The Financialization of Housing as a Growth Model: New Property Relations and Massive Suburbanization in Toronto/Brampton and Istanbul/Göktürk

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Abstract

The financialization of housing has become a crucial discussion point since the financial crisis of 2008. This dissertation aims at focusing on the financialization of housing in the Greater Toronto Area and Istanbul Metropolitan Area. While the existing literature tends to describe the financialization of housing as the increasing impact of finance capital on the production of space, in this dissertation I argue that the financialization of housing appears as an economic growth model that transforms the socio-economic conditions of households at least in certain countries.

The dissertation examines the cases of Brampton in GTA and Göktürk in IMA (Istanbul Metropolitan Area) in order to underline the ongoing property relations and the rise of suburban-financial nexus as an economic growth model. The financialization of housing occurs in many different forms in different countries. In certain countries it appears as a simple dynamic of the housing market, i.e. it is just a matter of mortgage credits and the banking system linked to the global financial investments. In certain countries, it appears as the financialization of rental housing systems (e.g. Germany), and in certain countries it appears as the dominance of finance capital in order to speculate the investments in securities. In fact, the financialization of housing began to become the dominant economic growth model in certain countries. Canada and Turkey can be examined as the economies that pursue the strategy of using the financialization of housing as a boosting tool for economic growth. In these two countries, the real estate market and its connection to the financial flows have become the key growth engine of the economy. In this dissertation, I examine how in these two countries, the financialization of housing has become the leading economic growth strategy and how this process transforms the cities. The cases in this dissertation aims at contributing to this argument by going into details of how finance capital transforms the socio-spatial reality.

Dedication

This dissertation is dedicated to Aysel Okan and Hüsnü Kırabalı, who lost their lives at İzmir Earthquake on October 30, 2020.

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Chapter 1: Introduction

Capital is dead labour which, vampire-like, lives only by sucking living labour,
and live the more, the more labour it sucks. The time during which the worker works is
the time during which the capitalist consumes the labour power he has brought from him.
If the worker consumes his disposable time for himself, he robes the capitalist.
- Karl Marx. *Capital Volume One*, 1977

The financialization of housing has become one of the crucial focus points in the social sciences since the global financial crisis of 2008. This dissertation explores the financialization of housing in the Greater Toronto Area (GTA) and the Istanbul Metropolitan Area (IMA – Istanbul Büyükşehir Belediyesi - IBB). Building on the perspective of financial geography, I examine how the financialization of housing occurs in the GTA and the IMA and how it impacts the communities, socio-spatial configurations, and socio-economic organization of society.

In Western parts of the world, one of the characteristics traits of the financialization of housing is the growth of financial transactions associated with the mortgage systems. In the research literature, scholars often discuss household indebtedness in cities of the mature capitalist economies (Aalbers, 2012; García-Lamarca and Kaika, 2017; Shwartz, 2012; Walks, 2014); however, research on the financialization of the housing market in the developing countries remains much more limited. Although multiple studies on Brazil (Rolnik, 2019), China (Fu and Zhu, 2019), and Turkey (Erol, 2019) have recently been published, the literature as a whole remains limited. In the case of Turkey, it is difficult to access much of the data on financialization (e.g. the rate of household indebtedness based on cities), including data on indebtedness. However, despite such challenges, the literature on the financialization of housing in the developing countries will continue to increase and more and more comparative studies will be conducted. This dissertation makes a meaningful contribution to the growing body of research on this topic.

1.1. What is the financialization of housing?

Defining financialization is tough work: the concept sounds simple, but it encompasses a vast number of variables, related not only to socio-economic relations but also to the terrains of banking systems, financial transactions, mathematical calculations, and the stock exchange. There is a tendency among scholars to define financialization within the scheme of "ponzi capitalism." David Harvey (2004) uses this concept to describe a system in which financiers aim to convince people to risk their investments and savings and these financiers usually end up with accumulating a lot of wealth. However, in gambling there are always losers as well; among those who take on risk, not all win in the end. In a similar vein, Susan Strange in *Casino Capitalism* (1986) also compares financial markets to gambling, while making the distinctive point that this gambling character of the markets did not emerge all of a sudden but was rather brought into being by governmental decisions at national and international levels. Hence, to understand financialization, we should begin by acknowledging this aspect: people dealing with the stock market, currency wars, and lately bitcoin and blockchain perceive financial markets as a sort of gamble, in which they take on risk with an investment and then speculate on that risk.

This casino capitalism dimension of financialization raises the question of whether or not the financialization of housing constitutes a type of financial mania. Charles Mackay's *Extraordinary Popular Delusions and the Madness of Crowds* (1980 [1841]) was written in the 19th century and it may be counted as a contemporary of Karl Marx's works on surplus value and capitalism. In this interesting book, Mackay delves into the historical mobilization of crowds around social events and financial mobilization, such as Tulipmania[1]. Is it possible to consider the financialization of housing as a phenomenon similar to Tulipmania? Or in other words, should we count financialization as a kind of mania that creates delusion and social madness? The answer for this question would be "no" in this dissertation due to the fact that housing plays a different role as a necessity in our lives than other commodities that have served as tools of financial speculation throughout history. Housing is not a simple commodity that might be depicted as an object of madness in the age of financialization. Rather, the importance of housing for the social existence of humankind is a leading factor that drives the financialization of housing to dominate socio-spatial reality.

What is the financialization of housing, then? It is not a madness of crowds. Nor is it an ultimate gambling tool, in a game that everyone has the right to join. Albeit, it is true that certain capitalists, investors and financiers, perceive housing as a tool in the gambling games ingrained in contemporary financial systems. Many financiers work to create delusory expectations in the minds of people who are looking to park their money in asset ownership. However, this does not

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[1] Tulip mania refers to the time period when tulip became a financial investment tool. Tulip was originated in Turkey in the 16th century and became very popular in Istanbul, the capital city of the Ottoman Empire. During the 16th century the tulip coming from Istanbul became very popular in Holland and Germany. As Mackay notes "Rich people at Amsterdam sent for the bulbs direct to Constantinople, and paid the most extravagant prices for them…Until the year 1634 the tulip annually increased in reputation, until it as deemed a proof of bad taste in any man of fortune to be without a collection of them" (Mackay, 1980: 89). Even though tulip has a short life span, it became a precious commodity due to its rarity. In 1634, tulip became a mania; "In 1634, the rage among the Dutch to possess them was so great that the ordinary industry of the country was neglected, and the population, even to its lowest dregs, embarked in the tulip trade. As the mania increased, prices augmented, until, in the year 1635, many persons were known to invest a fortune of 100,000 florins in the purchase of forty roots" (Ibid., 90). In 1636, as Mackay notes again (93), tulip became an investment tool in the stock exchange of Amsterdam, this development occurred hand in hand with the rise of a new speculation and gambling greed, and tulip-jobbers controlled the market by speculating the prices, and they made a remarkable wealth out of the speculation of Tulip seeds. Tulip then became the central investment tool and crucial sign of prestige, people from all walks of like invested their savings in flowers. However, when rich people stopped buying tulip, the confidence in these flowers as an investment tool was destroyed, and the prices fell incredibly, many people went into bankruptcy and only a few wealthy who were able to convert their tulip revenue into an investment in English funds benefited from this mania.

mean that the gambling dimension of financialization is viable for everyone. Not everyone can join this game, and not everyone who enters financial and mortgage markets does so for the sake of playing a game of delusion. Therefore, I argue that the financialization of housing is a neoliberal agenda that changes and restructure the socio-spatial reality. It is a process, a multiplicity of governance, and a business and economic growth model that aims to insert the financial debt mechanism right into the centre of social relations. It refers to a hegemonic production of space through which certain capitalists, investors, and business elites continue to accumulate more prestige and wealth. Finally, the financialization of housing can be instrumentalized for an economic growth strategy in many national and regional economies. In this dissertation, I focus on the fact that the financialization of housing entails a socio-economic reorganization of the social for the sake of political society. It is a process that situates housing within a new hegemonic accumulation regime.

In this case, how should we understand housing? Is it possible for instance to evaluate the financialization of housing from the perspective of social welfare? In fact, the concept of social welfare per se is open ended. As Thomas Piketty argues in his latest book, *Capital and Ideology* (2019), adherents of diverse ideologies claim they would establish a social order that provides for society members' welfare. Housing is thus intrinsic to each ideology because it is part of the social welfare system that each promises to bring about through its own particular means. Therefore, we need to understand the specific means by which welfare is provided under a given ideological system.

Under neoliberal urbanization in particular, the financialization of housing proceeds through a strategy of eliminating alternative housing models. In other words, neoliberal production of space in many parts of the world is being organized in such a way as to commodify housing rather than situate it as a basic human need. Under neoliberal hegemony, housing is a commodity of real estate, through which financial money circulates via sophisticated channels of securitization and shareholder value production. In this hegemony, the financialization of housing takes place through the reduction of housing options in the market and the inflation of financial options. The decline of social housing programs, the abandonment of affordable housing systems, and the reduction of affordable rental housing in many parts of the world are foundational housing policies of neoliberal urbanization. Advocates of neoliberal hegemony still claim that the market can provide housing for everyone, if we supply more housing and liberate the financial systems — that is to say, offer more financial tools to everyone so that people can easily own a home. This naïve but also offensive assertion of neoliberalism operates within a welfare regime that is known as "workfarism". Advocates of the financialization of housing claim that there is housing for everyone in the market; the only thing that people have to do is know which financial tools to choose and develop the necessary financial literacy to handle the risk.

One might ask a key question about the financialization of housing: what is the role of the state in this new neoliberal hegemony? The state is an ultimate actor of this hegemony. It is both the regulator and initiator of the financialization of housing depending on the national context. This new neoliberal hegemony has brought about a new growth model, in which the state plays an important role in the production of space for the sake of financial liquidity and wealth accumulation. I use "wealth accumulation" here as a synonym for "capital accumulation," but capital has many forms. As Marx (1977) indicates, capital refers to a social relationship in which one class (i.e., the bourgeoisie, or capitalist class) is able to accumulate capital, whereas the other class (i.e., the proletariat, or working class) has only labour power to sell. This social relationship can be depicted within the trajectory of property relations, with the owners of the means of production and the owners of labour power acting as the two key pillars of those relations. As Marx puts forward, capital accumulation occurs through the dominance of the bourgeoisie over the working class. Within this relation of dominance, capital undergoes several metamorphoses and emerges in several forms: money capital, fixed capital, and finance capital. Accumulation occurs in all forms of capital, and the term “wealth” encapsulates all forms of capital, too. This also applies to asset ownership: assets refer to the accumulation of properties acquired through either inheritance, appropriation, investments, or labour. Therefore, assets also encompass the different forms of capital. Money capital is an asset, since it refers to the ownership of money in the form of cash or bank deposits. Fixed capital is an asset, since it refers to the ownership of land, houses, commercial facilities, or other types of fixed properties. Financial capital is an asset, which only a few institutions and business elites can own. They may distribute this capital on the condition that it will return to their hands with valorized value. Hence, financialization is a form of wealth accumulation.

As Michael Hardt and Antonio Negri (2011) highlight, what makes neoliberal hegemony distinct from other ideologies is that, in one way or another, it has managed to create a steady link between financialization and assetization or property ownership. In other words, what Hardt and Negri strive to emphasize is that neoliberal hegemony has created a new type of property relation. To explore this idea, I draw on Marx’s well-known explanation for the existing material conditions of societies. In the preface to *A Contribution to the Critique of Political Economy* (1999 [1859]), Marx indicates that the socio-economic conditions in a society are determined by the existing property relations. This argument provides a critique of Hegelian idealism: Marx does not believe that it is an idea or an ideal form of life that conditions the material conditions of life; rather, he believes that the existing production relations and property relations linked to those production relations are the key determinants of socio-economic conditions. Similarly, to explain the ongoing course of neoliberal capitalism, Hardt and Negri (2011) also begin with a discussion of property relations. They indicate that property relations are the foundational basis of society. I draw from this perspective and argue that financialization operates through a new set of property relations and hence refers to a reconfiguration of the social order. In this reconfiguration, ever-expanding finance capital dominates socio-spatial relations. In other words, financialization dominates the production of space by dominating the housing market and the relations intrinsic to home ownership and people's perceptions of housing.

Why does this argument matter? In order to understand it, I review in Chapter 2 the definitions of financialization provided by manifold schools of thought. The basic approach to defining financialization begins with the claim that financialization represents the increasing effectiveness of financial markets and institutions over other sectors and actors in the economy (Aalbers, 2017). For example, Epstein states that: "financialization means the increasing role of financial motives, financial markets, financial actors, and financial institutions in the operation of domestic and international economies" (2005: 3). Chapter 2 seeks to answer the following questions: Is it that simple to describe financialization under neoliberal hegemony? How we can identify and reformulate financialization through critical social theories? How can we define financialization through a new perspective that includes the socio-economic conditions that emerge out of the dominance of finance capital?

In order to answer to these questions, I discuss in Chapter 2 various approaches to explaining financialization and illustrate how different schools of thought define the role of financialization in capitalism. I begin with the original work of Marx and explain how he defined the motion of capital, as well as the role of finance capital in industrial capitalism. I then explore contemporary explanations of financialization in the exemplary writings of Harvey, Saskia Sassen, Kostas Lapavitsas, and Judie Froud. I place particular emphasis on the Foucauldian approach to conceptualizing financialization. Foucauldian accounts argue that financialization must be interpreted as a new entrepreneurial spirit, which is associated with the neoliberal human capital theory that Michel Foucault explains in *The Birth of Biopolitics* (2008). Foucault and his followers argue that neoliberalism refers to the construction of a new social code based on an entrepreneurial discourse, which is fostered by the formation of human capital through investment in the training of children. Many Foucauldian scholars, cited in detail in Chapter 2, perceive the financialization of everyday life within this framework. These Foucauldian scholars argue that taking risk has become a new rationality of socio-economic life, and this new rationality reflects a new cultural shaping of everyday life. This new culture defines the distinctive point of contemporary enterprise society. In other words, financialization and the taking of financial risk for the sake of capital accumulation are either entrepreneurial initiatives in and of themselves or steps that must be taken to be entrepreneurial.

However, this account from the Foucauldian literature is not sufficient to conceptualize the role of financialization today. I argue that the financialization of everyday life—the financialization of every aspect of the economy and the articulation of people into debt mechanisms—cannot solely be described as a matter of *Zeitgeist*, or Hegelian universal idealism, which is known as the new entrepreneurial spirit. Rather, I suggest that financialization is a process in which people feel obliged to articulate themselves into debt mechanisms for the purpose of property ownership, not just for the purpose of being entrepreneurial in and of itself. The concept of the entrepreneurial self is problematic: what defines entrepreneurialism if the market offers you limited choices? Is it possible to equate each act of risk-taking with entrepreneurialism? What happens, for instance, in the case of housing when the market limits housing options and offers you the sole path of taking risk to obtain mortgage credit? There is no clear answer to these questions offered by Foucauldian approaches. The Foucauldian accounts propose that people take risky choices because they are taught to do so (see Chapter 2). If we instead situate property ownership as a central motivation for taking risk, entrepreneurialism becomes a more useful concept not only for evaluating people's willingness to acquire property but also for analyzing why property-ownership-seeking and risk-taking go hand in hand.

One question remains before I delve into the details of this dissertation: How should one analyze the financialization of housing? This is both a methodological and theoretical question. I begin by expanding my argument that financialization refers to the reorganization of the social order through the changing of property relations. For me, the key problem lies in how to expand this argument. Housing is part of the production of space, and it stands at the intersection of different types of the production of space, as Lefebvre (1991) would suggest. Housing is a social space, where the social conditions of life confront one another and go on in a dialectical manner; i.e., the use-value and exchange-value of housing have always been in conflict under capitalism. Housing is also a space that provides social and ontological security (Madden and Marcuse, 2016). Without proper shelter, one cannot have a feeling of ontological and social security because lack of shelter leads to existentialist and social problems (e.g., homelessness, increased risk of crime and mental illness). Therefore, housing is indispensable for one's individual and social life.

Housing is also a matter of urbanization and urban planning. Who will dwell in the city centre? What kind of housing will exist in the suburbs? What will the market offer as housing choices? How will people obtain proper housing to live, for instance, through freehold ownership or rental? These are questions of urbanization and urban planning. Housing stands as a key matter in urban planning. That is why it is necessary to analyze the financialization of housing within the existing multiplicities of urbanization.

Neoliberal urbanization is often associated with the decline of manufacturing industries in cities in the Global North, as well as the emergence of a new type of urban regime that operates in parallel with neoliberal market fundamentalism, austerity policies, and an assault on the conditions of the working class. In their famous contribution *Spaces of Neoliberalism*, Neil Brenner and Nik Theodore write:

> Neoliberal programs have also been directly “interiorized” into urban policy regimes, as newly formed territorial alliances attempt to rejuvenate local economies through a shock treatment of deregulation, privatization, liberalization, and enhanced fiscal austerity. In this context, cities—including their suburban peripheries—have become increasingly important geographical targets and institutional laboratories for a variety of neoliberal policy experiments, from place-marketing, enterprise and empowerment zones, local tax abatements, urban development corporations, public private partnerships, and new forms of local boosterism to workfare policies, property-development schemes, business-incubator projects, new strategies of social control, policing, and surveillance, and a host of other institutional modifications within the local and regional state apparatus. (2002: 20–21)

Therefore, to understand the ongoing discussion around the housing question, we need to consider how neoliberal hegemony operates not only globally but also domestically. Neoliberalism has divergent points in many different countries. In certain countries, it may entail a smooth transition to market fundamentalism, it may have a smooth market fundamentalism aimed at increasing competitiveness; however, in certain countries it may become hegemonic through "shock therapies," as Klein argues in *The Shock Doctrine* (2007).

In this dissertation, I focus specifically on the financialization of housing in the GTA in Canada and in the IMA in Turkey. To analyze the financialization of housing in these two contexts, I draw on comparative urban studies and the approach of financial geography as guiding methodologies. While conducting this comparative analysis, I grant particular emphasis to the financialization of suburban housing. Massive suburbanization is the driving force of economic growth in many parts of the world. This massive suburbanization and its convergence with the financialization of housing in the GTA and the IMA are my key points of analysis. If the financialization of housing refers to the reorganization of the social order as it structures a new growth model based on property ownership and assetization, then this growth model mainly operates in the production of suburban space.

1.2. Chapter overview

This dissertation is divided into seven chapters, including this introduction (Chapter 1). In Chapter 2, I discuss key approaches to conceptualizing financialization, including Marxist and Foucauldian approaches. I begin the chapter by discussing why property relations matter under neoliberal hegemony. Then, I discuss the importance of the Gramscian theory of hegemony for comprehending the latest hegemony of finance capital over urban space. Finally, I discuss why the approach of financial geography is essential for my analysis in this dissertation.

In Chapter 3, I focus on the phenomenon of housing. Why is housing important for financialization? What makes housing unique as part of economic growth? In addition to addressing these questions, I also explore the different types of financialization of housing that exist in different parts of the world.

In Chapter 4, I focus on the increasing convergence of suburbanization and financialization. This chapter deals with the question of how to define massive suburbanization vis-à-vis its link to financial markets. I also address the question of why suburban land matters for the new hegemony of finance capital.

In Chapter 5, I study the case of Toronto, Canada, including how the financialization of the housing market has become an economic growth model in the province of Ontario and how the GTA has become the gravity centre of this growth model. After providing a comprehensive discussion and analysis of these question, I zoom in on Brampton in the GTA. This case study provides a plethora of insights for understanding how new property relations based on the financialization of housing instigate a new socio-spatial reality.

In Chapter 6, I examine the new growth model in Turkey, which is mainly dependent on massive suburbanization in Istanbul. I analyze how Turkey has shifted from a manufacturing economy to a construction economy and how suburbanization in Istanbul has played a key role in this shift. This case is helpful for understanding the financialization of the housing market as a governmental strategy. I end this chapter with a detailed analysis of the suburban Göktürk village of Istanbul.

Chapter 7 is the conclusion section of this dissertation. In this section, I deepen my analysis of the cases explored in Chapters 5 and 6. I begin by situating these cases within the wider literature on financialization. I also explain why the comparison between these cases is useful for understanding certain parameters of suburbanization, as the cases have several similarities and differences with one another. Finally, I pose questions to stimulate further research on topics addressed in this dissertation.

1.3. Data Collection and the Discussion of the Methodology

Different cities or types of urban neoliberalism cannot be effectively evaluated without a comparative approach, since urbanization is not a single universal process that follows the same path everywhere in the world. Thus, to explore the topics addressed in this dissertation, I use a primarily qualitative methodology of comparative urbanism. Comparative urban studies has become a significant approach to find global reference (and inter-referencing points) points for the problems of urbanization in different regions. (Roy, 2011). There exists now a growing and increasingly sophisticated literature on comparative urbanism that has captured the imagination of critical urban researchers across the globe (McFarlane, 2010; Robinson, 2016). Jennifer Robinson asserts that as current “urbanization trends displace the former heartlands of urban theory; urban studies will produce a new generation of scholarship which arises in new centres of authority and expertise” (2015: 187). Comparing the financialization of housing in the GTA and the IMA allows me to pinpoint and identify everyday life in rapidly financializing arrival cities, with an approach that is consistent with the prioritization of comparison and inter-referencing in new urban studies.

Comparative urbanism is necessary for revealing the different dynamics of the financialization of housing and massive suburbanization in different parts of the world. The comparison that I draw between the GTA and the IMA is crucial not only for understanding the dynamics of the financialization of housing in both cities but also for comprehending the outcomes of housing crises. Istanbul and Toronto are located in different type of countries: Canada is known as a developed country, while Turkey is still regarded as a developing or latecomer economy. However, both Toronto and Istanbul position themselves as competitive global cities that offer incentives for financial investment and serve as transportation hubs. Hence, policymakers and investors in both cities are trying to change the urban morphology through new policies on the production of space. In both cities, housing prices are increasing with incredible haste, and both are experiencing housing crises marked by unaffordability and increasing indebtedness. The suburbanization process in the two cities involves different dynamics, those dynamics result from different kinds of national and local policies, and they involve different social compositions of suburban development. Nonetheless, the outcome is the same: increasing indebtedness and housing crisis. By investigating the research questions identified above, this study seeks to understand the reasons for that similarity of outcome. In doing so, this study will make a meaningful contribution to the research literature on the suburban production of space in neoliberal times.

In addition to employing methods of comparative urbanism, I also use a financial geography approach. Financial geography deals with how, and through which actors, a socio-spatial configuration is financialized. In other words, it aims to elucidate the actors, processes, and jurisdictions behind the financialization of housing. These topics constitute key points of analysis in this dissertation. I describe the financial geography approach in greater detail in Chapter 2.

1.4. Data collection

I used three main types of data collection to inform this study: 1) literature review, 2) qualitative fieldwork, and 3) quantitative data collection.

Literature review: I focused on three types of literature. These included: 1) literature on the rise of financialization, assetization, and the shift to new property relations; 2) literature on the financialization of housing; and 3) literature on the financialization of massive suburbanization. In my case studies of the GTA and the IMA, I attempt to make a meaningful contribution to these three genres of literature, through the lens of financial geography.

Qualitative fieldwork: Qualitative fieldwork methodology has a paramount significance in social sciences in order to understand the ongoing problems, circumstances and transformations in a given location and/or social group. As Mohajan (2018: 24) underlines "Qualitative research is a form of social action that stresses on the way of people interpret, and make sense of their experiences to understand the social reality of individuals". In fact, the most difficult part of the qualitative research in urban studies when there is a necessity to conduct open-ended semi-structured interviews is that there are also always two sides of the coin: insider/outsider. It is not easy to identify the boundaries of being insider and outsider essentially if the study is conducted in a city that the researcher already dwells or lived for a very long time. Hillier and Milne (2018: 98), in this case, clearly highlight that the outsider is not a member of the designated community. As an outsider, the task of the researcher is to understand the experiences, everyday life dynamics and the factors that create the designated problems in that community. In urban studies (or in human geography), the researcher should not only try to get the answers she seeks to receive for the purpose of her studies, but she must feel the dynamics of everyday life and observe the urban landscape in first place. Therefore, researchers that seek to conduct a qualitative fieldwork methodology embark on answering the question "what is going on here?" (Lereau & Schultz, 2018: 4). The question of "what is going on here?" reveals the necessary curiosity to conduct a qualitative research in a particular urban landscape as this question is important to understand urban dynamics and day-to-day experiences of people vis-à-vis the existing problems. As an immigrant who came to Toronto in 2013, I could consider myself as an insider of Toronto's urbanization as I have been living in this city for more than seven years. In fact, being in Brampton was a total experience of outsider for me. One of the reasons for me to work on "what is going on here?" is that there is not adequate academic work on the housing market in Brampton even though this suburban city has many social problems pertaining to urban planning and housing issue. Therefore, my work in Brampton began with the curiosity of understanding the socio-economic dynamics of the suburban housing market, day-to-day experiences of immigrant communities in this suburban city and also the impact of financialization over the suburban housing market and communities. Meanwhile, as part of my comparative urbanization approach (that I combine with financial geography), I conducted the fieldwork study in Istanbul – Göktürk in order to find out how the suburban housing market and the financial flows intersect and transform the suburban peripheries of Istanbul. Even though I was born in Istanbul and lived in that city for 29 years, I can still not count myself in the group of insiders for two particular reasons; 1) I am currently a resident of Toronto and Istanbul is now only the city that I was born, 2) Göktürk is not an area that I had been familiar with when I used to live in Istanbul. As an outsider in Göktürk, I tried to familiarize myself with the existing urban landscape and suburban morphology.

