt (2011), the definition that comes closest to describe the squatting movement that has taken place in Spain during these recent years succeeding the crisis is, as has already been stated, deprivation based squatting. However, to apply Pruijt’s definition would be to reduce the movement. The PAH is an extremely heterogeneous and dynamical organization where the roles are constantly shifting as members go from being directly affected by eviction or severe mortgage conditions to helping other members and vice versa. Although the crisis has affected the most vulnerable part of the population the most, the years of crisis have shown that no one was protected from the harsh effects of the crisis. The division between middle class activists and lower class beneficiaries is not accurate in the case of PAH where everyone is an activist, although motivations differ. And what is more: the belonging to a certain social classes is also a dynamic state and as we have seen the crisis has accelerated this interchange. Furthermore, the PAH is a horizontal movement not directed by leaders - they all have become experts on the situation and they are their own advocates.

Regarding the abandoned buildings O’Flaherty’s three definitions are not perfectly applicable in the case of Barcelona. On the one hand, the owners have often certainly stopped taking care of the maintenance of the buildings and sometimes also lost the legal right to the property. On the other hand, the matter is additionally complex in the case of Barcelona and in the whole of Spain because there is often confusion about who the owner actually is. It seems that the most typical case is that a construction company owned the dwelling that was being under construction during the boom period, and then lost it to the bank as a consequence of the crisis when the company went bankrupt. It can also be that a private property owner lived in the dwelling or rented it to another household, but failed to pay mortgage fees for the residence and got evicted due to foreclosure. One way or another, the property ended up in the hands of the banks. With the creation of SAREB, the situation became even more complicated as a large part of this stock of property was conceded to SAREB that has kept many of the properties as they wait for prices to rise again. In the meantime, squatters have occupied some of these vacant properties. However, there are no reliable figures on how many dwellings that have been squatted.

Up until now negotiations with the authority have been rather fruitless. Although squatters have participated in discussions with the municipality via for example the PAH, they have not gotten many of their requests through due to lack of resources and political will. This situation might change after the local election for Barcelona that was held on the 24th of May earlier this year.

7.4 What outcome can we expect of the situation?

The possible outcomes were analysed and presented in chapter 6. As voters, the citizens of Spain will now have an important role in deciding the fate of Spain. The outcome will depend very much on the results of the coming elections. After the elections, it will become clear if Spain will continue on the path of austerity or if the people will vote for a party that aims to make considerable changes. As Pareja Eastaway points out, Spain is currently in a state of initial economic growth and it is not yet clear what the main push factor for the expansion will be – will Spain make the same mistake all over again and let the real estate sector alone lead the economy?

The welfare of Spain appears to be descending. The economy is starting to recover, it is true, and unemployment is certainly decreasing, but social inequality has increased enormously after the crisis and continues to do so while poverty is expanding. The desire to change the direction of Spain that the elections are proof of may not be enough to turn these tendencies around, but merely to keep the country from sinking even further. At present it appears to be proving quite difficult for Barcelona en Común and the other parties to come to cross-party agreements, which makes it likely that Colau will have to make several compromises of the party program which in
turn reduces her ability to carry out reforms. Given these circumstances I perceive scenario 2 to be the most probable outcome at this stage.

In order for scenario 1 to become reality the city council of Barcelona needs support from both the regional and the national government. As for the upcoming regional election for Catalonia, the focus is almost exclusively on the independence issue and it is unlikely that we will see any considerable reforms of the housing market in the near future. According to recent surveys regarding the national election, Podemos has lost a lot of support during the past few months, and they would be the only ones to act in accordance with Barcelona en Común. Yet, there is still time for the public opinion to shift and nothing will be certain before the elections.

### 7.5 Final words

Stable housing solutions in Barcelona and in the whole country are indispensable and the need for social housing cannot be stressed enough. A legislation decreeing non-recourse loans would be a step in the right direction but if there is no access to rental housing the problem is merely postponed but far from solved. In a long-term perspective the access to (social) rental housing should be looked over as to enable wider access to this form of housing, however, in the short run while economic resources are scarce, the most disfavoured should evidently be prioritized. Solutions that include favouring ownership, such as intermediate tenure, are not sustainable and it should be evident from the crisis that expanding the economy solely on borrowed money is fatal. Lastly, Spain should bear in mind that the situation of the poor is not put right by easier access to loans.

### 7.6 Suggestions for further research

As mentioned, the Barcelona city council estimates that a grand majority of evictions, 85 %, are due to non-payments of rents. This group of affected households are probably living on the very margin of society as they dispose of low incomes and likely never earned enough to get a mortgage even during the boom when a great part of the population bought property. It seems to me that this extremely vulnerable part of the population has been given very little consideration, compared to those that have been evicted in connection to foreclosures, which has brought massive medial attention. Although a small part of these households might direct themselves to the PAH or other organizations there is a lack of research on how to address this group of people and on if and how they organize themselves.
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Figure 6: Own elaboration.

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Figure 11. Own elaboration.
Figure 12. Own elaboration.

Figure 13. Own elaboration.

Figure 14. Own elaboration.