I completed qualitative fieldwork in order to observe: 1) the ongoing financialization of housing in the GTA and the IMA; 2) how the financialization of housing has become an economic growth model in Ontario and Turkey; and 3) the role that massive suburbanization plays in this new socio-economic reorganization. I conducted semi-structured interviews with real estate agents, officials, academics, residents, and other informants in Toronto/Brampton and Istanbul/Göktürk. The main goal of these interviews was to understand how different actors and stakeholders see the financialization of housing. In these interviews, I also aimed to learn how people in the housing market are dealing with the changing political economy of capital accumulation. Qualitative study entails more than capturing informants' accounts through interviews; it also requires the researcher to attend to the feelings, general expressions, and struggles of communities. It is important to comprehend how community members feel about housing crises, unaffordability, and social exclusion. I spent a considerable amount of time in Brampton between December 2017 and May 2019, commuting there several times from my residence in Toronto, not only to meet with the people that I interviewed but also to understand the urban morphology and how life is going on in this suburban area.

Below, I provide a list of all the interviews included in this dissertation. I actually conducted more interviews; however, for the purposes of this particular study, I only drew on those listed below.

Interviewee 1	Professor and expert of housing systems in Canada
Interviewee 2	Realtor and housing market expert in Toronto
Interviewee 3	Retired planner from the Ministry of Municipal Affairs in Canada
Interviewee 4	Academic and social housing expert in Canada
Interviewee 5	Chief planner of Brampton's Vision Projects
Interviewee 6	Economist at Brampton City Hall
Interviewee 7-1	Planner at Brampton City Hall
Interviewee 7-2	Second interview with the same person as 7-1 (Brampton Urban Tour)
Interviewee 8	Associate professor and expert on Ontario's economy
Interviewee 9	Architect and project coordinator who ran a project in Brampton
Interviewee 10	PhD candidate and housing finance expert
Interviewee 11	Activist and resident of Brampton
Interviewee 12	Journalist and former resident of Brampton
Interviewee 13	PhD candidate and resident of Brampton
Interviewee 14	Medical doctor and resident of Brampton
Interviewee 15	City councillor in Brampton (phone interview)
Interviewee 16	Young couple living in Brampton
Interviewee 17	Immigrant and resident of Brampton
Interviewee 18	Journalist for the Globe and Mail (informal interviews: consented to knowledge exchange)

Interviewee 19	Construction worker and immigrant in Toronto
Interviewee 20-1	in Canada
Interviewee 20-2	Second interview with the same expert as 20-1 (phone interview)
Interviewee 21	Coordinator of Brampton's Vision Team (informal interview with consent)
Interviewee 22	Professor of real estate economics in Istanbul
Interviewee 23	Real estate appraisal expert in Istanbul
Interviewee 24	Resident of Göktürk
Interviewee 25	Real estate agent and resident of Göktürk
Interviewee 26	Real estate agent in Göktürk
Interviewee 27	Resident of Göktürk
Interviewee 28	Academic working on local municipalities in Istanbul

Table 1. The list of interviewees

Quantitative data collection: Although my research is primarily qualitative in approach, quantitative data plays a secondary role in bolstering my qualitative findings. I use statistical data on demographic patterns, housing market indicators, and general economic indicators for Canada, Ontario, Toronto, Brampton, Turkey, Istanbul, and Göktürk. The primary sources of this data include Statistics Canada, Canada Housing and Mortgage Corporation and Turkish Statistical Institute (TurkStat). I also draw on data from multiple reports on the Ontario economy, the Toronto housing market, and the economic outlook of Peel Region and Brampton. I similarly include data from reports on the latest housing market dynamics in Turkey, as well as reports on economic transformation and urban dynamics in Istanbul.

Chapter 2: Defining Financialization: Is It an Entrepreneurial Spirit or a New Hegemony?

In this chapter, I discuss different approaches to conceptualizing financialization. The key question of the chapter focuses on how to define financialization and what makes it unique within the framework of the capitalist mode of production. I also discuss the relationship between property relations and financialization.

Before delving into the details of how to define financialization vis-à-vis property relations, I need to highlight a crucial point that is important for the rest of this dissertation. In Marx's time, or in Marx's terminology, property relations are identified with respect to productive forces. According to Marx, the bourgeoisie (i.e., the capitalist class) owns the means of production, whereas working-class people only have their labour to sell in this property relation. The social relationship has been built for the purpose of extracting surplus value from the labour power of workers. When defining property relations under neoliberal hegemony, we may need to employ a broader explanation of property. Lazzaratto (2015) indicates that property is now everything: everything can be turned into property, and property relations are now broader than the productive forces of society. This does not mean that the main class conflict between the bourgeoisie and the working-class has waned; rather, it has taken a new shape that transforms the modes of existence in society. Property ownership is now composed of asset ownership, and assetization is a leading characteristic of neoliberal hegemony.

I will use two key approaches in this chapter to explain these new property relations. The first draws on Piketty's (2014) formulation of capitalism in the 21st century. The second builds on Antonio Gramsci's conceptions of hegemonic equilibrium and common sense. Piketty explains that what is characteristic about current capitalism is the ultimate will of the middle-classes to own property. However, what is missing in Piketty's theory is a detailed account of the role of financialization. Furthermore, Piketty's explanation of class formation also misses the point that many people are excluded from society, not only because of their income streams but also due to racism, xenophobia, and ethnic segregation. This is where I turn to Gramsci's notions of hegemonic equilibrium and common sense to help explain how capitalist hegemony operates through the founding of coalitions and the manufacturing of consent, which I will show to be relevant in the current era of financialization.

2.1. New property relations and financialization

In his famous preface to *A Contribution to the Critique of Political Economy*, Marx explains the dynamic and transformative force of the mode of production in a society and its impacts on material life. In each mode of production, there exists a set of property relations that forge the conditions of the material life and social consciousness of people:

> The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure. (1993 [1859], pr. 5)

Marx continues:

> In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society. The bourgeois mode of production is the last antagonistic form of the social process of production—antagonistic not in the sense of individual antagonism but of an antagonism that emanates from the individuals' social conditions of existence—but the productive forces developing within bourgeois society create also the material conditions for a solution of this antagonism. The prehistory of human society accordingly closes with this social formation. (1993 [1859], pr. 7)

Marx perceives history within a taxonomy that has come into being out of the modes of production that determine material life and social consciousness. In this taxonomy, there are epochs in history in which the mode of production and property relations evolve into new material realities. Each time, new material conditions transform the socio-economic structures of communities, and they instigate a new set of relations and antagonism pertaining to property ownership. In a parallel vein, Hardt and Negri, in *Commonwealth* (2011), argue that it is property relations that shape the social and material conditions of people. The capitalist condition of ownership is based on an ideology that excludes those who are not able to own property. This ideology is based on class antagonism between those who own property (whether it be in the form of productive forces or fixed/liquid assets) and those who do not. To Hardt and Negri, this capitalist mentality of ownership is fundamentally embedded in the juridical framework of capitalist societies: that is why rule through property—or in other words, the link between the legal system and property ownership—has been accepted *a priori*. For instance, the colonization of lands by the English and French was centred on the establishment of a legal property system; of course, this system was based on the dispossession of those who were already inhabiting those lands.

While Marx classifies the transformation of socio-economic conditions through his description of different historical epochs, Hard and Negri (2011) suggest that what we have witnessed as different epochs since the rise of bourgeois capitalism actually refers to changes in how property relations are defended. Analyzing paradigm shifts over the course of capitalist development since the 18th century provides a means of examining the changing structure of property relations, as well as how property relations are protected through transformations in the dynamics of the capitalist mode of production. In a nutshell, Hardt and Negri argue that: “the concept of property and the defense of property remain the foundation of every modern political constitution” (Ibid., 15). Building on Marx’s view of private property as the foundational point of the capitalist mode of production, Hardt and Negri also emphasize that the existence of property in capitalism takes different forms. Capital, commodity, and labour are the three main forms of capitalist production, and in this production system, capital constantly operates through these different forms. According to Marx:

> The relation of private property as labour, the relation of private property as capital and the connection of these two are intrinsic examples of capitalist property relations. On the one hand we have the production of human activity as labour, i.e. as an activity wholly alien to itself, to man and to nature, and hence to consciousness and vital expression, the abstract existence of man as a mere workman who therefore tumbles day after day from his fulfilled nothingness into absolute nothingness, into his social and hence real non-existence; and on the other, the production of the object of human labour as capital, in which all the natural and social individuality of the object is extinguished and private property has lost its natural

> and social quality (i.e. has lost all political and social appearance and is not even apparently tainted with any human relationships). (Marx, 1975: 336, from Hardt and Negri, 2011: 22)

Hardt and Negri interpret these lines as meaning that “private property in its capitalist form thus produces a relation of exploitation in its fullest sense” (Ibid., 23). I apply this interpretation to homeownership, while arguing that contemporary homeownership relies on three overlapping phenomena: 1) the hegemonic power of finance (I use this concept as a synonym for *neoliberal hegemony*); 2) the exploitation of labour power through the ownership dream (this is linked to increasing global indebtedness resulting from assetization); and 3) the increasing hatred against the urban poor. In so far as the capitalist mode of production aims to establish a social order based on class domination, it constantly reproduces, and transforms this social order for the continuation of class domination. At the very core of this effort to reproduce the social order, there exists the defense of property relations.

Hardt and Negri explain the ultimate desire to defend property relations as the “normalized material foundation of social order” (Ibid., 27). Here, the most important part is the concept of “normalization.” The normalization of existing property relations also entails the normalization of the social order that one lives in. Normalization refers to two key processes in a society: on the one hand, the identification of “the normal” as the mainstream of society, and on the other, the exclusion (or muting) of “the abnormal” (or the marginal). These two processes are defined in a paradigm constituted by the relations of production, socio-political processes, and cultural practices. Michel Foucault (1984, 1990), in this sense, defines “the normal” as the accepted social norms that circumscribe the general discourses and practices of society. The biopolitical existence of individuals in a society relies on the fact that each of them is disciplined, optimized, and normalized by the power relations in a given social order. The definition of normal changes from time to time, from geography to geography, and from culture to culture. However, the relations of production in a society are the key set of relations that determine the modes of existence. The definition of normal is then linked to the modes of existence in a society. The modes of existence encapsulate various nodal points of social life, including politics, economics, law, ecological relations, gender relations, and technology.

The modes of existence that people adopt in their everyday lives shape the definition of normal in any given society. The normal or normalized modes of existence are those that people are expected to adopt; or, the normal conditions of life in the multiplicity of modes of existence are accepted *a priori*. Normalized forms are accepted as the necessary conditions or the mainstream practices that one needs to adopt. This does not mean that there exists no sphere outside of the identified normal; however, the modes of existence in a society are commonly shaped by the definition of normal. The definition of normal is a matter of cultural form that exists in a society, and this culture becomes ingrained in the ways of doing things in that society. Culture and normalization thus co-exist in a social order, with both evolving through lived experiences. The modes of existence are shaped within this culture-normalization domain, and the formation of this domain relies on relations of economy, politics, production, and law. These categories are constituent features of a society.

As Bruno Latour (2018) puts forward, culture as a mode of existence has been increasingly constructed in relation to "the economy" over the last 300 years. The economization of life and the so-called domination of "rationality" have been main features that help to explain ongoing practices of life from the beginning of the capitalist mode of production. Economization refers not only to the economic activities in a given society, but rather to what Karl Polanyi (1971) hints at with the concept of "embeddedness." Economic relations and the subsequent consequences of those relations are embedded in all aspects of social life. The embeddedness of the economy in all cells of life has become the prominent mode of existence, not only for people but also for the state. Polanyi asserts:

> Instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society. (1971: 57)

The determinant power of economics has gained momentum over the past 300 years, with the advancement of capitalism and with the rise of the market society. In the capitalist mode of production, there exists class antagonism between the bourgeoisie and the working class, as put forward by Marx and Friedrich Engels (1848). However, the ways of doing things and the composition of the capitalist mode of existence have changed over the centuries based on the "necessities" of the market economy. The liberal world-system of the 19th century, the period of the two world wars, the Keynesian and Fordist periods, the Post-Fordist period, and neoliberal hegemony all refer to different modes of existence within the market economy of capitalism. Across all of these different modes of existence in capitalism, there exist two common features that define the core of the capitalist mode of production: the class antagonism between the bourgeoisie and working class and the existence and defence of property as the foundational feature of social order. These two features are strongly connected to each other: property relations are intrinsic to the class distinction since the capitalist class is the class of owners that possess the means of production, whereas the working class is the class of workers that do not own property. The worker must adapt her life to capitalist working conditions in order to obtain property, if she is lucky enough to do so.

In fact, there existed a period in modern history when working-class people could easily own or rent social housing or could build their own houses (which we generally classify as informal housing). In the so-called "welfare regime" of the period following the Second World War, the states implemented measure to increase access to property ownership in order to address the socio-economic crisis caused by the war. However, with the rise of neoliberalism, a new mode of existence has come into being since the 1980s. This mode of existence is associated with the rise of financialization. Polanyi's concept of embeddedness positions economization as the key determinant of social consciousness; from this perspective, financialization has become the new embedded mode of existence in capitalism for the last two decades. As Hardt and Negri (2011) explain, private property constitutes the foundational origin of each socio-economic order. This may be interpreted to mean: each mode of existence (or each mode of doing things) in the economic system reproduced the meaning of private property according to its hegemonic purposes. I will apply this statement to the new neoliberal hegemony: *neoliberalism as a new mode of existence has paved the way for the rise of financialization to create a new type of hegemony through the reproduction of property relations*. Financialization thus operates as the new normalized way of doing things in our neoliberal age. In this new normalization, private property—including housing—has been reproduced as a financial asset that constitutes the essence of neoliberal society. The neoliberal hegemony functions through "competitive assetization," and this competitive essence of neoliberalism leads to increasing income disparity, social segregation, homelessness, decline in social provisions, and accumulation of assets in the hands of a few.

The current property relations under neoliberal hegemony lead to a housing crisis—a crisis that David Madden and Peter Marcuse (2016) define as the lack of proper affordable shelter. Experts estimate that more than 330 million people in the world are unable to find proper shelter (Ibid., 3). This crisis cannot be solely attributed to a lack of necessary construction projects; instead, it reflects the class antagonism that is embedded in the property relations associated with neoliberal hegemony. The property relations that determine our current social order have become increasingly exclusionary rather than inclusionary. The core reason for the existence of the housing crisis is the financialization of housing, a process that aims to convert housing into a pure financial commodity dominated by the dynamics of financial markets.

To make this abstract chain of arguments concrete, I begin in this dissertation by formulating the link between financialization and the existing property relations. Capitalism in the 21st century has become popularly associated with entrepreneurship; however, in my analysis of property relations, I question this association.

2.2. Financialization as embeddedness: Explaining financialization through Marxist theory

According to a Marxist explanation, "financialization" has two prominent meanings: 1) a new capitalist tool (or strategy) to accumulate more wealth by subordinating labour; and 2) a new economic architecture that transforms all industrial capitalist relations. Here, one must recall that when we talk about financialization, we are talking about a new process that has had a great impact on the modes of existence in the world over the last three decades. That does not mean that finance capital did not exist before. In fact, finance capital has been in existence for centuries and has long affected economic affairs. When we speak of it today, however, we refer specifically to the financialization that was born of the neoliberal turn of the 1980s and 1990s: this refers to a new process, a new mode of existence, and a new type of embeddedness, compared with what came before.

According to Marx: capitalism is a system of commodity production; this system relies on the historical fact that two classes in society are in conflict; and this conflict, between the bourgeoisie (i.e., the capitalist class) and the proletariat (i.e., the working class), forms the central contradiction of the capitalist mode of production. Marx indicates that the capitalist mode of production reveals itself in the relations of production which may be examined through the movement of capital. For Marx (1977, 1991), capitalism aims to accumulate capital for the sake of acquiring more capital; it is a system that extracts profit from the labour of workers, and it constantly reproduces the industrial production system to maintain the extraction of surplus value. It is about accumulating more capital for the sake of accumulation, gaining more assets for the sake of gaining more assets.

The movement of capital in this process begins with the ownership of capital and the property ownership of productive forces. The capitalist owns the capital needed to launch capitalist production. Marx uses the symbol of (M) to represent the capital owned by the capitalist (1977: 248). M = money, because money is capital in motion. Using this money, the capitalist needs to produce a commodity (C) to sell in the market for a profit. The capitalist thereby profits from the production process. Marx characterizes this movement of capital as M — C — M', with M' representing the new money earned by the capitalist (Ibid., 251). M' is the money that the capitalist obtains through profit. The source of profit is a contentious terrain of debate in the history of economics. According to Marx's analysis of class antagonism, the profit derives from the exploitation rate of labour power; thus, he explains profit as $M' = M + \Delta M$, with ΔM representing surplus value as the origin of profit (Ibid., 251-2). Marx defines surplus value as the value extracted by the capitalist through the exploitation of labour power. The capitalist transforms the worker into labour power—an element of the production process—and buys both the means of production and the labour power to organize capitalist production. That is why Marx, when he elaborates the motion of capital in the second volume of *Capital*, redraws the formulation as: M — C {means of production + labour power}…P…C'— M'(1992: 118-9). Here, C designates the organization of the production system, or in other words, the property ownership of the capitalist. The capitalist, firstly, owns the necessary elements to launch production (P), the process through which surplus value is extracted from labour power. C' refers to the finished product, ready to be sold in the market (i.e., the commodity). Having been sold in the market, the commodity is transformed into new money: M', i.e., money with profit.

This profit-making is the main aim of the capitalist—i.e., the entire production system is organized to extract as much profit as possible. The capitalist pays the worker as little as possible. That is to say, there is socially necessary labour required to produce a product, and the capitalist gets this labour from the worker; however, the capitalist employs the worker to work more than the socially necessary labour time, in order to profit from the production. Hence, the worker is paid a subsistence wage, producing greater value than she is paid. This is the source of surplus value for the capitalist (i.e., profit). In a sense, the goal of capitalist production is to normalize the subordination of labour power. It reveals the power of capitalism that "normal" is defined in this mode of production through the concept of "free labour." The worker is free to choose the work that she wants to perform; however, in reality, she accepts (or is forced to accept) her own subordination by capitalist production. In this framework, the capitalist appropriates the surplus value created by labour power. The exploitation and subordination of labour power are *a priori* tenets of capitalist society. This sheds necessary light on the economization of society.

As noted earlier, the aim of capitalism is to accumulate more capital for the sake of accumulation. Therefore, the formula goes: M — C … P … C' — M' — C … P' … C' — M' (Ibid., 142). It is a motion that aims to keep the movement going, through the reproduction of the relations of production. P' thus stands for the productive nature of capital. Through this formula representing the motion of capital in capitalist production, we can understand that the main purpose of the capitalist is to achieve this simple means of profit-making: M … M' is the main motivation to launch the capitalist production process. Marx identifies this movement as "the circuit of money capital."[2]

Marx identifies this movement as the circuit of money capital because it is industrial capital in its money form that constitutes the starting and return points of the whole process. The formula itself expresses that money is not spent here but is rather only advanced, and thus it is simply the money form of capital, i.e., money capital. The formula also expresses the fact that the exchange-value of a commodity, rather than the use-value, is the decisive inherent object of the movement. "It is precisely because money is the most independent and palpable form of value that the circulation formula of M…M', which starts and finishes with actual money, most palpably expresses money-making – the driving motive of capitalist production. The production process appears simply as an unavoidable middle term (…), a necessary evil for the purpose of money-making" (Ibid., 137).

M … M', or money-making, is the primary motivation of capitalist production. Production is the precondition of money-making. However, this regime of accumulation must circulate and expand at the level of social relations. The subordination of labour power must be expanded, and a world

[2] This part is inspired by Marx's Capital Volume 2, chapter 1- The Circuit of Capital (1992: 109-143)

market must be created to sell commodities and to find the necessary labour power to exploit.[3] In this circuit of capital, money capital takes different forms during the production process. C' refers to this commodity form of capital: money is transformed into commodity, and hence, absorbed in the commodity form. P' is the productive form of capital, which is used to transform the system of production or reproduce the means of production. M' is the final money form, with profit. M … M' thus provides the start and end points of the circuit of capital.

To understand capitalist accumulation, it is important to consider the origins of money capital. Marx, in the third volume of *Capital* (1991), attempts to formulate the origins of money capital (M) that is needed to launch capitalist production. The theory of primitive accumulation is one of the well-known explanations given by Marx. It refers to the detachment of labour power from previous artisan and agricultural production. However, there is also another point that can explain the existence of M to launch capitalist production. M is bred by the banking system in the form of credit. Marx thus changes the formula of M — C — M' and provides a new formula, shown as: M — M — C — M' — M'. This new formula of motion encompasses one circuit but two profit-seekers: the lender and the borrower.

[3] The expansion of the world market for profit-making has been the subject of intense discussion in the history of economic thought. Essentially, followers of Marxian schools emphasize the importance of market expansion for ongoing accumulation. According to Rosa Luxembourg (2003 [1913]) capital accumulation cannot be advanced without the construction of a world market, i.e., without subordinating other geographies. For Luxembourg, the capitalist must realize the surplus value as soon as possible in the market, and for that reason, "in order to realise his increased aggregate of products, the individual capitalist requires a larger market for his good" (2003: 17). Followers of world-system theory also emphasize the significance of a world market for the potential of the capitalist system to thrive and dominate the world economy. Fernand Braudel, in this three-volume masterpiece *Capitalism and Civilization* (1992) showed the difference between local economies and an expansion of capitalism that creates a world market. Immanuel Wallerstein (2011) also follow this path and construct a Euro-centric historiography, in which they explain how certain countries have created a world-system economy based on a classification of core-periphery and semi-periphery. Therefore, in capitalism, the existence of a world market is indispensable.

Marx thus describes the circuit of an additional type of capital, known as interest-bearing capital (IBC). IBC refers to finance capital in the form of money capital that is ready to be lent by its owner to commercial or industrial capitalists. IBC is money advanced from A to B: A is the lender, and B is the borrower (Marx 1981: 461). What appears in duplicate here is: "(1) the expenditure of the money as capital, and (2) its reflux as realized capital as M' or M + ΔM" (Ibid., 461). This does not reflect the existence of two different circuits that extract two different values; rather, there is only one circuit of capital but two profit-seekers. The money capitalist is the one who owns the property of money, and she lends that money with the expectation of receiving it back with an increment in the form of interest. Thus, the role of the money capitalist does not directly involve capitalist production. The industrial capitalist is the one who borrows the money, in order to set up the capitalist production process to extract value. Here the surplus value (profit) is divided into two (but not equally): the money capitalist gets her share in the form of interest on the agreed-upon loan, whereas the industrial capitalist get her share as the enterprise profit.

Therefore, Marx's main concern is the introduction of a new phase to profit-making, based on a new structure of production. In this new structure, finance capital attempts to appropriate the surplus labour of everyone involved in the production stream:

> Profit thus appears (and no longer just the part of it, interest, that obtains its justification from the profit of the borrower) as simply the appropriation of other people's surplus labour, arising from the transformation of means of production into capital, i.e. from their estrangement vis-à-vis the actual producer, from their opposition, as the property of another, vis-à-vis all individuals really active in production from the manager down to the lowest day-labourer. In joint-stock companies the function is separated from capital

> ownership, so labour is also completely separated from ownership of the means of production and of surplus labour. (Ibid., 567)

Finance capital, in this schema, has a regulatory form that transforms the organization of capitalist production into a corporate system. In examining this transformation, Costas Lapavitsas (2013) indicates that finance capital appears as the commanding power of the process. The lender cannot totally distance herself from the borrower's project. Rather, she must have considerable information about it. The lender is obliged to examine and monitor the business of the borrower, precisely to keep herself removed from the production process; after all, if the borrower fails, the lender will have to take over the business, which is never her primary intention. The lender must also monitor the business of the borrower if the money she lends has in turn been funded by other sources, which puts pressure on the lender (Lapavitsas, 2013: 115). The entire process entails several risks and inevitably creates a pyramid of disciplining, monitoring, and social value assessment.

2.2.1. Fictitious capital: Transactions of financial assets

Marx also investigates where finance capitalists' money comes from. Banks use the deposits of people and rentiers, and they turn idle money in their system into active money set in motion. That is why for Marx, the number of rich people depositing their money in banks and the amount of rentiers' money determine the volume of potential money capital in a country; an increase in the number of rich people, rentiers, or both would thus provide more credit (1981: 483–4). These people deposit their money to get annual interest revenue from it, but their deposits also form the basis for banks to act as finance capitalists. Additionally, there is also financially-created money, which Marx calls "fictitious capital" (1981). Fictitious capital constitutes the speculative form of capital. It is fundamentally a speculative initiative designed to produce profit out of the transaction of financial assets. According to Marx, fictitious capital refers to the concentration of financial papers in the hands of banks, investors, speculators, financiers, and usurers (Ibid., 526–7). Banks have to expand their credit system, so they begin to issue bonds and shares based on the securities and future values they have. Banks issue notes to provide more credits, and financiers and speculators might buy these papers in a practice that constitutes a new form of capital accumulation. This process integrates trade and speculation, since the success of the speculator is tied to the success of the borrower's enterprise (Ibid., 532). It involves the formation of financial money markets, through stock exchanges, shares, government bonds, debt obligations, securities, and asset-based portfolios. As Ben Fine and Alfred Saad-Filho explain:

> These markets breed upon one another, with financial services being sold as portfolios of assets, as in pension funds and investment trusts. Each of these is a paper to claim property that may or may not include productive capital that may or may not generate or appropriate surplus value, what Marx terms 'fictitious capital': paper claims on surplus value that may or may not be realised, but which are not necessarily in some sense fraudulent. (2010: 124)

Fictitious capital, then, refers to the sophistication of finance capital. In order to breed money capital, there must also exist a sophisticated financial system that is able to convert assets into financial commodities (we know this as "securitization" in current banking terminology). Fictitious capital is associated with various forms of capital that have speculative potential. From this perspective, as Harvey puts it, even land might be turned into fictitious capital, i.e., a financial asset (1982: 367). Fictitious capital reveals the ability of capitalism to transform commodities (whether in the form of paper or finished outputs) into financial assets.

According to Marx, finance capital is a necessity of capitalist accumulation that functions in the forms of IBC and fictitious capital. Fictitious capital does not have to be the source of IBC, but it often becomes a source for banks to lend money to enterprises. In fact, banks may even create financial capital without showing reciprocal money in their accounts—but rather by presenting papers as the equivalent instead, so that they can collect necessary funds to lend from financial markets. This integration of fictitious capital into IBC not only increases the risks linked to the circuit of capital but also transforms the forms of exploitation involved:

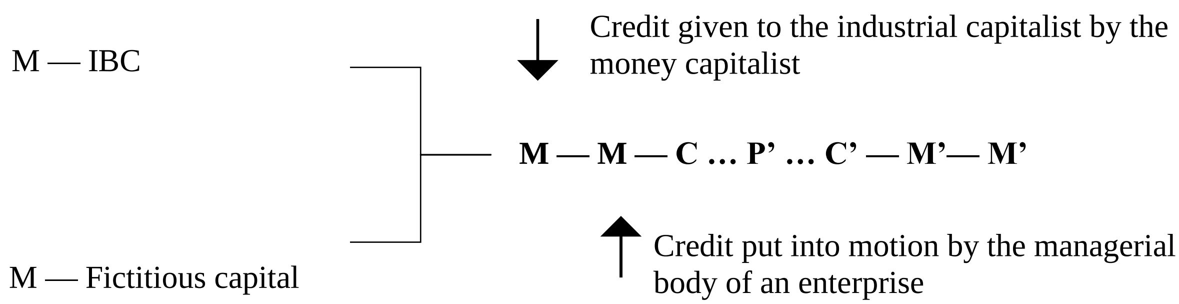

Figure 1. The circulation of the financial capital

This diagram illustrates how finance capital circulates through the motion of capitalist production. In order to expand capitalist production, there must exist two dynamics: (1) a sophisticated financial money market, and (2) capitalist social relations based on the subordination of labour power. Finance capital in this framework functions as a new form of discipline as well as profit-making, through the exploitation of labour power. Since there are now two types of competing profit-seekers, this composition puts more pressure on the conditions of the working class. Social inequality widens due to the rise of finance capital. According to Marx, this process changes the form of industrial capitalist enterprise. The owners of the industrial enterprise become: the shareholders of the company; the managers who control production in order to offset the debt taken from financial institutions; or both. Hence, finance capitalism also signals the rise of a new managerial stream—a new commanding power of capital over production. The process also entails a new type of property relations, as the money given as credit is owned by financial institutions. If we think that the bank creates this money by speculating and investing in financial markets, then the ownership of property becomes even more sophisticated (this is also the case with the financialization of housing, which I touch upon in the coming pages).

2.2.2. Finance capital as extraction or strategy?

According to Marx, financialization is a necessary condition for capitalist production. Marx himself focuses on industrial enterprises that are turned into joint-stock companies (1981: 510-11). Historically, a new managerial body emerged to run these corporations as a result of the impact that finance capital had as a key appropriator of surplus value. Finance capital appropriates the surplus value extracted in the industrial production process. Marx formulated this aspect of financialization to depict the composition of industrial capitalism; however, it remains true about the wider exploitation of labour power. Now it is not only the industrial capitalist but also the money capitalist that is ready to exploit labour power. Finance capital, thus, deepens the rate of exploitation. However, what we mean by financialization in the 21st century goes beyond this super-structural framework; rather, it refers to a new type of economization that everyone experiences in their lives in one way or another.

In that sense, Harvey (2004) and Sassen (2012, 2017, 2018) explain the financialization process that occurred since the 1990s as one that dispossesses or destroys certain ownerships and qualities of life. According to Harvey (2004), neoliberalism functions to restore class power through "accumulation by dispossession," a concept that he uses to describe the changing form of capital that functions as a new tool to dispossess certain people or corporations. Neoliberalism has constructed a new global financial architecture, comprising G-7 regulations, the US Treasury Department, the International Monetary Fund (IMF), and Wall Street financiers. This elite coalition aims to spread US hegemony through the ideology of the neoliberal market economy, which aims to expand competition and exploitation throughout the world. This expansionist coalition operates by opening new markets for the extraction of more value. With or without state involvement, the financial system "coordinates the dynamics of capital accumulation through uneven geographical development" (Harvey, 2004: 71). This system also operates by "speculation on commodity futures, currency values, debt and the alike" (Ibid., 71–2)." Harvey explains:

> Stock promotions, ponzi schemes, structured asset destruction through inflation, asset stripping through merger and acquisitions, the promotion of levels of debt encumbrance that reduce whole populations, even in the advanced capitalist countries, to debt peonage, to say nothing of corporate fraud, dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapses) by credit and stock manipulations—all of these are central features of what contemporary capitalism is about…. we have to look at the speculative raiding carried out by hedge funds and other major institutions of finance capital as the cutting edge of accumulation by dispossession. (Ibid., 74–5)

Harvey notes that currently, new submarkets are being opened to enable further opportunities for accumulation by dispossession. On a socio-spatial scale, he uses this concept to highlight the force of finance capital working with the real estate growth machine. People are displaced and dispossessed from their neighbourhoods for the sake of further financial wealth accumulation by capitalist coalitions. Harvey also uses the concept of "spatial fix" (or spatio-temporal fix) to explain the role of financialization in turning fixed assets into financial assets. In the *Urbanization of Capital* (1989), he explores "the secondary circuit of capital," which refers to the immense production of space to fix the economic crisis; in that sense, the financialization of fixed assets are seen as a spatio-temporal fix by many scholars (Aalbers, 2011; Gotham, 2012; Kratke, 2014; Soederberg, 2014). However, this explanation relegates financialization to a side role, with the circuit of productive capital still playing the main role.

Sassen (2012, 2017, 2018) also identifies the role of finance capital in our global economy as a new financial architecture that operates by extracting and destroying what is needed to accumulate more financial assets. Here, property is not defined as a concrete, fixed, and tangible asset; rather, it is identified as part of the financial architecture. Following Sassen, finance capital has the power to financialize almost everything in the world: finance operates within its own domain that has the capacity to transform, extract, and destroy all the necessary social qualities of life. Sassen (2017) argues that "high finance" is a predatory form that functions as a looter: it extracts, destroys, and leaves behind what is left. Finance thus appropriates the social features of life; i.e., financialization entails the appropriation of people's properties, labour, lives, and necessities by high financial architecture. Financialization continuously dispossesses cities, households, and those who live in the margins of society. This transformation is a multi-dimensional process that affects multiple elements of business and urban life. We must understand how financialization works in this way and how financial regulations and strategies are capable of shaping decision-making processes, at not only the governmental level but also the corporate level.

2.2.3. Financialization as a corporate strategy

Since the late 1990s, a growing body of literature focuses on financialization as a corporate strategy. From this perspective, financialization is perceived as an opportunity, an investment, and a means of profit-making, not only by financiers but also by corporate business elites, producers, investors, shareholders, and even rentiers. Numerous scholars have addressed financialization as it relates to the rise of shareholder value. Shareholder value provides a new tool for firms to increase their profitability, but also their risks. This dimension of financialization is worth examining here, since it has a direct impact on property relations and more particularly on the existence of the housing crisis.

The emergence of "financialization as a strategy" highlights the changing shape of value creation (Stockhammer, 2004; Froud et al., 2006; Ionnou and Wojcik, 2019). This new corporate strategy aims to link non-financial firms into finance capital markets, in order to augment their investments or perpetuate their capital circulation. Meanwhile, as Julie Froud and colleagues (2006) point out, this form of financialization begins to change the meaning of value production. In the classical conceptualization of capitalism, the strategy of firms is to produce exchange-value in order to secure a competitive advantage in the market economy, where every producer is a potential rival. However, with the rise of financialization, this strategy of securing a competitive advantage has morphed into "creating shareholder value" (Froud et al., 2006: 29). That is to say, each firm's value is calculated by its potential success in creating shareholder value, measured by the metric of added value.[4] Attracting shareholders, and using their shares as financial papers, is now a common strategy for increasing the value of a firm and concentrating wealth in a particular market.[5] Scholars often overlook the rise of shareholder value while talking about financialization. In fact,

[4] The "added value" metric refers to the pricing strategy of firms vis-à-vis the profit of shareholders. It entails the measurement of how added value will in some form or another be distributed to shareholders.

[5] Some well-known lists, such as the S&P 500 and FTSE 100, are now used to classify firms. At the same time, credit-scoring companies such as Moody's and Fitch have become important global financial actors. This institutionalization reflects not only changing aspects of capitalist value production but also changes in discourse. The global criteria of firm profitability and value have been encapsulated in the standards and measurements of some global corporations.

it constitutes the lion's share of the process, since it also explains what Sassen means by the global autonomy of high finance. Finance capital financializes corporations through the spread of shareholder value in the stock market, and this spread of shares enables financiers to apply profit-making pressure to the boards of corporations. Corporations have thus become managerial entities that are obliged to turn a profit at the expense of the essentials of life. The mining and oil industries and the construction sector, for instance, have increasingly become tied to financialization, and corporations in these sectors are prepared to ruin the ecological balance of the world for the sake of keeping their shareholder value as high as possible.

With specific reference to the housing crisis, real estate investment trusts (REITs), construction companies, special funds investing in housing, and rentiers are all embedded in the financial system, tied to it through the shareholder value system. This embeddedness in the financial system drives the need for profit-making in the housing market, with a discourse of economic growth. In a sense, the financialization of the housing market has become a mode of existence not only for certain groups but also for the perpetuation of a world capitalist system. Profit-making out of urban land, and the extractive economy that increases indebtedness in society, cannot be distinguished from the ongoing course of world capitalism. In this framework, financialization functions as the new embeddedness—the new *modus operandi* of capitalism. Financialization has several dimensions, but the most crucial dimensions that we witness in our everyday lives are the financialization of the housing market and the financialization of the extractive economies that are related to financial systems.

2.2.4. Financialization as governmentality

To explain the socio-economic framework of financialization, Foucauldian scholars have developed the concept of financialization as "governmentality." Neoliberalism is defined in the Foucauldian perspective as a new governmentality that comes into being through the creation of competitive human capital. Foucault defines governmentality as "the conduct of conduct" (2007). He draws on the writings of Medieval priest Guillaume De La Perrière, who conceptualizes the notion of government as threefold: to govern is to govern the self, the family, and the state. This reference to Medieval thought inevitably carries a conservative connotation, but what Foucault seeks to highlight is the discourses and technologies that promote the practice of self-governing. According to Foucault, the essence of neoliberalism fits into this threefold conception of government, and the very core of this essence relies on the notion of human capital.

In *The Birth of Biopolitics* (2008), Foucault refers to Gary Becker and Theodore Schultz's human capital theory and indicates that neoliberal governmentality is a new governmental technology that aims to organize society through the formation of human capital—a notion that highlights the abilities, talents, and educational background of an individual. Human capital is a new form of capital that must be invested in order to forge a competitive society. Competition defines the core of neoliberal thought, and the competitive self can only be engendered in a society through the formation of a human capital culture. Thus, even though he does not use this concept of culture, Foucault refers to a cultural change in society. The formation of human capital begins with the investment of families in their children, with the goal of giving those children a competitive advantage in the future competitive society. This investment usually comes in the form of training and education (Bourdieu [1986] argues that it is also about social capital). The competitive human capital forms a new self—one that regulates herself for the sake of competition. This competition is supported by the discourse of entrepreneurialism. That is why Foucault identifies the neoliberal society as an enterprise society. The competitive self is one that regulates herself for the necessities of the competitive market, works for the well-being of an enterprise, or looks for new opportunities with an entrepreneurial spirit.

This Foucauldian explanation inevitably redefines entrepreneurial discourse in capitalism. Neoliberal thought has created a seismic shift in the course of capitalism, and in that context, the redefinition of entrepreneurialism is not only about the formation of human capital; neoliberalism itself has created several problems regarding the socio-economic conditions of people. The formation of human capital is depicted as a new biopolitical technology of neoliberal governmentality—and it is crucial to understand the consequences of that new technology. Pierre Dardot and Christian Laval (2013) explain neoliberalization as a new rationality of the world. When they use the concept of rationality, they actually refer to a new conduct—a new way of doing things and new mode of existence. This mode of existence is that to which the competitive self dedicates her career desires, linking her own success with the success of enterprise. The new rationality is about taking risks for the well-being of the enterprise. Neoliberal governmentality, thus, consists of self-government, enterprise, and competitive “risk-taking.” The neoliberal thinker, according to Dardot and Laval, perceives the entrepreneur as not only a simple capitalist or producer aiming to valorize capital in an industrial setting—but rather as:

> …an entity endowed with a commercial spirit, in search of any opportunity for profit that presents itself, and which he can take thanks to the information he possesses, while others do not. He is exclusively defined by his specific intervention in the circulation of goods. (2013: 111)

Dardot and Laval then refer to Ludwig von Mises and Israel Kirzner, two of the main figures of neoliberal thought. They claim that for the main figures of neoliberal thought, entrepreneurship does not only encompass the economization of behaviour or rational profit maximization; rather, it "also contains an 'extra-economizing' dimension of the activity of discovery, of detecting 'good opportunities'" (Ibid., 111). As such, the entrepreneurial self is depicted as one who is ready to articulate herself into potential opportunities based on risk-taking.

Dardot and Laval argue that this articulation of self into a general entrepreneurial spirit enables the formation of a new managerial body, in which everyone devotes themselves to the success of the managerial body as if to their own success. This new management rationality goes hand in hand with the formation of a new human capital configuration. As Dardot and Laval explain:

> Management creates the entrepreneurial society that refers to the society characterized by its adaptability and operating norm—constant change. The new management of entrepreneurs aims to diffuse and systematize the spirit of enterprise in all the spheres of collective action, especially public services, making innovation the universal principle of organization. All problems are soluble in the managerial spirit and managerial attitude; all workers must view their role and commitment in the enterprise through the eyes of manager. (2013: 136)

This new managerial transformation associated with a new self-government refers to the articulation of self into the ongoing course of neoliberalization. The formation of this neoliberal enterprise society has been implemented, as Jamie Peck and Adam Tickell (2002) highlight, with a series of social policy changes and institutional transformations. The neoliberalization process has become dominant through financialization and globalization, with only certain corporations and enterprises dominating the world economy. In a sense, this new managerial transformation asks people from all walks of life to accept the risks of the new mode of existence and adapt themselves into this mode with an entrepreneurial “creative” motivation. In a sense, risk-taking and entrepreneurialism have become the new normal in neoliberal society. According to the Foucauldian literature, financialization has also become the new normal that defines the normalized forms of life in society.

Foucauldian scholars have also explored another aspect of this new mode of existence while examining the financialization of the housing market. Melissa García-Lamarca and Maria Kaika (2016) indicate that the new form of mortgage markets reflects a new type of citizenship that is categorized by a new creditor-debtor relationship. The articulation of individuals into the new creditor-debtor relationship mostly takes place in the housing market since housing has become the most important financial investment that an individual or household can make throughout their lives. García-Lamarca and Kaika (2016) emphasize that it is necessary to go beyond a macroeconomic analysis that deals with the course of financial transactions in order to comprehend how the future labour of people is appropriated through financialization. They also assert that mortgage debt refers to a new biopolitics that manages and disciplines the indebted self. ”Mortgaged lives,” as they say, are constituting a new management strategy, which forms the narratives of “homeownership,” “safe investment,” and “prestigious social status.” These narratives have reproduced the “citizen” as investor (Ibid., 318). In the case of Spain, García-Lamarca and Kaika observe:

> From the late 1990s onwards, public administrations, real estate agencies, developers, builders and financial institutions alike chanted the same mantra: the price of housing never falls, housing is a sage investment…. The “safe investment” message was complemented

> by the mass media and bank advertisements suggesting a direct link between an elevated social status and homeownership. So long as interest rates were low and housing prices kept rising, the promotion of housing acquisition through mortgages as a safe investment was a winner…. Becoming a homeowner appeared to be an easy affair as citizens/customers were presented with tailor-made mortgages to cater for their specific needs. (Ibid., 318–9)

García-Lamarca and Kaika also note that one of their interviewees told them that "becoming heavily indebted in order to become a homeowner was something 'everyone was doing'" (Ibid., 320). This expression of "everyone is doing" forms the basis of common sense. Therefore, from a perspective of disciplinary society, it is possible to interpret the financialization of the housing market as both an extension and diversification of governmental rationality and as the emergence of new governmental technologies to manage the population. This Foucauldian explanation also touches upon the psychoanalysis of citizens that strive for homeownership by accepting the risks of mortgaged lives. In other words, it analyzes the psychological engagements of masses while dealing with and accepting the new normalized creditor-debtor relationship. The financialization of the housing market will be the subject of the next chapter.

2.2.5. Financialization as a new hegemony

The question about defining financialization also ends up with the problem of whether or not we should define it within the boundaries of a new governmentality, as Foucauldians suggest. In other words, is it possible to define financialization through the approaches pertaining to Gramscian theory of hegemony rather than the Foucauldian notion of governmentality?

Marx (1991) explains the motion of finance capital as a transformative metamorphosis which changes the structure of capitalist production. The functioning capitalist is now under threat from finance capital's greed for profit. The finance capitalist is the one that owns the money circulating in production, and this puts more pressure on labour, since the greed to appropriate more surplus value becomes greater than ever before. The reduction of the actually functioning capitalist to a manager also provides necessary clues about how companies are turned into corporate bodies that must meet the targets of financial institutions. Those financial institutions operate as the appropriators of surplus value by claiming ownership of circulating capital. Within this framework, Gérard Duménil and Dominique Lévy (2006) depict the current neoliberal economic system as a hegemony of finance. This hegemony aims to appropriate the labour of people. The question is whether or not this hegemony can be described as the new normalized way of doing things.

The description of financialization as a new normal mode of existence could also be described through the concept of hegemony developed by Gramsci (1971). According to Gramsci, the ruling classes and their relationship to other social and political forces are organized through the extended state, which is to say political society and civil society, including political parties and organic intellectuals and their allies. In other words, capitalism's ruling classes comprise the core of the capitalist state, including political parties, bureaucracy, and capitalists (investors, industrialists, entrepreneurs, financial institutions, etc.). Gramsci uses the concept of hegemony to describe the capacity of these ruling classes to become the leading cultural and intellectual groups in society. This leadership is crucial for Gramsci's understanding of hegemony as it includes the ideological basis of a hegemonic system that becomes the measurement point which defines what is "normal" in society. Ideology refers to a specific set of lived experiences in a hegemonic system that everyone adopts as common sense. This normalization is affirmed through what Gramsci calls "equilibrium." Equilibrium is a concept that distinguishes the Gramscian interpretation of Marxist philosophy from the Foucauldian perspective that categorizes domination as a rationality aimed at disciplining the population.

Foucault's late interventions on self-government address how individuals govern themselves within different governmentalities by adapting, disciplining, and controlling themselves through a variety of discourses and technologies. In contrast, as Stefan Kipfer asserts while comparing Gramsci with Henri Lefebvre on the topic of hegemony, Gramsci never reduces social relations to the disciplinary effects of micro-technologies of knowledge/power as Foucault does (2004: 131). For Gramsci, hegemony is not a matter of simple disciplinary (self-)governance; rather, it is built out of dialectical processes between the ruling classes and subordinated classes. Domination cannot claim legitimacy without forming moments of balance. Gramsci calls this balance-seeking "equilibrium." It is important to note here that this Gramscian concept of equilibrium is not the same as that employed by neoclassical economics. It is not an economic balance formed by the so-called optimization of demand and supply in the long run, or the so-called balance-finding of the market in the course of economic life. Capitalism constantly strives for equilibrium to perpetuate its hegemony. Through equilibrium, the interests of the dominant group may become widespread up to a certain point (Gramsci, DF, 1971: 206). That is to say, equilibrium may also draw the limits of hegemonic domination; what defines the limits of equilibrium is the capacity of ruling circles to coerce and to manufacture consent. Hegemony in that sense means both coercion and consent. According to Gramsci, hegemonic classes cannot survive without manufacturing the consent of subordinated groups. This account of hegemony has been widely applied to the progression of capitalism over the course of the last two centuries. The capitalist mode of production has gone through several different trajectories to fix, adjust, and/or reasserts its hegemony. Sustained by the exercise of ethico-political leadership, this state of balance consists of a coalition of classes constituting an organic totality, within which the use of force is risky unless there emerges an organic crisis that threatens the hegemonic position and the ruling position of the leading class in society (Saba, 1981).

The hegemonic ruling classes manufacture the consensus with the ruled classes in order to maintain their hegemony without using physical coercion.[6] However, when it is needed, coercion is a tool that will be used without hesitation. There is no hegemony without coercion. For Gramsci, politics is not only a matter of achieving hegemonic consensus, it is also about prestige. Prestige is important for becoming part of the political sphere. It reflects a human desire for recognition by others. If we consider consensus to be an act of management—managing society for the sake of the hegemonic ruling classes—then being prestigious is one of the techniques of this management. This management becomes popular and widespread through the generation of a common sense among the ruled classes. According to Gramsci, common sense is the fundamental general sentiment among the ruled classes—a sentiment or ideological restructuring that keeps the ruled classes approving of and joining the coalition of hegemonic ruling classes. In other words, common sense refers to the dominant hegemonic culture that makes society accept class disparity

[6] Physical coercion is contested terrain in Gramsci's theory of hegemony. In principle, Gramsci intends to formulate a socio-political theory in which the hegemonic classes do not need to use physical coercion in order to settle their rule. However, this does not mean that physical coercion never exists in the establishment of a hegemonic order. Capitalist hegemony has always been violent, and as Lefebvre (1991) indicates, this hegemony operates through violence (essentially in the production of space). Violence does not only refer to physical repression; rather, it also emerges in the form of exclusion and stigmatization.

and social subordination. For Gramsci, this sentiment may come externally from religion and folklore, but it may also come from the hegemonic ideology.

Having analyzed the Gramscian explanation of hegemony, and the ongoing equilibrium-seeking of capitalism, I now argue that financialization refers to a new combination of coercion + consent and a new common sense that permeates every unit of life. Neoliberal hegemony promotes financialization as a new balancing technology to make dominant its agenda of exploitation through the manufacturing of consent. Financialization, through the mechanisms of deregulating global transactions and providing financial accessibility, establishes a foundation for people to take risks. Here, there are two problems: Is it really possible to address financialization as a new common sense that permeates through the equilibrium-seeking of capitalism? And how is it possible to manufacture the consent of people, when it leads them to accept the very risky choices offered by financial markets?

To address the former question, we must again return to the Foucauldian literature on financialization. Foucauldian approaches to financialization delve into the explanation of new governmentality or financialization as biopower (Lucarelli, 2010), and as I said earlier, these approaches cannot be neglected vis-à-vis the Gramscian approach. Under neoliberalism the crucial fact is that there exists, as Lazzarato (2015) explains, a new kind of creditor-debtor relationship. Berkay Ayhan (2017) suggests that theories that explain financialization as common sense are inadequate for explaining ongoing financialization. He asserts that such approaches produce a depoliticized explanation of finance; these approaches situate finance in a grandiose position that operates in a specific meta-terrain above society (2017: 57). In his own approach to explaining the cultural economy of financialization, Ayhan argues that financialization is a performative concept that must be examined within the framework of performative agency theory. He also refers to Goede's explanation of finance as a performative practice:

> Understanding finance as a performative practice suggests that processes of knowledge and interpretation do not exist in addition to, or of secondary importance to, "real" material financial structures, but are precisely *the way in which "finance" materializes….* It is not just the case then that financial knowledge is socially constructed, but the very *material structures* of the financial markets—including prices, costs, and capital—are discursively constituted and historically contingent. (2005: 7, quoted in Ayhan, 2017: 56)

According to this approach, analyzing financialization as common-sense neglects performative agency, or in other words, it overlooks the individual articulation of people into financial mechanisms. Similarly, Rob Aitkin (2007) focuses on the cultural economy of finance and criticizes the representation of finance capital as a global hegemonic force. His main argument is that capital is mostly performative rather than hegemonic, and the performative characteristic of capital has a cultural foundation. Culture here refers to performative agency and action theory—in a sense, a sum of experiences and performances. According to Aitkin, explaining finance as a grandiose global hegemony mystifies the operation of financialization. Paul Langley (2008) contributes to this argument by adding a spatial explanation; he says that finance is becoming spatially dominant in global financial networks that are dominated by a few financial centres such as New York City, London, Tokyo, Hong Kong, or other global cities. Hence, there exists a spatial positionality component to finance, such that not all places fall under the dominance of finance capital.

This theoretical approach to financialization, which draws on the cultural economy perspective and performative agency theory, mobilizes the Foucauldian explanation of human capital as the new biopolitical feature of neoliberalism. The enterprising subject, as Ayhan argues, reflects the formative conception of finance (2017: 57). Here, the crucial focus is how individuals become performative towards financialization. Personal finance programs, debt management programs, and financial literacy training programs aim to mobilize the performative action of enterprising subjects. This performative conception of finance brings about a new culture of everyday life and subjectivity that engages with financialization (Ibid., 58). Essentially, financial literacy training and the articulation of individuals into processes of learning more about financial tools are prominent signs of this performative conception of finance. However, there remains a problem that is not adequately addressed by this Foucauldian account of performativity: how are people from all walks of life expected to accept the potential risks of a financialized economy? In other words, how it is possible to articulate people into the realm of financialization without manufacturing a desire for it? Is it sufficient to train people as potential entrepreneurs to perform in the realm of financialization? What happens to those who do not have any access to financial tools? Finally, what motivates people to take financial risks? Is it possible to explain this motivation only in terms of a "mystified" entrepreneurial spirit?

To answer these questions, I must again highlight that capitalism's main motivation is to keep M … M' going; in the case of financialization, we can even conceptualize the goal as the perpetuation of M — M … M' — M' or M — C — M'' or M — M''. Critiques of finance as global hegemony suggest that perceiving finance capital as a global hegemony and a global common sense puts financialization into a mystified position. In fact, the Foucauldian accounts cited above argue that financialization takes place as a result of the performative agency of individuals. In other words, financialization refers to a new entrepreneurial spirit[7] shaped by educational investments and training programs.[8] The formation of this entrepreneurial spirit is identified as a simple mechanism of investment in training, creativity, and financial literacy. It is a new spirit that is shaped by the requirements of current financial market mechanisms. The motivation comes from this spirit of the entrepreneurial self, which is shaped by the investments of "good" families and training programs.

Thus, although the theoretical approach to explaining engagement in financialization through the rational performative action of entrepreneurialism claims that theories of financialization as global hegemony mystify the performative agency of neoliberal subjects, this approach itself inadvertently (or advertently) suggests that a "mystified" entrepreneurial spirit—a global spirit of

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[7] Here, the reference must go to Max Weber (2001), who explains the rise of capitalism in the Western world as part of the cultural engagement of Protestantism. Weber refers to a mystified entrepreneurialism intrinsic to Protestantism in order to explain the profit-making motivation in capitalism. Weber argues that capitalism has a specific spirit, and in *The Protestant Ethic and the Spirit of Capitalism*, he writes that "the development of the spirit of capitalism is best understood as part of the development of rationalism as a whole, and could be deduced from the fundamental position of rationalism on the basic problems of life" (2001: 37). This rationality has a specific cultural pattern, based on a Calvinist interpretation of Christianity. Calvinism and related forms of Protestantism (e.g., Puritanism) offer a worldly rather than fatalist interpretation of Christianity. Weber sees Calvinism as an ascetic Protestantism, in which people need to work hard in this world in order to pursue a good working life and, ultimately, realize themselves. This is a basic explanation of the inner-worldly ascetic interpretation of the Protestant Ethic, in which dedication to work and productivity plays the most significant role. From this perspective, the profit made by the ascetic-Protestant person cannot be used for luxury or for enjoying a sedentary life. This description provides an account of a mystified entrepreneurialism stemming from the cultural engagement of Protestantism. The problem for this explanation is that it aims to connect worldly socio-economic relations to a divine perception of another world. The problem with entrepreneurialism that is explained as the key force of neoliberal governmentality, it also tries to form a secular form of mystified culture of being entrepreneur.

[8] Foucault's *Discipline and Punish* (1995) provides a socio-historical analysis of how education disciplines bodies and how standardization takes place in society through a series of disciplinary techniques that create docile bodies. In *The Birth of Biopolitics* (2008), Foucault changes this explanation and uses the concept of "abilities-machine" to describe the human capital theory of neoliberalism. The abilities-machine is the child of a family that gets necessary training to be entrepreneurial and competitive. This transformation in Foucault's thoughts on the role of education appears to rely on his establishment of the theory of governmentality on the notion of "conduct of conduct"; that is why he thinks that investment in abilities will lead to a new conduct of conduct, in which everyone will know their own limits. However, this account neglects the disciplinary role of education and basically indicates that education leads to creativity. In fact, as we know from the writings of Pierre Bourdieu (1984), education is a tool for scaling abilities.

entrepreneurialism, a kind of *Zeitgeist*—mobilizes people to act as rational entrepreneurs and thus become ready to take risks.[9] These accounts of the mystified entrepreneurial self skip two important points regarding the recent history of financialization:

1) As we know from Negri and Hardt (2011), every social foundation relies on the reproduction of property relations. In that sense, the hegemony of finance refers to a new type of property relations that is shaped by policy shifts towards privatization and the exclusion of the poor. These new property relations constitute the core of this hegemony. They also constitute the equilibrium that manufactures consent among at least certain segments of society, to a degree adequate to form a common sense. Asset ownership (whether it be liquid or fixed) forms the foundational base of neoliberal finance hegemony (Birch, 2015). Property ownership has been reproduced as a mechanism that creates consent for accepting risks and engaging in a new creditor-debtor relationship. The assets may comprise financial papers, and stock shares, but they may also include fixed assets such as housing. Mortgage credits are playing a large role in financialization, prioritized by individuals for the sake of asset ownership.

2) If we return to Langley's (2007) critique of financialization as hegemony, he indicates that it is not possible to talk about a global financial hegemony due to the spatialization of finance capital

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[9] This approach might be getting close to Ulrich Beck's explanation of risk society; however, it still does not fall within the same trajectory. Beck defines risk as a way of accepting certain potential problems while doing certain economic or social actions. This acceptance results from a modern society formation in which risk is defined as "a systematic way of dealing with hazards and insecurities induced and introduced by modernisation itself" (Beck, 1992, 21). As financialization increases in today's capitalism, it leads to the formation of new risks. Hence, we need to define a new type of risk society, different from Beck's new modern society (reflexive modernity), in which capitalism and its flexible individualism cause hazardous risks for the future. However, Beck in *World Risk Society* (1992) notes that risk becomes more uncertain as long as it has become global with a new uncertain technological advancement. The problem here is that when risk become incalculable, the discourse of entrepreneurialism also weakens since entrepreneurialism cannot directly be associated with "gambling."

in certain headquarters, such as New York's Wall Street and Toronto's Bay Street. However, it is important to note that financialization is not only about banking and the stock exchange; i.e., it is not only about the computerized systems of financiers on Wall Street. A more sophisticated system encapsulates the multi-national corporations (MNC) and extractive sectors through shareholder value. In addition, it also includes the off-shore destinations where money is laundered and kept for potential asset investments. It also encompasses the recent technological developments related to crypto-currency, Bitcoin, and the increasing engagement of shadow banking. Moreover, finance is not only represented by large financial institutions. Micro-finance institutions are playing a predatory role in bringing the urban poor into financial debt mechanisms (Hembruff & Soederberg, 2019; Roy, 2010). Interest rates, mortgage credits, pension funds, and hedge funds all have roles in this hegemonic mechanism. That is to say, finance is not only about people taking risk as part of their entrepreneurial spirit; it is also a sophisticated institutional mechanism that operates by manufacturing the consent of subordinated groups through property ownership.

2.2.6. Financialization as patrimonial capitalism

As a continuation of the critique of mystified entrepreneurial spirit, we need to briefly mention what Piketty identifies as patrimonial capital as the distinctive feature of capitalism in the 21st century. His use of the word "patrimony" to describe the composition of wealth accumulation is a deliberate choice, since neoliberal hegemony operates by reproducing patrimony. Piketty does not associate capitalism in the 21st century with the entrepreneurial spirit, but rather with the rise of patrimonial property relations. Piketty also criticizes human capital theory and says that: "many people believe that modern growth naturally favors labour over inheritance and competence over birth. What is the source of this widespread belief, and how sure can we be that is correct?" (2014: 237). This is a point of serious interrogation by Piketty, and he devotes his famous book *Capital* *in the 21st Century* mainly to investigating sources of wealth and inequality. Piketty makes a comparison based on income inequality. He pinpoints that income from capital (including inheritance) is always greater than income from labour (wages). He also points out that "after World War II, inherited wealth lost its importance, and for the first time in history, perhaps, work and study became the surest routes to the top" (Ibid., 241). However, for Piketty, this period represented an interim *belle époque*, and the essence of capitalism (we can say neoliberalism) in the 21st century has renewed the importance of the inheritance of wealth and money-making from capital rather than from labour (as was the case in 19th century Europe).

According to Piketty, this changing form of capitalism accounts for the existence of greater social inequality in the 21st century: "Income inequality is the result of adding up two components: inequality of income from labour and inequality of income from capital. The more unequally distributed each of these components is, the greater the total inequality" (Ibid., 242). In fact, there is a crucial point we need to highlight here, which Piketty explains by drawing a distinction between the inequality of capital (the distribution of wealth in society) and the inequality of income from capital. The latter might be greater than the former in many societies. In other words, the return that one is able to get from investing a large amount of capital widens inequality in society, since the return of this capital takes place through the exploitation of labour in other spaces, and this return usually comes in the form of shareholder value and royalties. Therefore, income from capital has a great multiplier effect, and it constitutes the core of inequality in society. Piketty statistically explains the facts about this inequality:

> The upper 10 percent of the labor income distribution generally receives 25–30 percent of labour income, where the top 10 percent of the capital income distribution always owns more than 50 percent of all wealth (and in some societies as much as 90 percent). Even

> more strikingly, perhaps, the bottom 50 percent of the wage distribution always receives a significant share of total income (generally between one-quarter and one-third, or approximately as much as the top 10 percent), whereas the bottom 50 percent of wealth distribution owns nothing at all, or almost nothing. Inequalities with respect to labour usually seem mild, moderate, and almost reasonable…. In comparison, inequalities with respect to capital are always extreme (Ibid., 244).

Piketty's point here is that wealth is owned by a minority and is not distributed to the bottom percentiles of society. The bottom percentiles of society must labour in order to survive, and they comprise most waged workers. Piketty also argues that inheritance could be seen as the keyway of garnering wealth: "If one inherits an apartment, it will be easy for her to increase her savings" (Ibid.). This explanation by Piketty does not give an account of the creativity of labour or the mystified entrepreneurial spirit of human capital theory. Through his analysis of income hierarchy and wealth distribution, Piketty juxtaposes social classes based on the concentration of wealth. The top 10 percent own the majority of wealth and constitute the upper classes, whereas the lower classes comprise the bottom 50 percent of society. Between these two groups, there are the middle classes (40 percent of society).

This explanation is of course a rough attempt to classify societal segments (a limitation that Piketty himself affirms); however, it provides necessary clues about economic inequalities in society and the widening phase of ownership as a mode of existence. The crucial point here is the difference between the top 1 percent of those who make wealth by labour and those who make wealth by capital: Piketty says that "the top one percent who earn the most are the same as the 1 percent who own the most" (Ibid., 254). Piketty concludes by drawing a strong link to asset ownership. For the top 10 percent, real estate is not very important since they already own the houses that they want.

Even for the top 1 percent, the most important asset is never residential real estate but rather financial and business assets. However, for the middle classes, the most important asset is residential real estate. For these classes: "a key role is often played by ownership of a primary residence and the way it is acquired and paid for. Sometimes in addition to a home, there is also a substantial amount of savings" (Ibid., 260). Piketty finally emphasizes that the growth of a true "patrimonial middle class" constitutes the principal transformation of wealth in the 21st century. There now exist both a hyper-patrimonial society (a society of rentiers) and a hyper-meritocratic society (a society of managers). The latter can always embark on becoming part of the former.

Therefore, it is a society of asset ownership that explains the essence of capitalism in the 21st century—and not the entrepreneurial spirit that theorists of governmentality put forward, with respect to human capital approaches. Lastly, there remains one more point that I need to accentuate. The new discourse of entrepreneurialism is a fact of our neoliberal age. Flexible work, start-up culture, and freelancing are all associated with the new entrepreneurial discourse. This discourse, on the one hand, encourages so-called creative works; on the other hand, it produces a cultural atmosphere of competition among investors. This discourse is supported by a necessary body of literature and promoted through popular media, such as magazines, television shows, and public talks, which may lead one to think that entrepreneurialism is the only path to success in neoliberal society. The entrepreneur is one that takes risk for the sake of potential creative outcomes. However, in fact, reality does not reflect this popular account. The majority of people are still working as wage earners, and only a few start-ups or entrepreneurial initiatives succeed in accumulating wealth: according to statistics, 90 percent of start-ups fail (Forbes, 2015). That is to say, what people seek in our contemporary capitalist mode of existence is to accumulate more assets rather than to think creatively all of the time.

2.3. Financialization as common sense: Between debt and consent

There remains one final problematization of financialization to address here. Does financialization refer to a new type of common sense? As I explained, common sense (in Gramscian theory) refers to a normalized perception, a popular accepted sentiment that circumscribes the socio-economic conditions of society. This popular sentiment is not, of course, accepted because people democratically and peacefully want it. Instead, it is created through coercion and consent manufacturing. This embedded common sense comes into being through the equilibrium-seeking of the hegemonic classes. In that sense, as a central argument of this dissertation, I again emphasize that financialization refers to the reproduction of social order—meaning that it refers to the reorganization of property relations. Financialization as the reorganization of social order is accepted as common sense in current neoliberal society. This raises the question of: "how is financialization being accepted as common sense?" The answer lies in the reproduction of debt as the key foundational feature of neoliberal property relations and the capitalist mode of existence. Debt has been reproduced as a fundamental element of neoliberal financial hegemony.

David Graeber (2014) argues that debt constitutes the key foundational basis of society, not only in economic terms but also in moral terms. Debt is a mere obligation in which money plays an indispensable role (Graeber, 2014: 21). However, historically, debt has been constructed as a moral fact that everyone owes to a superior structure. Therefore, debt should be understood as a social fact, and as Graeber (Ibid., 22) puts forward, everyone is in debt to everyone else in a dozen different ways. In the economic sphere, to understand debt is to "follow the money." The circulation of money and the foundational basis of the financial system are not necessarily dependent on exchange but rather on debt. Graeber challenges the idea that money was invented to facilitate barter and exchange. He challenges the classical claim of Adam Smith (1776) regarding the necessity of the market as the key regulator of society.

In both classical economics and neoclassical economics, the existence of the market is accepted as common sense (Graeber, 2014: 46). Money is the necessary intermediary tool that facilitates the existence of this market. In classical economics—and more specifically in Smith's vision of an exchange society—the image of a small town in which everyone exchanges their products and sells their labour provides a narrative in which money has an apolitical role and serves only for the functioning of the market economy. In fact, anthropological studies show that stateless societies do not create a market economy that rules on its own. As Polanyi (1971) explains, primitive and stateless societies were historically dependent on the practice of distribution rather than exchange. In that sense, even in early kingdoms, money was used to keep records of debt and mutual obligation. Debt is thus the starting point of economic activities. Through a market mechanism, states can maintain a complex military system, supplying the necessities of armies from a range of options. It is therefore a governmental strategy to form markets. To create those markets, debt is a necessity. Not only does it provide the economic circulation of money, but it also engenders a set of moral obligations pertaining to the perpetuation of markets. Debt is also related to the state's judicial repressive apparatuses since anyone who is unable to fulfill their debt may end up in jail or face a variety of other judicial punishments. Therefore, debt exists with the state (Graeber, 2014: 54). The state is the key organization of hegemonic power that constantly reconstructs the markets, and it dictates the rules for money markets.

Graeber also puts forward an anthropological analysis that examines the history of indebtedness. Debt in many languages refers to a state of being guilty and in sin. Graeber says that the feeling of debt has existentialist roots that stretch back to the very beginnings of humankind, in the belief that we owe everything to others. In a mythological sense, humans historically perceived existence to be a debt owed to a divine authority. Humans thought they were in debt to the Gods for their existence. However, as time passed, the position of the Gods in this conception of debt was appropriated by the state (Ibid., 63). That notion of debt to the state has also changed over time, to a debt owed to society or the nation in the modern state structure. The current structure of the modern state and society imposes a magnified set of duties: we have a duty to pay the debt that we owe to our nation. Tax, for instance, is accepted as common sense; it is a form of debt that we pay to the state. This secular conception of debt to society began with the French Revolution and the Enlightenment movements and constitutes the contemporary basis of civic duty. Through these secular constructions of duty, debt has become a common sense that everyone in one way or another accepts as their duty to fulfill. The state then exists as the guardian of debt (Ibid., 71).

In contemporary capitalism, market logic operates through the assumption that everyone is equal in the market. The well-known approach of neoclassical economics, which perceives agents in the market as rational choice-makers, emphasizes that everyone begins their journey in the market in equal conditions (or in c*eteris paribus* conditions) (Jevons, 1975; Friedman and Friedman, 1990). In this framework, debt is also a result of rational actions; that is to say, it begins as the result of a voluntary performative act. When debt appears as part of an exchange, the market conditions determine its fate. If the debt comes from an institutional body, such as a banking system, the state acts as the guardian of that debt. Failure to pay back that debt will result in legal action. These are all accepted as common sense. “One has to pay her debt” is a commonly accepted moral expression of this market logic. This constitutes the link between citizenship and the market economy, which are both constituted by the state:

> On one side is the logic of the market, where we like to imagine we all start out as individuals who don't owe each other anything. On the other is the logic of the state, where we all begin with a debt we can never truly pay. We are constantly told that they are opposites and that between them they contain the only real human possibilities. But it's a false dichotomy. States created markets. Markets require states. Neither could continue without the other, at least, in anything like the forms we could recognize today. (Graeber, 2014: 71)

The state is the founder of markets and the monetary system. It is also the guardian of these socio-economic domains, and debt is the key foundational fact of these domains.

The banking system, monetary system, and all financial market tools have been constructed through debt, in an economic and moral sense. The capitalist mode of production and its state structure have reorganized this debt mechanism in accordance with the necessities of its property relations. Debt exists to facilitate ownership, the wealth accumulation of capitalists, and the exploitation of labour power. Then, what is debt in the final analysis? "Debt is just an exchange that has not been brought to completion" (Ibid., 121). The neoliberal financial system is built upon this simple starting point. Indebtedness must continue—it should never be brought to completion—so that the moral obligation of citizens must continue as well. Financial markets in the 21st century operate through the creation of the debt loop. One of my interviewees told me that the creation of the debt loop is the main strategy of financial institutions: "Debt loop is the key strategy to maintain the dominance of finance. Debt loop can only be maintained by offering people new tools of indebtedness, and the housing market constitutes the greatest share of these tools" (Interviewee 10).

Debt then plays a foundational role in the reorganization of the social order. It defines the boundaries of citizenry; it reproduces political and social codes. In a moral sense, it functions as a disciplinary mechanism through the popular sentiment of duty. That is why in general, debt is accepted as a normalized fact of social order. If financialization refers to the reorganization of property relations, it takes place through the reproduction of debt by a new global financial architecture. The financialization of capital—which usually occurs through the securitization of derivatives and the shareholder value of companies in the market—and the new patterns of ownership exist hand in hand, in a matrix in which financiers want to articulate everyone into the debt loop. Financial debt towards asset ownership, and mainly towards homeownership, is the new defining point of citizenship.

The construction of financial markets and the mechanism of individual responsibility, indebtedness for the sake of becoming a homeowner, and the moral obligation of being an asset owner are all accepted as common sense. In the meantime, we should keep in mind that the mainstream defenders of the market as the key regulator of society also assert that the rise of financial markets will be beneficial for everyone since everybody will be able to access the necessary financial tools to own assets. They even believe that growing indebtedness is due not to the current financial system, but rather to the failures of trusting the spontaneously functioning market. Through the necessary credit system, they believe that everyone will find a reasonable debt management option to enable asset ownership. Those who advocate a dependence on free market for credit systems, such as Niall Ferguson (2009), assert that one of the main reasons for poverty is the lack of necessary financial services. They claim that more finance will result in increased wealth and reduced poverty:

> Poverty is not the result of rapacious financiers exploiting the poor. It has much more to do with the lack of financial institutions, with the absence of banks, not their presence. Only when borrowers have access to efficient credit networks can they escape from the clutches of loan sharks, and only when savers can deposit their money in reliable banks can it be channeled from the idle rich to the industrious poor. (Ferguson 2009, quoted from Graeber, 2014: 389)

Hence, according to this neoclassical argument, the credit system and reliable banks are operating as a democratic "Robin Hood"-style mechanism that provides necessary funding to get rid of poverty. Poverty exists because some "bad guys" are corrupting the entire financial system.

As Graeber responds:

> What is Ferguson really saying here? Poverty is caused by a lack of credit. It's only if the industrious poor have access to loans from stable, respectable banks—rather than to loan sharks, or, presumably, credit card companies, or payday loan operations, which now charge loan-shark rates—that they can rise out of poverty. So actually, Ferguson is not really concerned with "poverty" at all, just with the poverty of some people, those who are industrious and thus do not deserve to be poor. What about the non-industrious poor? They can go to hell, presumably (quite literally, according to many branches of Christianity). Or maybe their boats will be lifted somewhat by the rising tide. Still, that's clearly incidental. They're undeserving, since they're not industrious, and therefore what happens to them is really beside the point. (Graeber, 2014: 385)

Hence, the mainstream economic approach to financialization argues that debt can be manageable. That is how debt management has also become a common-sense practice, so that everyone becomes responsible with their own personal risks. This is also what Foucauldians claim, when they argue that financialization is performative action that accelerates through the improvement of debt management skills. Capitalism's crisis management skills normalize the individualization of debt management as an embedded fact of life. Here, debt management refers to the management skills of capitalism; that is to say, in a Gramscian sense, hegemony always seeks a balance to perpetuate its existence, and we can call this balance-seeking a management skill of capitalist hegemony. Why does capitalism always seek a balance? The answer is an intrinsic fact of capitalism—that it constantly produces crisis. Crises are an intrinsic fact of capitalism, which according to Marx (1867) arise from the internal contradictions of capitalism. As Harvey (2019) points out, capitalism constantly produces crises; then it tries to find ways to manage those crises. It never solves crises, but it manages them by transforming property relations. Capitalism is also a social mode of crisis management, and this management skill operates through the creation of new equilibriums.

Debt management is associated with the socio-political management skills of capitalist hegemony. Since the rise of neoliberal capitalism, the social provisions that provided necessary compensations for education, healthcare, cultural activities, pensions, and housing in order to facilitate the life of workers have become an open target of neoliberal transformation. Peck and Tickell (2002) explain the assault on social provisions, worker's rights, unionization, and social welfare policies as the "roll-back" process of neoliberalization. This process is the brutal neoliberal hegemonic coercion described by Klein as "shock doctrine" (2007). Following the elimination of social opposition in many parts of the world, through either violent military coups and massive detention of opponents or social policy change, Peck and Tickell identify a new process called "roll-out neoliberalization." Roll-out neoliberalization refers to the insertion and structuring of neoliberal institutions.

Institutions of current global capitalism, such as the World Bank, IMF, and Organisation for Economic Co-operation and Development (OECD), have been reshaped for the sake of global competition, and a set of international agreements has been implemented to provide for the deregulation of financial transactions. In addition to these processes, Roger Keil (2009) identifies a complementary process of "roll-with-it neoliberalization," by which neoliberalization has become widely internalized by the subjects of global capitalism. He posits the emergence of a common-sense capitalism, in which people accept the ongoing dynamics of neoliberal hegemony as *a priori*.

This common-sense capitalism entails the existence of an equilibrium, not only for the internalization of dynamics but also to make subjects an active part of this common sense. Debt has been reproduced to articulate people into the common sense of neoliberal hegemony. Susanne Soederberg (2013) argues that neoliberal hegemony reproduces a new code of debt through state policies that normalize debt as an embedded fact. However, this new citizenry code is not an innocent economic dynamic that leads to more income. Instead, it refers to the normalization of inequality:

> Wrapped in the technical and economistic cloak of the official discourse of debt, states are able to represent their policy choices in natural (inevitable) and neutral (classless) terms, thereby reproducing the apolitical coding of debt. The economic representation and treatment of debt is a social construct, whose role and reproduction must be interrogated and explained. This is particularly salient as this narrative also hinders our ability to recognize and grasp the continuity, contradictions and changing forms and meanings of debt within and between various national and global spaces. The prevalent economic narrative of debt…also acts to conceal underlying relations of power: that is, inequality in

> all its forms, including gender, class, race and caste, exploitation, domination and resistance. (Soederberg, 2013: 537)

Debt is a new social reconstruction that systematically reproduces socio-economic inequalities. In that sense, the socialization of debt is encouraged by neoliberal state strategies and the accessible existence of financial tools. Debt has become an ordinary dynamic of life, constituting the financialization of life under neoliberal hegemony. The financialization of life then becomes common sense, with a new creditor-debtor relationship that is predominantly associated with the discourse of asset ownership. As I referred to in the work of Graeber, debt to divine authority was appropriated by the state and reconfigured as debt to the state, society, or nation. What we are now witnessing in the 21st century is a new transition, from debt to society to debt to the global financial architecture. This transition does not mean the disappearance of the state in the regulation of financial markets; rather, it entails the increased interconnectedness of financial markets through intergovernmental agreements and global networks. It is again states (mainly the G-20 countries) that form and shape global financial mechanisms.

As Lazzaratto (2015) argues, the current financial system is constructed on the fact that debt has increasingly become a blurred domain since the new form of financial markets eliminated the traditional credit-debtor relations. The securitization of derivatives and the financialization of capital that function to breed more fictitious capital engender a financial system in which one's debt can be sold and bought by investors. Hence, one's debt is now a financial instrument in the market. This means that when we agree to take risk to obtain credit from a financial institution, we inadvertently accept that we are in debt to the global financial system. That is why, according to financiers, "people have to be in debt" (Graeber, 2014: 380). Also, this debt must be maintained by several financial tools: first and second mortgages, credit cards, student loans, consumer credits, and so-called entrepreneurial loans all aim to keep people in financial debt mechanisms. Neoliberal financial hegemony even categorizes citizens in accordance with their ability to manage their debts. Credit scoring and dividing society into percentiles based on their ability to pay debts are accepted as common sense by subordinated populations. Having a high credit score is perceived as a form of prestige among the members of neoliberal society. In fact, these are the different faces of hegemonic coercion.

I thus identify financialization as a form of equilibrium-seeking by the neoliberal hegemony. The hegemonic relations of financialization have become common sense in neoliberal societies, not only in the sense that finance is everywhere and dominates through stock exchange, shareholder value, banking, and hedging, but also in the sense that it is now a societal phenomenon that is taken for granted thanks to state policies that prioritize the profit-making of certain financial corporations and elites. As a result, financialization has been widely normalized since the late 1990s, and it is now tied to the dream of asset ownership. This consent for ownership maintains financialization as the hegemonic force of neoliberalism. Thus, it is now popularly accepted that without having potential financial power, asset ownership will remain only a dream. In fact, there are also financial inclusion programs that provide financial tools for many people to own property. However, all of these practices increase the total indebtedness in a society, and the increasing debt creates various social problems related to inequality; hence, it poses a global risk to everyone. Once debt becomes a prevalent tool, it produces a debt loop.

2.4. Conclusion

This chapter identifies financialization with respect to property relations—meaning that financialization (in its neoliberal form) cannot be fully understood without deciphering its link to existing property relations. What distinguishes neoliberal hegemony from the previous trajectories of the capitalist mode of existence is its increasing association with assetization. As Kean Birch (2015: 96) highlights: "[A]ssets provide an income; they are not just a commodity which can be exchanged for money from customers. Commodities are produced explicitly for market exchange." The majority of commodities are subject to the demand and supply mechanisms of the market. That is to say, the value of a commodity may increase or decrease depending on market conditions. However, the value of assets is not directly determined by market conditions. While the demand for a product may decrease, the value of an asset may remain the same or even get more valuable. That is why commodification and assetization are not necessarily the same thing. However, this does not mean that they are not linked to one another; commodification and assetization work hand in hand, since assets can only exist with a market in which they can be bought and sold as commodities. In other words, assetization cannot happen without the commodification of life necessities (essentially, housing, health services, and other social provisions). Assets generate income (mainly in the form of rent) and a feeling of security. Assetization therefore remains the key object of agents in the market under neoliberal hegemony.

Although I acknowledge the importance of the discourse of entrepreneurialism that has circumscribed the world for more than two decades, a new entrepreneurial spirit or a new rationality based on an enterprise society cannot solely explain the composition of capitalism in the 21st century. The emergence of a competitive society, the rise of human capital investment, and the rhetoric of creative work all exist in a hegemonic spectrum that is linked to new property relations. For this very reason, I argue that financialization refers to a new hegemonic technique of neoliberalism that aims to bind everyone into the rent-maximization of certain elites through new property relations. Assetization and financialization now co-exist, and finance capital aims to appropriate the surplus value created by workers through the streams of assetization. This strategy of appropriation has reproduced the meaning of debt, and indebtedness to the financial mechanism has become the new normal and new rationality of the world.

Within the framework of this assetization-finance-debt nexus, housing is now the most important asset that drives global financial flows. The next chapter will focus on the financialization of housing vis-à-vis the reproduction of indebtedness. The reorganization of the social order begins with the colonization of social space by financial markets.

Chapter 3: The Financialization of Housing: A New Hegemony Through the Transformation of Property Relations

As I suggest in the first chapter, financialization refers to the reorganization of the social order around the notions of asset ownership and debt (whether it be moral or economic). Increasing asset ownership brings about a new citizenship that accepts indebtedness as a normalized mode of existence. Also, the neoliberal hegemony aims to make everyone indebted and keep them in the debt loop. As Manuel Aalbers (2017: 546) points out, there are three major approaches to explaining the meaning of financialization: financialization as a regime of accumulation, financialization as the rise of shareholder value, and financialization of daily life. I touched upon these approaches in Chapter 2. Financialization as a regime of accumulation encompasses a wide range of different perspectives, from Harvey's accumulation by dispossession to Sassen's high finance as a predatory formation. In any case, this approach indicates that financialization leads to a new strategy of capital accumulation based upon a new form of property relations. Approaches that conceptualize financialization as the rise of shareholder value examine the global impact of finance capital by following the money of multi-national corporations. Those that focus on the financialization of everyday life observe the impact of finance capital on the daily lives of people. This latter approach deals with the normalization of financialization, financialization as a new governmentality, and financialization as entrepreneurialism. These approaches have common and divergent points, but across all of them, housing plays a significant role. In this chapter, I discuss the literature on the financialization of housing, which has increased since the global financial crisis (GFC). I argue that the housing market is the primary target of financialization since housing constitutes the most crucial element for the reorganization of society through the transformation of property relations.

3.1. Situating housing in political economy

It is necessary to explain the importance of housing for financialization. This necessity stems from the direct involvement of financial markets in housing markets. As Aalbers points out, “housing is a key object of financialization” (2017: 544). The question is, why is housing significant for financialization? Housing is important for financialization because it plays a crucial role in the reorganization of society. Since the hegemony of capitalism maintains itself by constantly transforming property relations, the transformation of ownership and the politico-economic structure that organizes the housing market and dwelling conditions inevitably instigate a new type of social order. In other words, financialization brings about a new social order that perpetuates the capitalist hegemony by transforming the housing market.

Housing is not merely a shelter. It is a commodity that stands at the core of property relations. It is the product of real estate markets in capitalist economies. Housing has a use-value, a value that we attribute by using it, and an exchange-value, a market value that serves to create a stream of profit-making for certain people. However, housing has a crucial point that distinguishes it from other commodities. It is a fixed commodity that occupies land on earth, and for this very reason, its production is limited by several conditions based on land acquisition, judicial regulations, climate, and soil condition. Therefore, housing is inevitable subject to the demand and supply conditions of the market economy. Under market conditions the value of housing is always determined by its externalities such as its location, proximity to business areas and the quality infrastructure in the vicinity of its location and these externalities are the key factors that shape the demand and supply for housing. (Harris and Lehrer, 2018). Even though the materials used in the construction of a house has a considerable impact on its value, in principle the external socio-economic and physical conditions have greater impact on the determination of value of a house.

The literature on the meaning of housing and the housing market is diverse, but the inception point that situates housing within discussions of political economy is widely accepted to be the writings of Engels. In *The Housing Question* (1872), Engels investigates the conditions of working-class housing during the heydays of 19th century industrial capitalism. This period of industrialization was of course linked to the mass dispossession of agricultural producers and artisans from their land and artisan works and the proletarianization of these crowds in the cities of England. Marx (1976: 875-6) explains this process using his concept of “primitive accumulation,” through which the commodification of labour power takes place under the so-called name of “free labour.” The crowded living conditions of the English working class in the major cities of the industrial revolution attracted the attention of Engels, leading him to examine the origins of those conditions under the capitalist mode of production. Engels writes that: “as long as the capitalist mode of production continues to exist, it is folly to hope for an isolated solution to the housing question or of any other social question affecting the fate of workers” (1872: 73). Therefore, as Madden and Marcuse (2016: 6) argue, the housing question, as Engels implies, is embedded within the structures of class society. One cannot adequately assess housing without considering the socio-economic conditions of a society. In the capitalist mode of production, the main motivational force that shapes social relations is production and circulation of value in the cycle M … M’. Housing in capitalist society is thus generally perceived as a commodity that is reproduced, shaped, and controlled in accordance with the requirements to keep the cycle from M to M’ going.

3.1.1. Housing, between being a shelter and a commodity

Housing is, first of all, a form of shelter that satisfies a social need. Everyone wants to acquire housing for a safe and comfortable life.[10] In principle, housing ought to be considered a component of basic human rights since accommodation is a fundamental need of life. Madden and Marcuse accentuate the use-value of housing by drawing on a discourse of ontological security:

> [Housing] is a universal necessity of life, in some ways an extension of the human body. Without it, participation in most of social, political, and economic life is impossible. Housing is more than shelter; it can provide personal safety and ontological security…. The built form of housing has always been seen as a tangible, visual reflection of the organization of society. It reveals the existing class structure and power relationships…. More than any other item of consumption, housing structures the way that individuals interact with others, with communities, and with wider collectives. Where and how one lives decisively shapes the treatment one receives by the state and can facilitate relations with other citizens and with social movements. No other modern commodity is as important for organizing citizenship, work, identities, solidarities, and politics. (Madden and Marcuse, 2016: 12)

[10] The discussion of comfort may divert from housing's quality of being a safe shelter. In principle, comfort is what everyone seeks in their lives, and it constitutes the principal motivation of consumption. Jan de Vries, in *The Industrious Revolution* (2008), examines the role of consumption in the economy, and he argues that one of the primary motivations that leads to consumption is comfort-seeking. There are indeed many motivating factors for consumption, but comfort-seeking is the leading one. Everyone seeks to enjoy a minimum level of comfort. One of the key reasons why households accede to borrowing mortgage credits is to meet their demand for comfortable shelter. This comfort-seeking is a significant feature of economic life since the manufacturing of consent for risk-taking may also stem from the dream of living in comfort.

Therefore, there are two sides of housing: on the one hand, it is a need, a universal necessity and social and ontological security-provider; on the other hand, it is a politico-economic commodity that constantly reproduces the social relations in society. In the capitalist mode of production, it serves to reproduce the social relations intrinsic to class society. In a similar vein, Aalbers (2014) also points out that "housing is central to the matter of social reproduction, and not only insofar as the domestic sphere is where much of the work of social reproduction occurs. The—literally—vital imperative of housing to social reproduction helps explain, in large part, the persistence and power of the discourse of a "right" to housing, as opposed, pointedly, to the "right to buy and sell it." In the capitalist mode of production, housing plays a key role in the continuation and reproduction of social relation—not only for the reproduction of economic accumulation and the inequalities linked to it, but also for the reproduction and reconfiguration of all kind of social relations and inequalities, such as gender inequality, ethnic conflict, uneven accessibility to social provisions, and spatial inequalities.

If we accept that housing plays a key role in the reorganization of society, we need to analyze this role. This role may be understood within the framework of Lefebvre's theory on the production of space. Lefebvre's examination of the production of space focuses on the hegemonic relations that produce and reproduce space. According to Lefebvre, the production of space cannot be evaluated without an understanding of the dialectical socio-economic relations in a society. The capitalist hegemony is the hegemony of one class (Lefebvre, 1991: 10), and according to Stefan Kipfer (2008), Lefebvre aims to construct a theory of urbanization based on this problematic of hegemony: "In Lefebvre, Gramsci's problematic of hegemony thus becomes explicitly urbanized" (Kipfer, 2008: 198). Lefebvre argues that capitalist hegemony aims to insert the bourgeois culture (the roots of which are immersed in commodification) into everyday life. As Kipfer explains, this means that capitalist hegemony constantly shapes everyday life in order to diffuse the bourgeois culture: “Everyday life is central to the production of capitalism insofar as it is saturated by the routinized, repetitive, familiar daily practices that make up the everyday in all spheres of life” (Ibid., 199). Lefebvre does not believe that hegemony refers to a one-dimensional standardization of society; rather, the problematic of hegemony encompasses differences, confrontations, dialectical processes, and consensus. In other words, the hegemonic transformation of everyday life occurs through the equilibrium-seeking of capitalist hegemony. Common sense does not refer to the passivity of people; instead, it involves a dynamic relationship of coercion and consent manufacturing.

Lefebvre argues that the produced social space is the one in which we live with many different dimensions of life. He explains social space using his concept of the perceived-conceived-lived space triad (1991: 40). “Perceived space” refers to the spatial aspect of space. For Lefebvre, this space is society's space (Ibid., 38); it is the space where all social relations, in the sense of experiencing the public domain, exist. It is a dialectical space that we experience; thus, different actors and processes from all walks of life produce the material conditions of social space. “Conceived space” is tied to the representation of space. For Lefebvre, this space is conceptualized space; it is the space of planners, urbanists, sub-dividers, and social engineers (Ibid., 38–9). This space is linked to the procedures of governmental practices and regulations. It is the dominant space that we experience. “Lived space” is the affective-symbolic space (Kipfer, 2008: 200).

The dominant form of space under capitalism is abstract space (Ibid., 200). Capitalist hegemony aims to produce space as an abstract entity, i.e., as a commodity. Lefebvre uses the concept of abstract space to refer to Marx's theory of capitalism since Marx argues that capitalism work by abstracting and alienating labour power to produce commodities with exchange-value. It is possible to say that abstraction is intrinsic to the capitalist mode of production. Lefebvre accepts that the capitalist mode of production transforms social space into the abstract space of exchange-value, and this mode of production has its own socio-spatial configuration. Abstract space is a general term he uses to identify this spatial aspect of the capitalist mode of production. He states:

> Capitalism and neocapitalism have produced abstract space, which includes the 'world of commodities,' its 'logic' and its worldwide strategies, as well as the power of money and that of the political state. This space is founded on the vast network of banks, business centres and major productive entities, as also on motorways, airports and information lattices. Within this space the town—once the forcing house of accumulation, fountainhead of wealth and centre of historical space—has disintegrated. (1991: 53)

This shows that Lefebvre uses the term "abstract space" to explain the spaces produced by capitalist hegemony. Abstract space is constituted to facilitate the circulation of necessary flows of capital and commodities. The production of space, then, is a hegemonic process in which the dialectical conflict between the production of abstract space and social space constitutes the essence of everydayness. This dialectical process includes various actors, as well as the consensus and confrontation that emerges between these actors. Therefore, the production of abstract space (as the abstraction of labour in CMP) depends on the class conflict between the hegemonic bloc and subordinated classes. However, this class conflict ends up with the consensus of these classes under a hegemonic rule. As Kipfer puts forward: "abstract space is hegemonic to the degree that it envelops and incorporates the daily aspirations, desires, and dreams of subaltern populations" (2008: 200). In other words, capitalist hegemony produces abstract space in a way that diminishes class conflict by manufacturing the consent of subordinated populations.

The production of abstract space includes various actors, including the state, planners, developers, and real estate people, as well as citizens. Space is always associated with the creation of new fictitious commodities, as well as capital. In this schema, space could be described as an instrument of power functioning with hierarchization. The hierarchization of space is linked to the socio-economic conditions of the people who are included in or excluded from capitalist society. Therefore, space is political, and it is the object of political and social processes, decisions, and abstractions (Lefebvre 2009: 170). Neither abstract nor social space is homogenous; rather, they specify various sets of relations: “In social space, heterogeneity is characterized by coexistence and simultaneity, in abstract space by hierarchies and fragmentation” (Aalbers, 2011: 41). The production of abstract space is thereby made possible with new relations of hierarchy, social relations as well as social distinction. The construction sector (including real estate investment trusts, developers, and planners) operates through a mentality of producing hierarchization. This means that the entire construction sector brings about a social product (Smith, 1996: 62). The social production and reproduction of abstract space is an indispensable element of capitalist advancement.

Housing plays a crucial role in the production of abstract space. Housing is a social space where the dreams and necessities of people meet. As R. Ronald (2008) indicates, housing as home and housing as commodity are different categories, but they co-exist together in a social context:

> Indeed, ‘home’ is the centre of individual and family life and forms a spatial domestic ideal. Homes provide a refuge from the world, a place of personal investment and play, and the backstage of personal life…. The commodification of housing and its circulation in a market means that wealth can be accumulated, stored and transferred between individuals

> and across generations. Houses can thus also constitute assets and investments. They are normally the biggest or only investment a household has. (Ronald, 2008: 11)

As the biggest investment of most households, housing is a key of object of capitalist hegemony. Capitalist hegemony aims to extinguish the social space dimension of home and attempts to convert it into an abstract space where the necessities of the hegemonic bloc are routinized and become everyday practices of life. That is why housing is significant for capitalist hegemony. Housing constitutes the most crucial part of the production of space, as it facilitates the reorganization and reproduction of everydayness. As a key property of capitalist society, housing is an indispensable element of the politico-economic sphere. The housing market is important for producing and reproducing everydayness. It is also important for forging a class alliance among capitalist groups since housing constitutes an important sector. The state plays the most significant role in the construction of the housing market, and currently in many developing and advanced economies, the housing market is seen as a stimulus of economic growth as well.

The production of housing as an abstract space thus represents an abiding strategy of the capitalist hegemony for providing jobs, transforming everyday life, and garnering more capital. As Aalbers and Brett Christophers point out: “Housing construction and development is an important sector in narrow economic terms, whether measured in terms of added labour-value and number of jobs created or in terms of contribution to the GDP” (2014: 4). However, this narrative of economic growth does not mean that people from all walks of life benefit from the economic growth based on the advancement of residential real estate market. In fact, the housing sector operates with an incentive of accumulating capital only for the hegemonic classes. Different types of land regimes, homeownership mobilizations, use of financial tools for the production of space, planning of space in accordance with the existent capitalist relations, and hierarchization of space are all outcomes of political processes. In a similar vein, homeownership is entirely connected to the processes of political, social, economic, and spatial (re)production of space. This interconnectedness makes homeownership subject to the state politics of juxtaposing and producing space. As Lefebvre argues:

> Space has become for the state a political instrument of primary importance**.** The state uses space in such a way that it ensures its control of places, its strict hierarchy, the homogeneity of the whole, and the segregation of the parts. It is thus an administratively controlled and even a policed space. The hierarchy of spaces corresponds to that of social classes, and if there are ghettos for all classes, those of the working class are merely more isolated than those of the others. (2009b: 188)

This analysis draws attention to how the state problematizes space to provide a system of capitalistic social distinctions related to the production of space. This type of social distinction is not only an object of urban planning and bureaucracy, but also a subject of concern for the construction sector, real estate sector, and all other sectors that provide the means and materials for the production of houses. At the same time, it is also a matter of economic concern as it relates to the use of public sources, privatization, and financialization. Lefebvre also asserts that:

> The critical analysis of the production of space acquires a practical interest, implying the study and the role of (private and public) construction as a decreasingly subsidiary branch of industry—the understanding of "responsible" institutions and the relations between "agents." The role of construction, of "real estate," as we call it, is no longer limited to an economic function; it goes as far as the elaboration of a space that removes from all (its users) the control of their everyday lives, redistributing the workforce according to the

> (changing) demands of neo-capitalist production, treating labour force as a “reserve” of energy, a flow of objects. (2009c: 203)

Space is transformed into a capitalist commodity, as well as a political tool for imposing hierarchical control on everyday life. Housing is then perceived as an abstract space by the ruling classes of capitalist hegemony, and this hegemony advances by creating hierarchization, social distinctions, and spatial segregation. In the final analysis, it is possible to say that housing is an indispensable feature of the relationship between the economic realm and social domain (particularly as it relates to welfare systems, which I will discuss further in Chapter 4. On the one hand, capitalism aims to transform housing into a pure market commodity; on the other hand, many people in the world want to acquire a house to own a shelter. However, as I explained in the previous chapter, a new type of property ownership reflects a new type of social configuration and equilibrium. This brings us to what we call the financialization of housing.

3.2. Defining the financialization of housing

Before defining the financialization of housing and the housing market in light of the production of abstract space and the reorganization of social order, it is necessary to look at the existing literature that explores financialization through variegated lenses. The literature on the financialization of the housing market incorporates a plethora of different perspectives, but all of them in one way or another deal with the question of increasing indebtedness. Financialization refers to a new type of hegemony that redefines the creditor-debtor relationship and reorganizes society based on debt management – and it is the financialization of the housing market that brings about the core factor that engenders this social reconfiguration through new property relations. I would like to classify the literature on the financialization of the housing market into four key categories. These categories designate different approaches to explicating the financialization of housing. There is a tendency to cover the financialization of housing as a phenomenon of the Global North; however, there is also a growing body of literature on the financialization of the housing market in the Global South. Studies in Brazil, China, and Turkey, in particular, cover variegated perspectives on the link between property relations and financialization.

Different approaches to the financialization of the housing market	**Key terms**	**Locational outlook**	**Key scholars**
Financialization of the housing market as a new regime of accumulation	Accumulation by dispossession, displacement, gentrification, mega-projects, social segregation, spatial fix, suburban growth	Gated communities, gentrified middle-class neighbourhoods, segregated neighbourhoods of working-class populations, mega infrastructure projects, massive suburbanization	Harvey, 1985, 2004, 2012; Lapavitsas, 2013; Newman, 2012; Sassen, 2012, 2017; Schwartz, 2009; Shen and Wu, 2017; Soederberg, 2011, 2014, 2018, 2019, Üçoğlu, 2019; Ward, 2018; Weber, 2010; Wu, 2015
Foucauldian approaches to the financialization of the housing market	Debt management as new biopolitics, entrepreneurialism as governmentality, individualization of risk, micro-finance institutions, mortgaged lives	Increasing indebtedness in the Global North and Global South, Global South cities as new inter-referencing points	Karaman, 2013; García-Lamarca, 2017; García-Lamarca and Kaika, 2016; Lazzarato, 2011, 2015; Rossi, 2017; Roy, 2010
Approaches to new patrimonial capital and housing	Changing phase of capitalism in 21st century, new patrimonial capital, wealth accumulation	The concentration of wealth in the hands of a few in G-20 countries, the rise of housing as the key middle-class investment in both the Global North and Global South	Maclennan and Miao, 2017; Piketty, 2014; Stephens, 2017
The contribution of financial geography to the existing literature on the financialization of the housing market	Financialization of homeownership and landlords, financialization of rental housing systems, financialization of real estate investment trusts, financialization of housing as a governmental strategy	The local and global actors, processes, and strategies that play key roles in the financialization of the housing market; developmentalist state-led financialization of housing, particularly in developing countries; the rise of REITs in financializing the housing market	Aalbers, 2011, 2016, 2019; Aslan and Dincer, 2018; Erol, 2019; Fields, 2015; Karwowski and Stockhammer, 2016; Rolnik, 2013, 2019; Walks, 2011, 2012, 2016

Table 2. Various Critical Approaches to the Financialization of Housing

All of these approaches to conceptualizing the financialization of housing have significant points in common, as well as points of divergence. Crucially, all of these approaches recognize that the increasing indebtedness of households has a great impact on the new finance-housing nexus. The link between increasing indebtedness and housing constitutes the core of the current financialization process, and that is why it is possible to say, with reference to Aalbers (2011), that housing is the key object of financialization. The financialization of housing is not an agentless process; rather, it entails various actors, including financial institutions, global investors, planners, real estate corporations (together with construction companies and developers), states, and households. Housing then appears as the key object for articulating subaltern populations into debt mechanisms.

The neoliberal hegemony has constructed a new type of property relations grounded in a new perception of profit-making. The entrepreneurial discourses and competitive aspect of neoliberal society stem from this new perception. It comprises the transformation of conventional value creation into the extraction of rent. Rent rather than industrial surplus value production has predominantly become the ordinary business of capitalism in the 21st century. As Kean Birch (2019: 4) puts forward, contemporary capitalism operates through the reconfiguration of ownership patterns. This reconfiguration derives from the fact that rentiership is commonly grounded as a common sense. Birch says:

> The configuration of ownership is an example of rentiership or the capture of economic rents. Generally economic rents are the value that can be extracted from economic activity—broadly conceived—as the result of ownership and control of a particular resource (or asset), primarily because of that resource's inherent or constructed productivity, scarcity, or quality. (Ibid., 4)

Therefore, the reorganization of social order through financialization goes hand in hand with the reorganization of ownership patterns; ownership (or assetization) has become a source of rentiership through which the asset-owner may seek more extractive rent and politico-social prestige. In the meantime, rentiership through ownership may become an investment strategy of households or a dream of middle-class patrimony, as housing constitutes the biggest investment of households. Many classical economists have examined the problem of rent and criticized it as a malady of the market economy. David Ricardo and Thomas Robert Malthus conceptualize rent theory as a malady of the market economy. In their time, rent was broadly associated with the ownership of land, and from their perspective, land-rent poses an obstacle to maintaining the market in a proper order. John Maynard Keynes, in a similar vein, criticizes rentiers. He asserts that rentiers must destroy themselves, if they really want a well-functioning market (Keynes 2007). By the 20th century, rent had already acquired a new meaning associated with inherited wealth, financial asset ownership, and ownership of several houses. However, as Birch (2019) asserts, what we have witnessed in the last three decades is the rise of all kinds of assetization and ownership as a new type of rentiership based on the extractive and innovative aspects of capitalism. This configuration of ownership patterns and assetization leads to the concentration of assets in the hands of a few corporations.

Rent-seeking plays the most significant role in the process of assetization. Rent-seeking refers to a special privilege-seeking by corporations or those who own the monopoly of resources and scarce assets. It is an outcome of political processes that facilitate speculation through ownership, particularly for people close to the political authorities. It encapsulates a hegemonic privileged status, wherein the injury to others is greater than the gain to those who obtain rents (Haila, 2015: 55). In other words, rent-seeking refers to crony capitalism or the ultimate monopoly-seeking of hegemonic classes striving to maintain their hegemony. It takes place not only through land-rent but also through the privatization of scientific knowledge, patents, and the pharma industry: “Plutocratic corporations are patent hoovers, buying thousands of patents. It is a winner-takes-all market created by the regulatory apparatus, not market forces” (Standing, 2016, from Birch, 2019: 5). Hence, financialization has a regulative impact on market forces for the sake of the establishment of new rentiership. Rent extraction, then, constitutes the ground for financialization to reorganize the social order.

In light of this explanation of the changing phase of ownership patterns, it is now possible to claim that the financialization of housing entails the shaping and reshaping of capitalist society by the dynamics of new ownership patterns—and that housing is now the key asset used to carry out this transformation. The extractive facet of financialization leads people to indebtedness, which refers to the extraction of economic rent from the future labour of subordinated populations. In a similar vein, Hardt and Negri argue that: “capitalist accumulation today is increasingly external to the production process, such that exploitation takes the form of expropriation of the common” (2011: 137). By “common,” they mean all of the material wealth that human societies have, including products, materials, fixed assets, and any kind of thing that we produce by changing nature.

In fact, there is one more contentious point that needs to be put on the table. If the financialization of housing is the key object of the neoliberal financial hegemony, how does it pull in subordinated populations? As I mentioned, the hegemonic bloc operates through rent-seeking, and by constituting an economic domain that extracts the natural resources, technological innovations, and future labour of people. The financialization of the housing market encapsulates all of these three aspects of extraction. It involves the extraction of natural resources since building massive housing projects requires several resources; it involves the extraction of technological innovations since the financialization of housing goes hand in hand with the development of new financial technologies; and it involves the extraction of the future labour of people since housing has become the key investment of households—and this investment takes place through mortgage debt. As I said in Chapter 2, with reference to Graeber, debt is an incomplete exchange that one has to complete in one way or another. However, the financial system (through its new innovations) aims to extract more economic rent from the future labour of people; that is why this debt is always reconstructed through new financial tools. The rent-seeking of the hegemonic bloc stems from this innovative composition of finance capital. In the meantime, its hegemony over the production of space is a dialectical process, and the common sense to create an indebted society is brought about through three strategies: normalization of rent-maximization, promotion of homeownership, and exclusion of the poor.

The rent-seeking of the hegemonic bloc forges rent-maximization as a common sense. When rent extraction becomes the normalized way of advancing in capitalism, it inevitably circumscribes everyday life. Rent-maximization is the use of properties to acquire the highest possible rent (Haila, 2015: 58). It is the way through which individuals articulates themselves into the normalization of rent extraction. The housing market, in that sense, provides the necessary conditions to form a financial hegemony over society. This hegemony reorganizes everydayness through mortgage debt, homeownership dreams, and the struggle to obtain proper shelter. The financialization of housing is a process through which the dialectical struggle to reconfigure everydayness and ecological conditions takes place. In that sense, this process entails the increasing indebtedness of households, and this crescendo of household debt operates within new creditor-debtor relations. A variety of key strategies and innovations are used to financialize the housing market, including: asset-based securitization, predatory lending, direct governmental strategies to financialize housing, and massive suburbanization.

3.3. Mortgage-based securitization: How does it work?

The most well-known strategy to financialize housing is mortgage-based securitization (MBS) (or asset-based securitization), which curtails the classical creditor-debtor relationship. Mortgage markets used to be very strict and conservative until the 1970s, as governmental housing policies historically aimed to provide necessary shelter for everyone—or at least help disadvantaged communities through the provision of social housing. At the very least, this was the case in many parts of the world. However, beginning in the 1970s, a neoliberal urban policy shift and the deindustrialization process brought about a new rationality to produce and reshape urban space. This new rationality prioritizes the profit-seeking of financial corporations and real estate investment trusts (REITs) through a set of privatization strategies and mortgage deregulation.

Securitization is a technique invented in the 1970s, which aims to convert fixed assets into liquid assets (Gotham, 2012; Immergluck, 2009, Soederberg, 2014; before then, securitization only happened between financial paper investments). Securitization subsequently became a widespread practice, particularly in the 1990s. It serves to provide the necessary financial liquidity for further financial asset accumulation. This expansion of liquidity involves "making traditionally immobile contracts, such as mortgages, liquid or mobile and tradable. With mortgages securitized they could be traded, leading to the disappearance of the original creditor-debtor relationship" (Bello, 2019: 61)[11]. Furthermore, shadow banking is also as crucial as formally known creditors. Insurance

[11] https://www.tni.org/files/publication-downloads/global_finance_-_state_of_power_2019.pdf

companies and trusts that were formerly known just as investment funds (e.g., Goldman Sachs, AIG), or REITs, now act as creditors and players in the "gamble" of securitization swaps and transactions—now called shadow banking. This dimension of financialization encompasses several technical terms from the provinces of banking, investment funds, and financiers.

Securitization has two main components that enable illiquid assets to circulate as liquid assets. On the one hand, it is associated with creative bookkeeping and corporate sophistication. On the other hand, it is about leveraging the risk of financial institutions through the investment strategies of big funds. Suppose that Company X (bank, government agency, low- or high-risk broker, REIT) is a mortgage lender. Company X has capital that is worth $500 million, and it wants to distribute that capital in the form of mortgage loans. It sells 500 credits, with each credit priced at $1 million, with an interest rate of 5 percent and a loan period of 10 years. If none of the borrowers defaults on their loans, all 500 of them will generate a volume of $300 million over 10 years. Company X, however, can expect there to be some failure in loan repayment, or it may want to issue additional mortgage loans without waiting for 10 years to pass. Since it has already exhausted its huge fund of $500 million, it wants to decentralize the risk of its assets and create a new volume of capital to lend more mortgage loans.

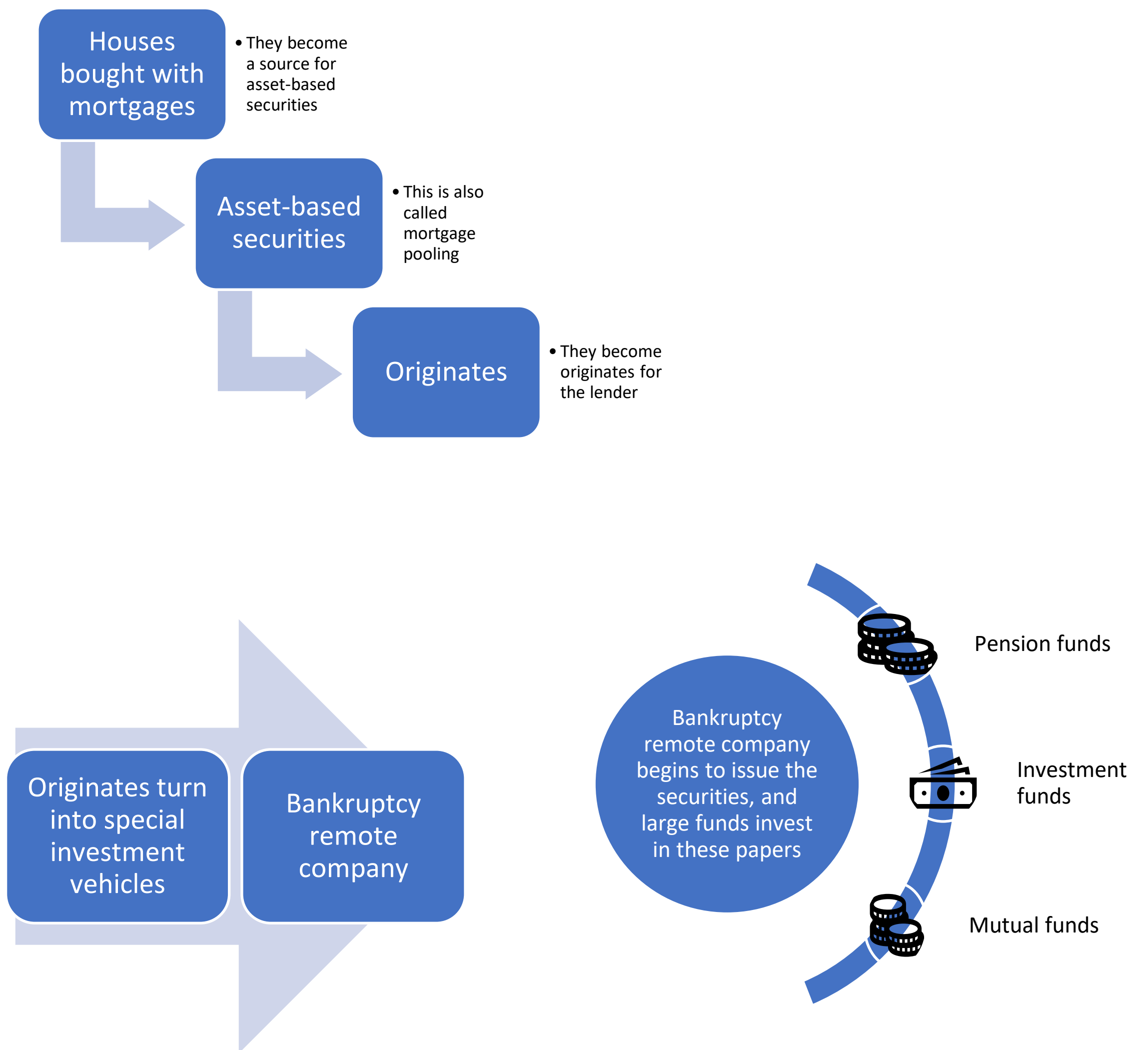

Figure 2. The circulation of financial money during the securitization of mortgage credits

In this case, Company X conducts creative bookkeeping: it founds a new company in its body, which is usually called a bankruptcy remote company (BRC). In this example, I will refer to this new company as BRC X. Being bankruptcy remote, BRC X has now a special legal status that ensures its failure will not have an impact on the corporate body of Company X. In a process that is called mortgage pooling, Company X passes its mortgage assets to BRC X in the form of future securities and papers. The mortgages in this pool become the originates of BRC X, which converts them into special investment vehicles. BRC X then issues the papers for those securities to big funds that seek new investment opportunities. It uses leveraging (borrowing with less risk and a long term, but lending with higher risk and a shorter term) to increase its profit. Investment funds, mutual funds, hedge funds, pension funds, and other banks buy the papers issued by BRC X.

This process is called the securitization of credit. Mortgage-based loans become an investment tool of big funds, and through this financial innovation, the lender securitizes its mortgage loans with creative bookkeeping. Through this process, BRC X collects some $500 million-plus in financial profit. BRC X shifts that money back to Company X, which begins to lend mortgage credits again. If Company X conducts this procedure four times in a given period, it will generate a volume of $2 billion-plus in financial profit[12]. This process changes the traditional meaning of credit-debtor relations. People who pay their mortgage debts may think that they are paying their financial institutions; however, their money may actually end up in the hands of big investment funds as a result of securitization. The system then is composed of a very complicated network, which increases the risk for everyone involved since any failure of any major actor creates a domino effect. Moreover, as Sassen (2012) notes, all of these operations take place on a digital platform, where these papers may pass from one hand to another in just a few seconds.

This financial innovation provides necessary mortgage funds to maintain demand for the real estate sector. The process illustrates a very sophisticated interwoven network, which draws links between housing as a social necessity and the different actors of the financial system. Thanks to the complexity of this system, housing becomes the most important global asset, and housing prices do not drop in most cities. Indeed, the devaluation of housing would signal a crisis. To support this

[12] This part has inspired from Peter Linneman's (see in the references) explanation of securitization.

process of financial money-making, housing prices must continue to increase with considerable haste. That is to say, affordability is no longer a concern for this network.

3.4. The financialization of housing through predatory lending

As mentioned in Chapter 2, Piketty and his followers aim to define the contemporary form of capitalism as a patrimonial phenomenon based on asset-ownership (mainly real estate). However, they disregard three points in their analysis:

1) Their definition of middle and lower classes is not sufficient to class formation in a society. Not all members of the middles classes ultimately own a house,; i.e., in certain countries and cities, the number of rental housing units exceed the ownership rate. Also, Piketty and followers' analysis depicts no place for or dream of ownership among the lower classes. Thus, their analysis does not account for the conditions of people in global slums (Davis, 2005). Nor does it cover swings in the patterns of ownership in different countries, even though Piketty claims that his formulation of patrimonial capital is a universal fact. Although I acknowledge the importance of his analysis as a cutting-edge approach to explain the ongoing course of capitalism, it overlooks the ownership patterns in many parts of the world.

2) Piketty and his followers do not really delve into the details of how financialization plays a crucial role in widening income and wealth inequality. They mention that financialization fosters social problems and income disparities, but they do not explain this in detail. In fact, they position financialization as an upper- and middle-class issue that has nothing to do with the lower classes of society. They thus overlook the practices and literature on financial inclusion and micro-finance institutions. Financial inclusion is a new financial invention for articulating the urban poor into financial mechanisms by offering them a dream of ownership. Secondary mortgage lenders and

micro-finance institutions operate with a motive of drawing the lower classes and immigrants into financial debt mechanisms.

3) They also overlook the fact that housing is not only a form of patrimonial capital, but is also an asset for financial institutions, as I explain above through the case of securitization. The asset-ownership dream of households is actually the subject of investment by big funds. Hence, Piketty and followers offer no comment on the changing form of creditor-debtor relations that, rather than patrimony, constitute the core of current financialization.

It is important to emphasize that financial inclusion operates as a key ingredient in the financialization of the housing market. Martin Sokol (2013) identifies financial inclusion as "exploitative inclusion" because it aims to grab the highest potential share of the worker's salary. This inclusionary (also exclusionary) strategy inevitably leads to the rise of predatory lending. Deregulation in mortgage markets has also engendered several financial innovations, including predatory lending; as a result, competition has been introduced into mortgage markets that were previously tightly controlled (Madden and Marcuse, 2016: 28). For example, NINA ("no income, no assets") loans and NINJA ("no income, no job, no assets") loans have both been introduced into mortgage markets as financial innovations (Ibid., 28–9). Predatory lending has become a widespread practice in neighbourhoods where people are not able to qualify for mortgage credit from regulatory markets. This predatory lending is commonly encountered under the banner "subprime loans," which scholars have scrutinized as a key driver of the financial crisis of 2007–2009 (Aalbers, 2012; Dymski, 2012). According to Aalbers (2012: 5), the issue is not only the spread of subprime loans but also where that predatory lending leads us: subprime cities. Aalbers defines emerging subprime cites as: "cities modeled by the flow of capital in and out of neighborhoods" (2012: 6). He explains: "This dynamic of making profits on the production and indeed reproduction (or revitalization or gentrification) of the built environment has resulted in suboptimal or subprime cities" (2012: 6). The key driver of this problem is unequal access to conventional financial services.

According to Aalbers, there are four main reasons for the rise of predatory lending in the domain of homeownership. Firstly, the current financial system operates through a strategy of redlining, which excludes many people based on their economic, social, ethnic, and racial profile. Redlining is an exclusionary strategy that aims to create a social scale by which financial services are distributed or restricted. It refers to the racialization of space, particularly in economies where it is getting harder than ever before to access the housing market. These exclusionary strategies lead to the emergence of "secondary" financial tools that allegedly facilitate access to financial systems—i.e., predatory or subprime loans. Aalbers (2012) writes that:

> Decades of financial deregulation have not resulted in wider access to mainstream financial services, but in a two-tier banking system with mainstream finance in most places next to a landscape of financial exclusion and predatory lending where banking services and the number of banking accounts have declined while fringe banking (pawn, shops, lenders, etc.) and predatory lending flourish…. The old geography of place-based financial exclusion (redlining) has not disappeared, but has been replaced—and to a large extend reproduced—by a new geography of predatory lending and overinclusion…. Subprime lenders exploit uneven development that resulted from these earlier rounds of urban exclusion. (Ibid., 6)

The second reason for subprime lending is tied to urban-based class exclusion. Subprime lending leads to an urban crisis, and at the root of this crisis there exists what Aalbers calls "the real estate/financial complex (akin to military/industrial complex) that fuelled both (sub-) urbanization and financialization" (Ibid., 7). The growth machine (Logan and Molotch, 1987) works with an upgraded regime of accumulation, which turns urban life into a domain of rent extraction. The extractive motive of the real estate/financial complex (which I will go into in greater detail in the next chapter) thus transforms cities into subprime geographies.

The third key driver of subprime lending is the housing bubble—the sum of REIT construction strategies, pricing strategies, and peoples' dreams and motivations to become homeowners. These different strategies lead to more construction projects; the proliferation of more construction projects produces a pressure on existing housing prices. As a result, housing prices never go down, and people inevitably need financial tools to buy a house.

Finally, there is the securitization process, which I explained in the previous section. Aalbers specifically refers to the literature on global cities (Sassen, 2001, 2004, Langley, 2007) and asserts that such financial command centres produce financial innovations related to securitization and the send those techniques out to the rest of the world. Wall Street and many other global financial districts operate for this very reason.

These are the key reasons that account for the growth of predatory lending in the financialization of housing. This predatory lending was the key ingredient of the financial crisis of 2007–2009. Now it is also leading to subprime urbanization.

3.5. The financialization of the housing market as a governmental strategy

In many analyses, the financialization of the housing market is also evaluated as a governmental strategy. This analytic approach, of course, deals with the role of the state and state institutions in the regulation of mortgage markets and housing markets. There are three key areas of focus related to the role of the state in coordinating and managing (or benefiting from) the financialization of the housing market: 1) the use of the housing market by American politicians to instigate a global leverage system to perpetuate the financial hegemony of the United States (US); 2) the developmentalist strategies employed by countries in the Global South to catch up to the West; and 3) a new version of growth machine theory—a new coalition in which finance capital plays the most significant role.

3.5.1. The financialization of the housing market as a US strategy

In his historical analysis of American partisan politics and their links to the discourses of homeownership and housing market exaltation, Herman Schwartz (2012) develops the argument that the financialization of the housing market serves as a tool for the American state to maintain its hegemony on the global stage. According to Schwartz, the American state maintains its hegemony through a chain of globalized leveraging created out of the securitization of the housing market. In other words: "the US state supported a global leveraging up of the US economy in which the US borrowed short term at low interest rates from the rest of the world, while investing back into the world on a long-term high-return basis" (Schwartz, 2012: 54). Thus, the American state decided to use financial leveraging as a global financial network, in which each step of the leveraging process has become globally tied to others. To achieve this, the American state has used the securities produced out of American homebuyers' mortgage loans. The Asset-based securities Asset-based securities (ABS) produced in the US mortgage market has become a global leveraging product that draws the whole world into the gears of financial mechanisms. This process, on the one hand, has improved the global power of the US economy—a hegemony explained by Leo Panitch and Sam Gindin in their book *The Making of Global Capitalism* (2012). On the other hand, it has tied most of the global financial system into the fates of American debt payers. The idea behind this strategy is to construct a housing-led economic boost, supported by the American governmental mortgage institution, the Federal National Mortgage Association ("Fannie Mae"). The purpose is to reassert American global hegemony by injecting mortgage securities into global financial markets. Housing has been chosen as the key element for this hegemony; it is easy to convince potential homebuyers to go for mortgages, so these mortgages can find a place in the global market through securitization. It is once again the promotion of assetization that plays the key role in this strategy.

3.5.2. The financialization of the housing market as a developmentalist strategy

The financialization of the housing market is also used as a developmentalist governmental strategy, in order to articulate a country's national economy into global financial markets. This strategy involves attracting foreign direct investments. Housing plays a crucial role in this developmentalism because it can provide a temporal economic boost by producing and reproducing the urban space.

In global discourse, developmentalism is used as an agenda of global capitalism to foster the economic conditions of developing countries. It is an agenda supported by the United Nations Development Programme (UNDP) and the Economic Commission for Latin America and the Caribbean (ECLAC). This strategy of global developmentalism is often associated with the structural reform discourse that came out of the Washington Consensus[13]. Here, the idea is to

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[13] Washington Consensus is term invented by John Williamson (1990), and it mainly refers to the expansion of Washington D.C. based institutions (e.g. IMF and World Bank) onto to the global economy to promote the so-called good governance in order to boost the articulation of late comer economies into the world economy. The term is often associated with globalization and neoliberalism.

provide so-called sustainable economic growth and reduce poverty. However, as Henry Veltmeyer and Raúl Delgado Wise (2018: 42–3) point out, neoliberal developmentalism encompasses the strategies of "inclusive development" and natural resource extraction. "Inclusive development" entails the well-known rhetoric of neoliberal hegemony, social policy to eliminate poverty, investment in human capital, and structural adjustments towards good governance. These neoliberal strategies have never actually worked for the purpose of eliminating poverty; instead, they have primarily fostered the extraction of natural resources (Ibid., 43). One of the key strategies to articulate the developing world into the global economy is to use their natural resources as a leverage point, so that necessary capital for the establishment of good governance may in theory be shifted to these countries. In fact, what results in reality is the destruction of ecological balances, the dependency of developing countries on foreign direct investments, and the detrimental effects of the extractive nature of financialization that destroys the resources of the world.

Institutional economists strongly advocate this governance model. Scholars such as Daron Acemoglu and James A. Robinson (2012) argue that the failure of nations in the economic domain stems from the lack of inclusive institutions that operate with autonomy. While Acemoglu and Robinson (2019) claim that the extractive economic model leads to poverty, they argue that it does so because it is not supported by a well-functioning institutional framework and financial markets. In fact, in their early writings, they even defend the colonization of new lands through the British settler model (Acemoglu, Johnson and Robinson, 2001). According to Acemoglu, Robinson, and Simon Johnson (2001), British colonization was successful in founding inclusive institutions and financial markets, which enabled the creation of prosperity in countries such as Australia, New Zealand, Canada, and the United States. They argue that if colonization is supported by a strong institutional framework, it can lead to prosperity. They even cite neoliberal guru Friedrich Hayek

(1960) and agree with his assertion of the superiority of British common law: "Friedrich A. Von Hayek (1960) argued that the British common law tradition was superior to the French civil law, which was developed during the Napoleonic era to restrain judges' interference with state politics" (Acemoglu, Johnson and Robinson, 2001: 1372). They assert that thanks to this British common law, former British colonies have better property rights and financial markets (Ibid., 1373). Therefore, for these scholars, property rights and the institutionalization of the economy around the protection of property rights and financial markets are the primary elements for eliminating poverty. They claim that poverty exists due to a lack of strong institutions. In their defense of British-style colonialism, they do not offer any fundamental objection to extractive economies; they simply assert that the extractive economy must be formulated in a way to protect property rights and to prevent rent-seeking. This optimistic sentiment, which suggests that inclusive institutions will protect people from the damages of extraction, advertently praises the colonization of lands. In other words, the colonization of new lands must be supported as long as it establishes a good governance model.

Institutional economists suggest that at a global scale, there needs to be good governance to reduce poverty through the establishment of properly functioning institutions that protect property rights and financial markets. Thus, the colonial model has morphed into a global governance model, in which global institutions such as the World Bank and the IMF play a crucial role. In principle, developing countries open their resources to global extraction, and as long as this process is supported by strong institutions, there will be no poverty. Many governments in developing countries have embraced this mentality and worked closely with global institutions. However, the result has been the increasing indebtedness of these countries together with massive construction and extraction projects that are tied to global financial markets. Developmentalism in many countries has turned into crony capitalism, and the housing market currently plays a leading role in the perpetuation of this state-driven developmentalist economy. On this front, institutional economists suggest that the failure of the good governance model that leads to crony capitalism stems from a lack of an institutional legal system, which allows some plutocrats and bureaucrats to corrupt the system (Acemoglu and Robinson, 2012). The problem is that these researchers do not grasp the extractive nature of colonialism that exists, regardless of efforts to establish an institutional framework. The colonial mentality operates for the purpose of dispossessing and settling geographies where many communities and nations already reside. Establishing an institutional framework will not curtail this reality. As Raymond Williams (1973) suggests, colonizing the land to extract greater economic value is a global imperial project. Hence, developmentalism can be considered as a new colonialist project, in which domestic governments take the initiative of facilitating rent extraction for the benefit of the global financial hegemony.

Institutional economists fail to consider that developmentalism does not only occur in developing countries, where according to them there is a lack of institutional governance. Following rapid deindustrialization in many mature capitalist economies, economic growth through (sub)urbanization and the housing market has also become widespread in developed countries. Financialization of the housing market has become a developmentalist model to provide a stream of wealth accumulation for the sake of economic growth. The purpose of developmentalism in that sense is to prioritize economic growth above all other necessities of the economy. Many developing countries and mature capitalist economies have adopted this developmentalist strategy over the last three decades, and crony capitalism also exists in these countries. In many parts of the world, massive housing projects, particularly in the form of massive suburbia (Güney, Keil and Üçoğlu, 2019), have become a tool for rapid economic growth. In China (Shen and Wu, 2017, Zhu and Wu, 2019), suburbanization has become a new tool of capital accumulation. In Turkey, urban gentrification projects (Kuyucu and Ünsal, 2011; Türkün, 2016) and massive suburban projects (Güney, 2019; Üçoğlu, 2016, 2019) have become key governmental strategies for economic growth. A similar process is also underway in Manila in the Philippines (Ortega, 2016) and in Johannesburg, South Africa (Rubin and Charlton, 2019). In a parallel vein, the developmentalist strategy to boost the economy through housing has also become a priority of provincial or local governments in many parts of the world. In Canada, Toronto's local government and Ontario's provincial government have supported an economic boosting policy that prioritizes the capital accumulation of certain elites in the realms of construction and finance[14].

3.6. The financialization of the housing market and its global impact

The financialization of the housing market thus refers to a direct strategy by finance capital to articulate homeownership into financial markets. Through this articulation, the extraction of rent (through either indebtedness or land colonization/resource extraction) can become a global investment tool in global financial markets. Therefore, the hegemonic relations that create a new social order instigate an everydayness based on mortgaged lives, new ownership patterns, and rentiership. The result is the accumulation of wealth in the hands of a few and the accumulation of debt by the majority in society. In the meantime, wealth has increasingly become concentrated in real estate. Real estate capitalism is now the primary investment strategy, particularly for

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[14] In order to understand the global perspective of the financialization of housing, it would be necessary to give a credit Raquel Rolnik's latest book *Urban Warfare: Housing Under the Empire of Finance (2019),* Rolnik in this book focuses on how the financialization of housing has become a global problem and how this problem has led to the rise of global housing crisis. In fact, to her, the globalization of the Anglo-Saxon homeownership model (which proceeds with the globalization of mortgage credits) is the key reason of increasing homelessness and unaffordability.

households. Several indicators demonstrate that real estate is now the key-way to park money in fixed assets, such that accumulates wealth for the sake of certain groups in society.

According to Credit Suisse's latest report on global wealth (2018), aggregate global wealth has reached 317 trillion USD. This aggregate number includes both financial assets and non-financial assets. Global wealth counts all of the accumulated savings of individuals and households, including housing and other fixed assets (e.g., office space, agricultural land, and vacant land; hence, real estate in principle) and financial assets (e.g., treasury bills, stock papers, and other financial investments). In many countries, this wealth exists in the form of real estate (there is no specific indicator on the type of real estate in this case, but most exists in the form of residential real estate), and the percentage of real estate is generally higher than the share of financial assets in aggregate wealth (except in the United States). In the meantime, the total value of real estate in the world reached 280.6 trillion USD by 2017, according to data provided by Savills Global Property Experts (2018). The value of residential real estate in this tally is 220.6 trillion USD, while agricultural real estate (27.1 trillion USD) and commercial real estate (33.3 trillion USD) account for the rest. The value of total financial instruments is 183.3 trillion USD, with 105.3 trillion USD existing in the form of debt securities and the remaining 83.3 trillion USD existing in the form of equities.

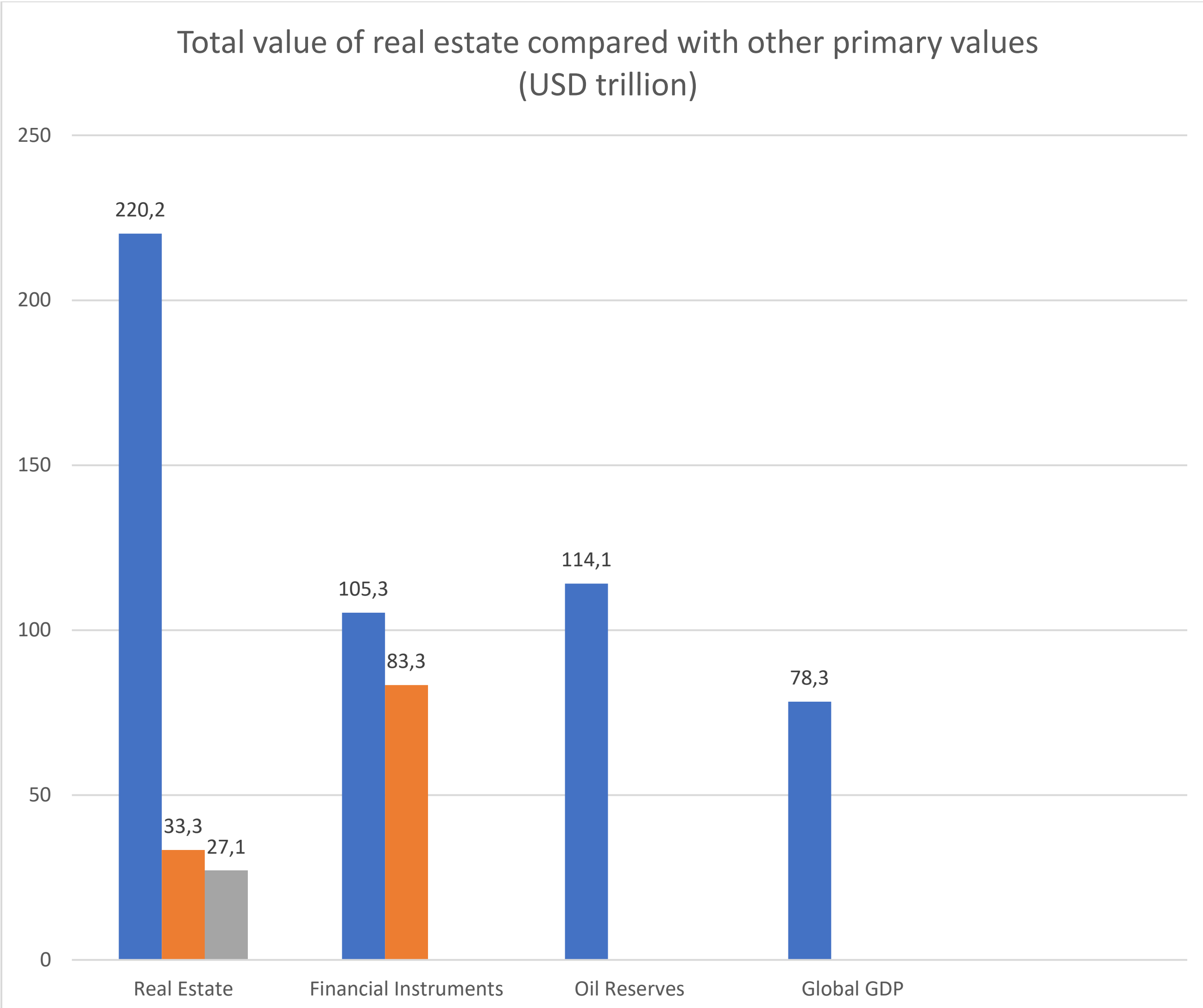

Figure 3. The total value of real estate compared with other investment and resources (USD trillion). This excludes the flow of currencies. The "Real Estate" category includes: residential real estate value (in blue), commercial real estate value (in orange), and agricultural real estate value (in grey). The "Financial Instruments" category includes: debt securities (in blue) and equities (in orange). Source: Savills Global Property Experts: https://www.savills.com/impacts/market-trends/8-things-you-need-to-know-about-the-value-of-global-real-estate.html

Figure 3 also illustrates the importance of the valuation scale of real estate in the global economy. This valuation scale leads to an increase in total debt since ownership of real estate occurs through debt mechanisms (if the property is not inherited). Hence, the total debt of societies is increasing at a global scale. In mature economies, the ration of private credit to GDP has been rapidly increasing since the early 2000s and developing countries have been experiencing a parallel increase in aggregate credit usage since the 2010s.

10 high income countries		10 developing countries	
Australia	121.71	Bangladesh	45.53
Belgium	91.59	Brazil	66.50
Canada	126.56	Chile	72.68
France	114.30	China	128.53
Germany	96.81	India	49.41
Italy	123.51	Panama	67.54
Ireland	168.06	South Africa	68.52
Japan	108.36	Thailand	115.88
Netherlands	195.86	Tunisia	69.28
United Kingdom	157.96	Turkey	57.75
United States	176.85	United Arab Emirates	60.32

Table 3. Ratio of private credit to GDP (percent) in high income and developing markets in 2013. Source: Global Financial Development Database, World Bank, and Federal Reserve Bank of St. Louis

The data in Table 3 shows the ratio of private credit by deposit banks and other financial institutions to GDP in designated countries. According to this data, the economy in already developed countries is now anchored by financial debt mechanisms. In the meantime, emerging markets are also increasingly connected to the financial credit system. This data also shows that credit volume is expanding at a much higher rate than GDP growth in many developed countries, while the development of private credits is also gaining momentum in developing markets. For example, in Turkey in 2003, this ratio was around 13 percent; in 2013, it had reached nearly 58 percent. This example demonstrates the rapid pace of debt accumulation.

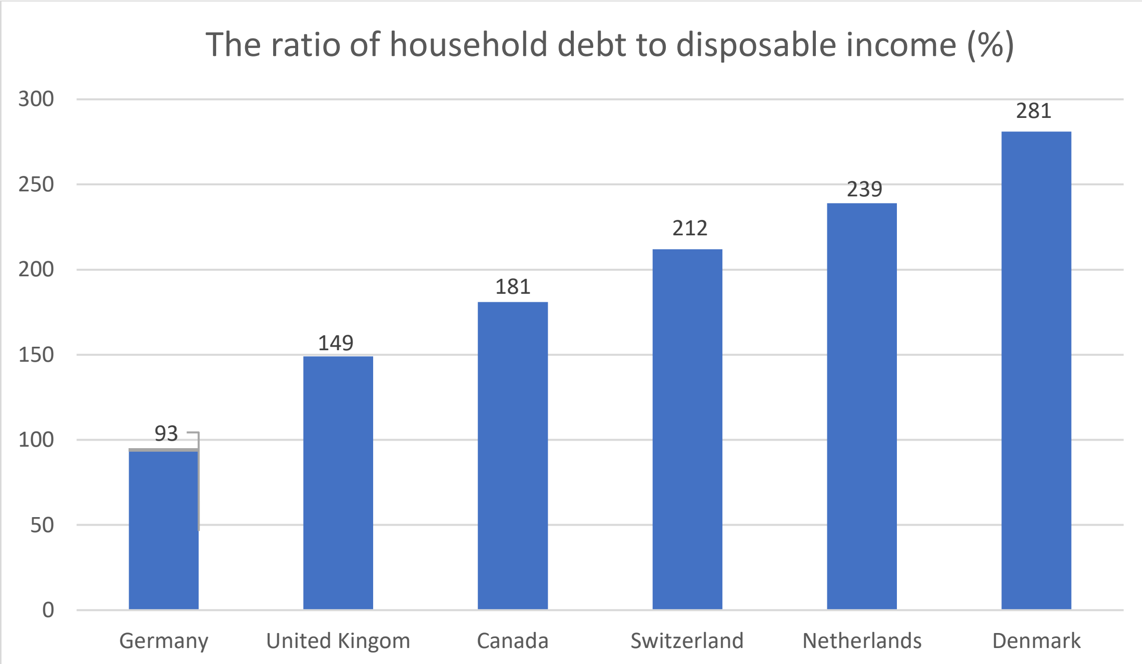

Figure 4. The ratio of household debt to disposable income (percent). Source: OECD Database for Household Debt: https://data.oecd.org/hha/household-debt.htm

Figure 4 illustrates another important indicator: the ratio of household debt to disposable income in selected countries. These countries are considered to have the highest quality of life, as rated by the OECD Better Life Index. This ratio is also increasing day by day in developing countries. For instance, in the emerging economy of Turkey, the household debt to disposable income ratio rose from 7.5 percent in 2003 to 48.8 percent in 2012 (Ayhan, 2018: 7). Mortgage credits constitute a considerable share of household debts. According to the data provided by the Bank of Canada, 71.4 percent of Canada's household debt was comprised of mortgage credit in 2018. Therefore, mature economies have been accumulating debt (mainly through real estate) for a very long time, and developing economies are now following in the footsteps of these mature economies at a rapid pace. The accumulation of wealth and debt leads to the emergence of an economy in which wealth inequality is highly felt, as socio-economic inequality causes the extreme enrichment of the top 10 percent of societies, whereas the remaining 90 percent acquires very little in comparison. As of

2019, the richest 10 percent of the world population owns 82 percent of global wealth (Credit Suisse, 2019).

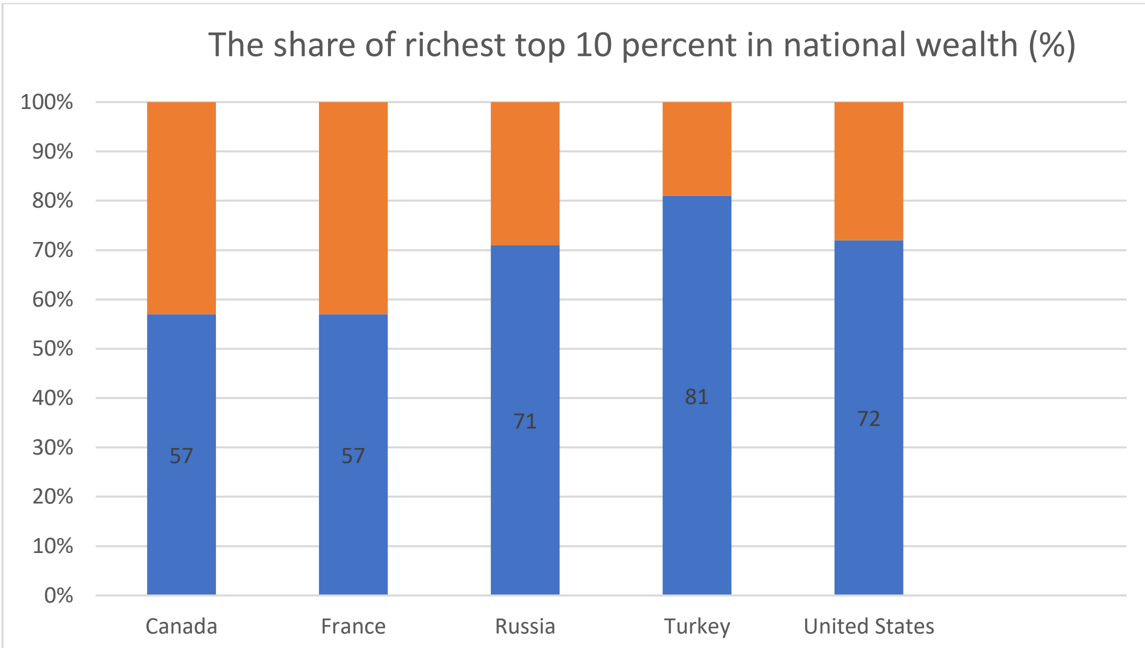

Figure 5. The share of the national wealth owned by the richest top 10 percent in selected countries. Source: Credit Suisse Report 2018 and World Inequality Report 2018

As Figure 5 shows, wealth inequality is increasing in many parts of the world, with most wealth accumulating in the hands of the top 10 percent within societies. In fact, within the top 10 percent, the top 1 percent owns much more than the subsequent 9 percent, as the *World Inequality Report 2018* puts forward (Piketty et al., 2018). A similar chart could be drawn for national income as well. National income refers to the annual revenue of households minus debt. National wealth refers to the financial assets plus real assets (principally housing) owned by households, minus their debts (Credit Suisse, 2019). “Minus debt” is important for understanding the calculation of wealth because even though a household may own a house, it may not be counted as part of their wealth if they are paying mortgage debt. That is why the top 10 percent owns the majority of wealth, since in principle, those wealth holders do not have the stress of paying debt. The accumulation of wealth in the hands of the top 10 percent within societies and the accumulation of debt in the hands of the remaining 90 percent lead to a huge income disparity, not only at a domestic level but also at a global level. Since the majority of accumulated wealth is garnered in real estate, it is possible to say that real estate has become the key object of global wealth accumulation. Hence, global financial flows and the dominance of the global financial system in turning these fixed assets into liquid assets accelerate with the purpose of asserting a hegemony of top classes.

3.7. The housing crisis and social segregation

One of the key problems related to the financialization of the housing market is the increasing existence of a housing crisis at a global level. Madden and Marcuse (2016) define this crisis as a lack of proper affordable housing in many cities. The unaffordable housing market structure is now a widespread problem in major cities, and at a global level, it contributes to a chain of social problems, including homelessness and social segregation. The ongoing greed of financial markets to maintain financial flows through residential real estate leads to the propagation of massive construction projects, which are used to speculate assets by investors or households that seek rent-maximization. For this very reason, housing prices constitute a crucial point for understanding the impact of financialization. In order to perpetuate this speculative economy, housing prices must be kept at a level that at which people may be convinced to join this financial game. That is why the increasing rate of housing prices is a crucial indicator for showing the volume of speculation in a city or region. This speculative side of financialization is also supported by a narrative of "negative future," which according to Graeber (2014) is a key narrative for convincing people to enthusiastically participate in the speculative economy. This narrative suggests that "in the near future capitalism will collapse and everything will be upside down". This pushes subordinated populations to act as rapidly as possible to invest in assets. It also illustrates one of the main motives of people for taking risk for asset ownership and for becoming potential rentiers. In parallel, one of my interviewees told me: "even though there would be many alternative policies, the media is capable of convincing people that there is no alternative to existing housing market model" (Interviewee 2). The speculative housing market increases housing prices, and the existence of the housing bubble decreases affordability. According to the popular housing price index prepared by Knight Frank, housing prices increased by 11.2 percent in Turkey and 8.9 percent in Canada by the end of 2017, compared with the previous year (Knight Frank, 2018). This level of increase also signals the potential value and volume of speculation, and this calculation of speculative rent-maximization constitutes the manufactured consent for the finance-housing nexus.

However, there exist several socio-ecological costs of this hegemonic process. In many global-city regions, the homelessness rate is increasing due to the prioritization of tax money to boost the economy for further real estate projects. The collected tax is utilized to fund speculative projects rather than make affordable housing available. Currently, there are 8,200 homeless people in Toronto, and 3,200 of them are still waiting for supportive housing (Homefirst, 2019). In the meantime, the increase in the number of low-income families also means that in many global cities, the rate of homeownership remains steady or is decreasing (I will deal with this situation in the chapter on Istanbul). Another key aspect of this process is neighbourhood-level segregation. More and more gated communities are being built in cities, particularly in suburban areas. These gated communities exist either in the form of ethnic community mass housing or as housing projects that are gated by security units and surveillance systems (I will deal with the rise of gated communities in the next chapter).

3.8. Conclusion: The financialization of the housing market as common sense?

The bodies of literature that I discussed in this chapter all describe a new reorganization of social order, a new kind of society, and also a new kind agency with a new type of class structure. While acknowledging the importance of diverse approaches, I argue that the financialization of the housing market constitutes the basis of neoliberal hegemony. This hegemony operates as a mode of existence that circumscribes all units of life through its mechanisms of exclusion, inclusion, normalization, and consent manufacturing. However, unlike the Foucauldian literature, which places great emphasis on the emergence of a new culture of agency with an entrepreneurial spirit, I argue that the normalization of financialization occurs through the normalization of new property relations. It is not possible to evaluate financialization without taking new property relations and urban dynamics into consideration. In fact, Piketty also forwards an explanation focused on the emergence of a new middle-class culture associated with property ownership, while placing crucial emphasis on the agency of class culture.

As I touch upon in the next chapter, neoliberal urbanization is a violent process of hegemony construction. In fact, the key problem here is whether or not a hegemony can manufacture the consent of subordinated populations by violence. In the case of neoliberalization, the manufacturing of consent happens through changes to the welfare system and the promotion of homeownership as the ultimate fact of life. As Gramsci (1971) highlights, hegemonic relations are also associated with prestige-seeking. Asset-ownership is presented as a source of social status and prestige. The new ownership patterns and the presentation of housing as a sign of prestige are reflected in the suburban developments of the 21st century. The next chapter will deal with the link between financialization and suburbanization.

Chapter 4: The Suburban/Financial Nexus: Suburbanization Has Become the Key Driving Force of Financialization

In this chapter, I will deal with two key points that are significant for understanding the ongoing process of the financialization of housing. The first point relates to the agents that bring about the finance-housing nexus. As I said before, the financialization of housing is not an agentless process; hence, it is important to mention in a concrete sense the agents of this process. The second point relates to the increasing link between financialization and suburbanization. The financialization of housing massively occurs through a new phase of suburbanization, which we can identify as a global reconstruction of the periphery (Güney, Keil and Üçoğlu, 2019).

The argument that I put forward in this chapter is that the current suburbanization process has become the key target of financialization, and financialization instigates a new suburban reality that is circumscribed by massive housing and mega infrastructure projects. Therefore, this chapter discusses the link between the neoliberal financial hegemony and suburbanization. Critical scholarship on suburbanization has proliferated over the last decade. Inevitably, the debate on how to define the current global urbanization process brings to the table a variety of discussions related to regional economy, suburban expansion, suburban infrastructure, and the suburban housing market. Although I acknowledge the importance of these diverse discussions, I explain the current suburbanization process by focusing on its relationship to wealth accumulation and the "debtfare" regime. The financialization of the housing market is the key dynamic in a reconfiguration of society that occurs through the societal transformation of ownership and rentiership — and this reorganization of social order takes places in a suburban-financial nexus. In this chapter, I explain the composition of this suburban-financial nexus.

I begin by describing a new approach to explaining the role of financialization in shaping human geography. This approach is called "financial geography." Hitherto, I have attempted to construct the theoretical background of this dissertation by developing the linkage between financialization and property relations. It is now necessary to examine the actors and processes that financialize housing, as well as to demonstrate the role of suburbanization in the financialization of housing. On this point, financial geography constitutes the literature to which this dissertation aims to contribute.

4.1. A financial geography approach to the financialization of housing

As I illustrated in Chapter 2, critical scholarship on the financialization of the housing market touches upon diverse points of the process. One of the most important themes on this matter is the securitization of mortgage credit, which is seen as a key process in the financialization of the housing market. The chain of leveraging and converting housing into a global financial liquid asset is not only a matter of financial money-making; it is also a matter of the changing role of actors in the creditor-debtor relationship (Aalbers, 2017; Lazzaratto, 2015; Soederberg, 2018). At the same time, it is important to keep in mind that the financialization of capital, particularly as it relates to shareholder value, also has great importance. The financialization of capital, which I explored in Chapter 1, is a process that breeds financial money out of the investments of firms or households. The rise of shareholder value is tied to the financialization of capital since the capitalization of non-financial firms and their operations are now subject to the metrics of financial market dynamics. In other words, the rise of shareholder value provides a means of articulating into financial markets to enrich the volume of economic rent extraction. The rise of shareholder value allows firms to accumulate more financial wealth since they can issue their shares in financial markets, and those who seek to make a financial investment may join the economic rent-extraction process through shareholder value production.

Here I emphasize that actors in the housing market are predominantly tied to the financial system through either shareholder value or debt mechanisms. Real estate investment trusts (REITs), construction companies, shadow banking financial institutions, and global risk management corporations are all tied to the shareholder value system. Multi-national corporations (MNCs) that operate in mining, construction, and other sectors related to housing are also tied to the system of shareholder value production. Residential capitalism (a term that I use to refer to the segment of real estate capitalism that encompasses only residential units or houses) is thus one of the key targets of financial markets since the shareholder value production of firms entails investment in economic rent extraction.

One of the key problems for studies on the financialization of housing relates to the identification and categorization of the agents of this process. The agents and politico-legal processes associated with the financialization of housing may differ from one country to another or from one global-city region to another. As researchers strive to understand the agents and politico-legal structure of this process, a newly growing body of literature on financialization has gained prominence in recent years. Specifically, the literature on financial geography has been drawing the attention of critical scholars working in the field of economic geography. Financial geography, as a sub-discipline of human geography, aims to bring together studies on the spatiality of finance capital under an umbrella of variegated global approaches to financialization. Aalbers (2019) identifies financial geography as the intersection point of economic and urban geography. Financial geography represents a new attempt to illustrate the impact of financialization on human geography; it also investigates the flows of finance capital in a global spatial context. In particular, after the financial crisis of 2007–2009, the literature on the financialization of daily life, of housing, and of household indebtedness has proliferated. Financial geography, as a field of study, aims to encapsulate this diverse literature, drawing together different approaches to examine the link between spatial configuration and finance capital. This umbrella approach has provided a prominent tool for describing and criticizing the financialization of the housing market, changing aspects of financial creditor-debtor relations, and the rising indebtedness of households through mortgage credits (Aalbers, 2011, 2014, 2016; Lapavitsas, 2013; Moos and Skaburskis, 2010; Walks, 2013, 2014; Simone and Walks, 2016; Wu, 2015; Ionnus and Wojcik, 2019). These studies not only explore rising indebtedness, they also expose the changing forms of financial relations that emerge through the financial commodification of household and social use-values. In other words, this umbrella approach attempts to comprehend the metabolic processes through which finance and urbanization interact and transform each other.

The purpose of this new approach is to grasp how financialization brings about a new socio-spatial configuration through the spread of financial profit-seeking and the conversion of use-values into financial exchange-values. This literature has a wide portfolio since it deals with different intersections of the finance-space configuration. For instance, the configuration of tax havens for the financial accumulation of non-financial firms through onshore and offshore transactions is a crucial subject of analysis in this approach (Haberly and Wojcik, 2014; Crofts and Sigler, 2018). The prominent role of global financial centres and shadow banking in the global financial crisis has also been analyzed intensely (Wojcik, 2013; Bassen and van Meeteren, 2015; Ioanou and Wojcik, 2018). The financialization of the housing market and everyday life have also been essential topics of inquiry for financial geography (Fields, 2015; Soederberg, 2018; Walks, 2016). In sum, financial geography aims to explain the processes, actors, social conditions, and existing realities of the finance-space configuration—and it includes all studies that examine such topics through a similar methodology.

The financialization of housing constitutes a crucial part of the subject matter of financial geography. Not only is the financialization of housing a process that can help one understand the role of finance capital vis-à-vis property relations, but it also gives necessary clues for investigating how different actors participate in the financialization of life with different motives. From the point of view of financial geographers, the financialization of the housing market encapsulates six interwoven processes that reveal the ongoing commodification of social use-values and life:

1. The financialization of housing reveals the variegated forms of neoliberal urbanization and the roles of various actors in that urban process (e.g., the state, firms, REITs, shadow banks). These actors play a crucial role in sustaining neoliberal capitalism through urban growth by converting urban use-values into financial exchange-values (Aalbers and Christophers, 2014; Bourdieu, 2005; Weber, 2010).
2. The financialization of housing reveals how people are being articulated into a regime of indebtedness (Lapavitsas, 2013; Soederberg, 2013).
3. The financialization of housing is perceived as a new regime of accumulation that leads to social segregation in urban areas (Aalbers, 2016; Rolnik, 2013; Walks, 2014, 2016).
4. The financialization of housing is associated with the rise of problems that pertain to the neoliberal production of space, i.e., increasing unaffordability, housing crisis, neoliberal gentrification, and the assault on social housing (Fields, 2015; Madden and Marcuse, 2016; Rossi, 2017).
5. The financialization of housing is linked to the investment strategies of individuals and rentiers; hence, it involves speculation as a mode of making profit.

6. The financialization of housing functions as a state strategy that ties real estate mechanisms into the growth machine. It is a developmentalist strategy that is becoming widespread in developing economies through the implementation of large-scale residential projects and mega infrastructure projects (Flyvbjerg, 2014; Guney, 2019; Zhu and Wu, 2019).

One of the challenges of examining the agents and politico-legal processes that circumscribe the financialization of housing is identifying those agents in the first place. The agents of this process may differ from country to country. Although there might be similar actors across cases, such as the REITs and banks, there are also divergent actors, vis-à-vis the national urban systems of countries. Hence, when studying the financial geography of housing, it is important to understand that the financialization of housing across different contexts involves both similar and divergent processes. By the same token, Aalbers emphasizes that: "Housing financialization… is not primarily about showing which place is more financialized; it is about understanding the process by which financial actors, markets, practices, measurements, and narratives are increasingly becoming dominant" (2019: 5). Elucidating the agents and processes involved in the financialization of housing requires investigating different cases. Case studies are necessary to identify the similar and divergent agents and processes that financialize housing. In fact, case studies present a lot of socio-economic differences for consideration since the socio-economic and politico-legal structures of mature capitalist economies and developing countries diverge. However, the existence of such differences does not mean that these two categories of development—mature capitalist economies vs. developing economies—present no points in common for understanding the financialization of the housing market. In fact, the developed world and developing economies learn from each other, and they use inter-referencing in urban planning and in regulating the economy of space production (Roy, 2011).

Most case studies on the financialization of the housing market focus on the production of space through financialization in mature capitalist economies since there is a general assumption that mature capitalist economies have more sophisticated financial systems for articulating people into financial leveraging mechanisms. Recent works on the financialization of the housing market predominantly deal with the cases of New York City, Toronto, Vancouver, London, Milan, Amsterdam, and Sydney. These studies are crucial since they reveal the sophisticated composition of the financialization process, as well as the actors that aim to financialize the housing market at the cost of creating an indebted society. However, after the global financial crisis of 2007–2009, the focus on financialization has shifted to the developing world, where a developmentalist mentality is driving a massive rebuilding of urban space in many developing countries. Various scholars from the developing world are now studying massive urbanization and suburbanization projects in various Chinese cities, Dubai, Istanbul, Johannesburg, and Sao Paolo. However, as Isil Erol (2019) asserts, these studies are still not sufficient for developing a generalized theory of the financialization of housing in developing countries. Erol suggests that, “to gain a broader understanding of the variegated nature of housing financialization, it is important to carry out more case studies in developing countries and define the financialization process in different national and local contexts” (2019: 724). In other words, more case studies are needed to explore the variegated forms of financialization. These case studies are important not only for defining how housing is financialized, but also for comprehending how financialization reproduces a new social order in different local contexts.

For this very reason, this dissertation deals with the cases of Toronto in Canada and Istanbul in Turkey. From a financial geography perspective, I assert that it is helpful to conduct more comparative studies to draw out the similarities and differences in cases from developing vs.

mature capitalist economies. From this perspective, my comparative analysis of Toronto and Istanbul offers a significant contribution to the literature of financial geography. However, before I draw this comparison, I must highlight a few points to make that comparison more meaningful. I begin in the next section of this chapter by developing a general theoretical framework for identifying the hegemonic bloc of the financialization of housing. Then, I explore the metabolic relationship between the financialization of housing and contemporary suburbanization process. I focus on this metabolic relationship from the perspective of hegemonic relations.

4.2. Defining the real estate/financial complex (REFCOM)

From the perspective of financial geography, it is important to categorize and identify the agents and processes involved in the financialization of housing. This is not an easy task, since the agents and processes vary depending on the specific country and city that one looks at. In fact, what is needed is a general theoretical framework for exploring the similarities and differences across variegated cases of housing financialization. To develop this framework, I will build upon Aalbers concept of the real estate/financial complex (REFCOM), which he coined to describe the ongoing connection of real estate and financial markets. Aalbers defines REFCOM in two ways: (1) He indicates that REFCOM is akin to what Harvey (1985) describes as the military/industrial complex—a strategy of capitalist hegemony to fix the economic crisis through industrial investment in military equipment and armaments. The military/industrial complex even refers to the military actions taken by states (wars and operations) to defer economic crisis. (2) He positions REFCOM as a concept to be used by researchers in the fields of critical urban studies and urban political economy to analyze the hegemonic bloc constituted by the state, housing real estate markets, and financial markets.

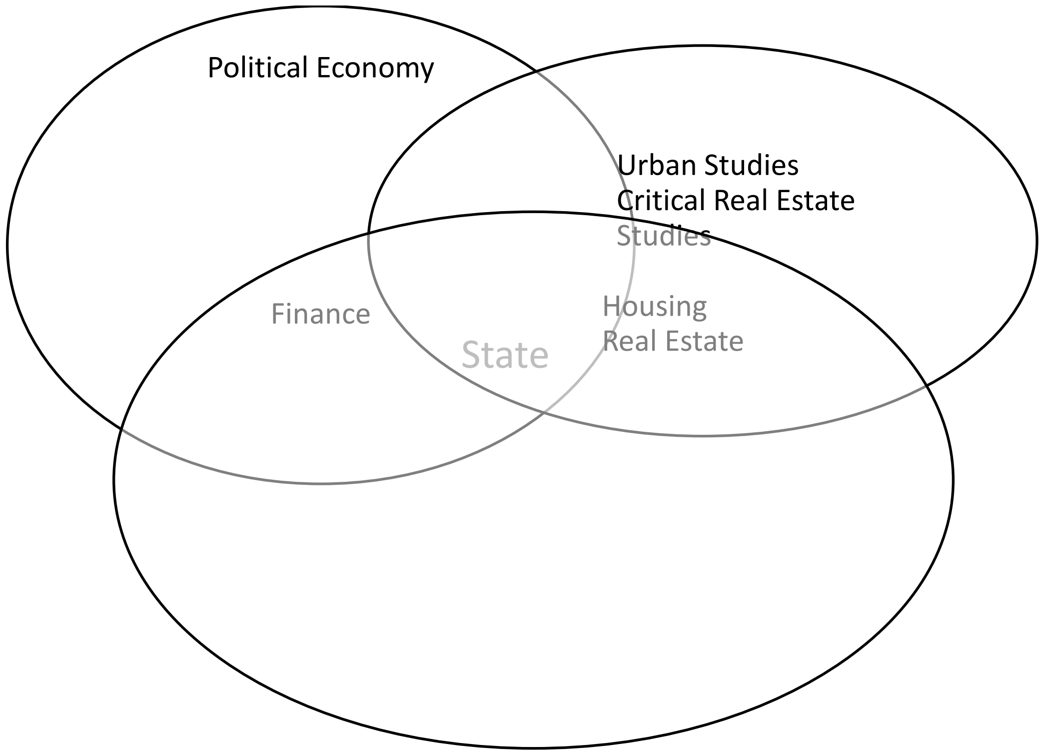

Figure 6. The real estate/financial complex (REFCOM). This diagram illustrates the key role that housing real estate capitalism, the state, and finance play as actors in the financialization of the housing market. Together, they constitute a new form of political economy, which scholars of critical urban studies must examine. Source: https://ees.kuleuven.be/geography/projects/refcom/index.html

Drawing on Aalbers, I use the concept of REFCOM to refer to a hegemonic bloc that aims to configure a new social order that enables wealth accumulation for the top deciles of societies. I acknowledge that this concept does not fully capture the composition of contemporary housing market dynamics in every country or regional landscape. However, it does provide a general theoretic framework for explaining how certain agents convert housing into a global financial asset.

Before developing this theoretical approach to explaining the financialization of housing (particularly through suburbanization), it is important to touch upon a crucial debate on the production of space. Is it possible to describe REFCOM within the boundaries of growth machine theory? This debate is salient because many national and local governments currently strategize housing projects as tools of economic growth. When Harvey Molotch (1976) first introduced his conception of the city as a "growth machine," he was referring to the planning practices that prioritize certain local growth coalitions. According to Molotch, certain growth coalitions lobby for investment and planning projects in their cities in order to gain an advantage from potential development projects. For him, this is a local process that includes developers, business people, and the media sector, as well as neighbourhood communities. Hence, potential growth coalitions and their rival coalitions compete with one another to have a say in the production of space, particularly at a local planning level. Within this framework, Molotch explores the local growth motives of American cities (mainly small or medium-size cities) before the sharp neoliberal turn of the 1980s.

The question, here, is whether or not we can categorize REFCOM within the framework of growth machine or identify REFCOM as a hegemonic growth model that transforms property relations? Molotch's theory of growth machine and other similar approaches to analyzing urban regimes may be classified within the Fordist tradition of urban managerialism. Urban managerialism refers to a set of practices through which local business actors and politicians generate an economic matrix that enables them to produce a volume of economic growth (Williams, 1976). To carry out this economic growth management, privileged roles are assigned to (local) politics and (elite) agencies (Jessop, Peck and Tickell, 1999: 143). Urban regimes thereby concentrate on local flows and the behaviour of business elites. Within this schema, the political body acts as a managerial body that aims to provide a local business domain that can function autonomously. Hence, local governments act to manage the autonomy of the market for producing space. Once an urban regime is established by a growth coalition, it becomes the ordinary way of doing business, akin to the liberal utopia of the self-functioning market with a hidden hand. Therefore, according to theorists of urban regimes (Molotch 1976, Logan and Molotch, 1987), such regimes for economic growth may function as distributive bodies; or as Bob Jessop, Jamie Peck, and Adam Tickell (1999) claim, urban regimes are seen by such theorists as mediating bodies in the distributions of urban fortunes. Urban regimes theorists seek to construct a bottom-up theory, in which local businesses and local politicians play predominant roles in capital accumulation, a process that in turn determines the national-level economic growth. However, Jessop, Peck, and Tickell argue that: "[this] bottom-up methodology tends to assign causal power to local political networks and thereby suggest, unintentionally perhaps, that spatial variations in urban fortunes are merely a by-product of the geographies of charismatic city leadership or effective urban networking" (1999: 144).

In fact, growth machine theory is crucial for explaining the growth motives of North American cities, particularly during the Keynesian-Fordist period[15]. However, to explain the current urbanization process that we tend to formulate under the names of "neoliberal urbanization," "global urbanization," and "planetary urbanization," we must develop a new approach for analyzing new growth motives based on capital flows. Jessop, Peck, and Tickell (1999) acknowledge that growth machine theory might be peculiarly applicable to the case of American cities since the American political structure and party system allow the rise of urban boosterism networks more readily than many other systems. Local governments and their power to collect a huge amount of tax also enable the formation of elite-based urban boosterism in North American

[15] This does not mean that growth machine theory is no longer applicable to what is going on in many parts of the under neoliberal urbanization. In fact, what I mean here is that the growth machine practices have morphed into a new structure that encapsulates the global competition of the cities, the rapid flows of global financial capital into the urban growth projects and the increasing indebtedness of households. The growth machine practices are now working as a debt machines.

cities. A broader theoretical approach to urban political economy is now needed since we can no longer identify place-making or the reconfiguration of built environments without also considering the changing role of the state in the globalization process and the impact of global financial markets. This need for a broader approach does not mean that local politics and actors no longer play important roles in reconfiguring capital accumulation patterns through boosterism; rather, a new approach that might engender a linkage between existing growth coalitions and the hegemony of global financial markets is necessary.

The Gramscian approach that is asserted by Jessop, Peck and Tickell to put a conceptual fix on the table suggests a novel formulation for finding a linkage between growth machine theory and the changing patterns of global accumulation regimes and new urban/suburban governance. Jessop, Peck, and Tickell suggest that:

> In line with Gramscian analyses, we suggest that growth machines can be fruitfully analyzed in terms of strategically selective combinations of political society and civil society, government and governance, or “hegemony armoured by coercion” (Gramsci, 1971: 271). This approach emphasizes the interdependence of ethico-political and economic-corporate forces (political society + civil society), allows more weight in the exercise of political power to non-state forms (government + governance), and stresses the importance of values, norms, vision, discourses, linguistic forms, popular beliefs, and so on, in shaping local accumulation strategies and their related modes of growth…. Growth machines may be linked to a local hegemonic bloc. (1999: 148)

From this perspective, we need a stronger approach to growth machine theory. The Gramscian concept of hegemony is helpful for developing this approach, particularly in the context of the changing state structure, rise of neoliberal political economy, and globalization process: “The regulation approach and neo-Marxists state theories can together provide an appropriate theoretical basis for a reinvigorated and analytically more powerful growth machine approach” (Ibid., 158). According to Jessop, Pick, and Tickell, the neoliberal mentality aims to change the state structure from a managerial body that handles local elites by distributing wealth, to an entrepreneurial body in which the state plays the primary role in forming growth coalitions (or hegemonic blocs) to further projects that can provide capital accumulation. Hence, local elites can no longer be seen as direct actors of the growth machine; rather, only those corporations that are “licensed” by the state can join this growth coalition, in what is no longer a local issue but rather a broader political system: “The political power of local business elites does not derive from some form of autonomous political capacity on the part of the business community, but is in this case ‘licensed’ by the state” (Ibid., 159).

To effectively define REFCOM as a new globally functioning hegemony with insight from growth machine theory, we must take into account the neo-Marxist explanation of the shift from “the city as a property-developing growth machine to a more entrepreneurial role” (Ibid., 152). This neo-Marxist account from the late 1990s warns those who study the financialization of housing to distance themselves from a focus on property-led economic growth policies. However, it is essential in this case to recall that the growth machine plays a deep-seated role in financial markets, and the linkage between the growth machine and financial markets is orchestrated by the neoliberal state structure. The neoliberal state is an entrepreneurial organization that aims to prioritize public-private partnerships, through which private sectors garner greater advantage than public. Therefore, in a neoliberal context, property-led economic growth has never waned; rather, it has gained a new form in which financial markets and property markets are globally interwoven.

In a parallel vein, Aalbers argues that the financialization of housing was firstly designed to fuel the economy. He also argues that stimulating the housing market by expanding mortgage markets has enabled the expansion of the growth machine (Aalbers, 2016: 55). Such approaches demonstrate that there is (and needs to be) a link between the financialization of housing and growth machine theory. That being said, I argue that the financialization of housing needs to be examined through the hegemonic relationship created by neoliberal financial markets and their convergence with the use of urbanization as an economic growth machine, which serves to legitimize the hegemony of ruling classes. From this perspective, it is possible to say that REFCOM is a hegemonic bloc that transforms the urban growth machine from local boosterism into a global tool for financial flows. This transformation must be analyzed with reference to the role of the state in REFCOM and growth machine theory.

Peck and Heather Whiteside (2016) offer a new definition to highlight the role of the state in urban boosterism: according to them, neoliberal financialization brings about a network of debt machines rather than growth machines. Debt is again the key determinant for reconfiguring economic growth based on property relations. Financialization and its credit mechanisms slow down economic growth, as austerity policies prioritize the public-private partnership, which is based on debt creation for the actors of urban development. Peck and Whiteside indicate that: “the state is an agent and arena of financialization” (2016: 237). Moreover, they note that local and municipal governments are the targets of financialization as well. Within this new urban machine understanding, what makes financialization the driving force is no longer growth but rather debt:

> The political economy of urban governance is animated by the pursuit of growth and, internally, by growth-elite dynamics. Increasingly though, it is debt as much as growth that shapes and drives the system, while the locus of power and control has been shifting from

> growth coalitions to debt machines and from local business leaders to more distant finance markets interests. For many cities, the new urban governance is concerned with the structural challenges of debt management and exigencies of credit market relations, under persistent conditions of budgetary constraints and fiscal stress. (Ibid., 239)

Therefore, REFCOM may be described as an urban machine that is commanded by finance capital, and this hegemonic financial command accelerates by creating indebtedness not only for households but also for institutions. Austerity policies lead governments and municipalities to seek credit from financial markets to support their public-private partnership projects. Many municipalities are already articulated into the credit rating systems, thanks to the austerity policies of central governments. The result is slow economic growth but increasing indebtedness for everyone. Hence, the hegemony of REFCOM acts under the image of a growth machine, while actually functioning as a hegemonic debt creation machine. Debt-driven growth is now the priority of urban governance in many parts of the world.

This debt-driven urbanization is an outcome of changing state structure, as austerity policies have radically transformed welfare regimes. Critical scholarship on the neoliberal state commonly accepts that the state now functions as an entrepreneurial entity (Brown, 2005; Harvey, 1989, 2005; Jessop, 2002). This neoliberal state structure may even act brutally in order to assert (or restore) market fundamentalism, as Naomi Klein claims in *The Shock Doctrine* (2007) while referring to the cruel ideological engagements of Chicago School scholars. Public-private partnerships, military expenses, and the shock doctrine account provide a conceptual framework of the neoliberal state in which the state acts as an entrepreneurial entity to shape socio-spatial reality. The challenge is to understand the limits of this entrepreneurial entity.? How does the neoliberal state act in a hegemonic way to create a common sense (or mass loyalty) through the production of space?

We again need to return to Marx's explanation of the laws of capital in motion: M — C — M' refers to the motion of capital, in which the goal is to organize the system of production and the social relations peculiar to that system in order to create surplus value. As Claus Offe (1984) indicates, all of these elements in capitalism are necessary for the creation of surplus value. In Offe's account, the important thing is the word "necessary": all politico-social elements that are intrinsic to the capitalist production system are necessary for the creation of surplus value. In this case, the problem arises in determining "necessities." Who determines what is necessary and how those necessities are strategized in such a way as to keep M — C — M' going? The necessary conditions for the extraction of surplus value and for the wealth accumulation of capitalist classes may change from time to time, and the internal contradictions of capitalism—mainly the tendency of the profit rate to fall—entail the transformation of necessities in capitalist societies. The current necessities for capital accumulation may become unnecessary over time. In the meantime, the necessary conditions may construct anti-capitalist practices (e.g., social housing) that may become irrelevant in the future for the well-being of capital accumulation. Offe points out that: "the movement of capital systematically, cumulatively and irreversibly produces social phenomena and structural elements which are functionally irrelevant and of no value for the continuation of capitalist development" (1984: 40). In that case, what is necessary for the perpetuation of capitalist accumulation is that the state must take an entrepreneurial role in determining the necessities and unnecessities. Certain unnecessities must be eliminated through "selective" public policy choice. Offe then points out that:

> The capitalist state can no longer be characterized as an instrument of the interest of capital… rather, this state is characterized by constitutional and organizational structures whose specific selectivity is designed to reconcile and harmonize the 'privately regulated' capitalist economy. (Ibid., 51).

Hence, in this account, the economy has its privately regulative system, as liberal hidden hand theory would suggest; however, it relies on regulative entrepreneurial action from the state to fix the problems of capital accumulation.

From a Gramscian point of view, it is important to understand the approach taken by Offe. His account of a state-generated balance provides important clues on the balance-seeking pursuits of the neoliberal hegemony. Offe argues that there are two forms of subordination: positive and negative subordination. The former refers to the positive contributions of political-administrative systems (mainly the state) to the reorganization of the economic sphere, whereas the latter refers to the limits of the state in that economic sphere. The state is, therefore, limited by the organization of the economic life in which it actively works to establish new conditions of accumulation (Ibid., 39). Hence, there must be a balance in state action: on the one hand, the state must regulate and reorganize capitalist accumulation in the market economy; on the other hand, it must also be limited by the same market economy. The question here is, why does the state need this limitation? The answer relates to the manufacturing of consent; i.e., this balance must be forged in order to generate a mass loyalty (or common sense) to the political system.

Offe offers a threefold-system account, involving the economic system, political administrative system (the state), and normative (legitimation) system. By regulating the economic system, the state facilitates capital accumulation; in return, it collects tax to compensate the welfare system.

The welfare system plays an intermediary role in legitimizing capitalist accumulation in the economic system. Hence, if there is a transformation in the economic system, it must also lead to a change in the welfare system to restore mass loyalty (or consent) (Ibid., 52–3). Therefore, the state is an active constructive and hegemonic agent that aims to strike a balance between supporting capitalist market actors and manufacturing the consent of the masses. Manufacturing consent (or legitimacy) is a planning matter for the state; at least, that was historically the case before the deep rooting of neoliberal financialization.

John Friedmann (1987), for example, describes the balance between the capitalist market economy and social welfare as a planning issue:

> Because in capitalist societies most people gain their livelihood principally through private business, the proper functioning of the private sector is essential. State planning is therefore generally supportive of business, and it usually includes general economic guidance, the provision of public services (which account for a large part of the costs of reproducing the labour force), major infrastructural investments, business subsidies, and the protection of property rights. (Friedmann, 1987: 27)

In the meantime, Friedmann also indicates that the state uses planning practices to regulate and restrain certain points of market rationality, as "its legitimacy depends on the political mobilization of the people acting in defense of their collective interests" (Ibid., 29). For Friedmann, state structure reflects territorially organized societies, and these societies exist with a geographical hierarchy of nation-state, federal provinces, and cities. The state may operate at all levels of these politico-spatial domains. Friedmann indicates that this hierarchized but amorphous structure of governance relies on planning to perpetuate the capitalist rationality for multiple crucial reasons.

Among these crucial reasons, Friedman counts 10—of which I cite three as the most important for planning purposes:

- Guiding overall economic stability and growth in national societies (monetary policy, full employment planning, international trade policy, etc.).
- Providing public services to meet the general needs of the population (national defense, public housing, education, health, etc.)….
- Restraining market rationality in the name of social interests (coastal planning, job protection, wilderness preservation, etc.). (Ibid., 31)

The difficult task, then, is how to describe REFCOM with respect to these balance-seeking formulations. This raises the question: Is there really an equilibrium based on social welfare under neoliberal financial hegemony?

In response, I argue that:

1) If neoliberalism is characterized by entrepreneurialism leaning towards rentiership, then housing has been reproduced in such a way as to generate normativity around the notion of rentiership. The linkage of the housing market into financial markets and the expansion of mortgage credits has paved the way for the construction and regulation of novel property markets. This novel reconfiguration of the economic sphere has been accompanied by a consolidated effort to legitimize welfare provision based on property ownership. That is why Alan Walks's (2016) definition of asset-based welfare perfectly covers the transition towards total commodification (and assetization) of housing.

2) Social housing systems provide a means of decommodifying a social necessity. Historically, social housing served the well-being of capital accumulation for a while, particularly in the post-war period. However, from Offe's point of view, we can say that social housing systems have become an obstacle to capitalist wealth accumulation, as capitalism entails the commodification of life necessities. As a result of the shift in welfare policy towards ownership and rentiership, social housing systems have declined in many parts of the world or have been articulated into market conditions through regulative entrepreneurial state actions (Madden and Marcuse, 2016). The ruling classes have produced consent for this transition by facilitating access to financial tools and/or by reproducing the norm of ownership. Asset-ownership is currently regarded as the highest sign of prestige in many countries (Graeber, 2014). The rise of REFCOM as a hegemonic bloc signals that the commodification of housing has distorted the social welfare system for the benefit of capitalist classes.

3) REFCOM then acts as a growth model and accumulation regime that operates by prioritizing the assetization of housing. Within this framework, the financialization of housing no longer takes place in a single political/administrative system. Rather, the financialization of housing is now a global economic process. Therefore, it is important to recognize the limits of the state in the global financial system. Sassen (2017) asserts that states are acting as the facilitators and regulators of global financial flows. This state role has been consolidated by international agreements, World Trade Organization (WTO) decisions, and G-20 regulations. Certain states are actively regulating and shaping the global financial system in such a way as to facilitate wealth accumulation by corporations (mainly MNCs) and their shareholders. Up to a certain point, states then let the system function on its own in a global (technological) domain. The self-operating presence of the financial hegemony provides the necessary conditions for global corporations to participate in the rent

extraction process; thus, all the necessities of the market are now designed to extract more economic rent rather than surplus value.

As a consequence, we can identify REFCOM as a debt machine that is tied to global financial flows. This debt machine acts as a hegemonic bloc, in which the state facilitates the commodification of housing by regulating and enabling the impact of financial markets on property relations. REFCOM acts in such a way as to perpetuate rent extraction and provide legitimation through ownership. That is to say, the growth machine can no longer be identified within the boundaries of local elites and national policies of boosterism. It is a hegemonic bloc that articulates households into financial mechanisms and makes them active agents of the rent extraction process.

The new growth model, which acts as the global hegemonic norm, is an economic rent-extractive formation that has great impacts on socio-ecological realities. Rather than having the motivation of profit-making and profit distribution, contemporary capitalism is primarily extractive. Rent is the key determinant of the accumulation process, and it motivates the neoliberal privatization of social provisions. Privatization gives necessary opportunities to capitalists to extract rent from the common. The privatization of social housing systems, affordable rental housing systems, health services, school services, and many other social provisions is undertaken to enable rent extraction from the common accumulation of societies.

Finance capital, in this schema, is the economic form that “spreads over, expropriating and privatizing the common-wealth embedded in the accumulated knowledges, codes, images, affective practices, and biopolitical relationships that they produce” (Hardt and Negri, 2011: 145). The financialization of housing (or real estate in a broader sense) operates as a conflict between capital and labour, but this time, the conflict takes place on the terrain of finance (Ibid.). The conflict is no longer focused on industrial efforts to extract more surplus value, but rather on efforts to extract as much rent as possible from labour and land, as well as natural resources. Real estate and the financialization of real estate are now prominent factors in the extraction of rent.

A key trait of the relationship between finance and real estate relates to what Lefebvre (2009) describes as a characteristic of the production of space in the capitalist mode of production: abstraction. According to Hardt and Negri: "Finance capital is an enormous engine of abstraction that simultaneously represents and mystifies the common as if reflecting it in a distorted mirror" (2011: 157). Sassen (2012) signals the existence of finance capital as an extractive and predatory form. According to her, the current global financial hegemony is ruled by a logic of extraction rather than mass consumption. Finance aims to extract rent through the development of new financial tools intended to financialize all aspects of life, from the traditional company structure to the modest household. In other words, finance does not have any intention of producing social value or providing a social welfare regime. Rather, the goal is to link all existing values, and all actors of socio-economic life, into financial mechanisms. In a sense, this makes each actor in the economy feel obligated to increase the financial value of the things or elements of life.

REFCOM is a new concept for explaining the extractive hegemony based on property relations. The role of the state in REFCOM is to facilitate financial accumulation, as well as the assetization of housing since assetization helps to drive the debt machine. The key problem here is that the balance-seeking of this hegemonic system seems to be distorted for the sake of capital accumulation. The financialization of housing is carried out predominantly by market actors. Hence, the state has predominantly left the housing market in the hands of market actors and only regulates this market to keep rent extraction going. Suburban housing dreams and the prestige of ownership are used to legitimize the dominance of financialization. The two leading market actors in this process are MNCs and REITs, to which I turn my attention now.

4.3. Suburban-financial nexus: REFCOM as a predatory form

Hitherto, I have emphasized that in order to understand the hegemonic balance-seeking of neoliberal capitalism, we need to attend to the manufacturing of consent through new property relations. REFCOM's manufacturing of consent predominantly occurs through a massive reconfiguration of the suburban housing market. REFCOM and suburban development increasingly converge, in what I call the suburban-financial nexus. The suburban-financial nexus refers to the convergence of all dynamics that bring together the hegemonic bloc of REFCOM and actors of suburban development. As I have asserted above, REFCOM is a debt machine that aims to extract the highest possible rent for finance capital accumulation, rather than provide a volume of growth for economic progress; it is important to note that REFCOM mainly operates through the commodification of suburban development. There are various components of this suburban-financial nexus, but I want to focus on one fundamental aspect associated with the sophisticated financial system: the rise of MNCs.

MNCs are motivated by the need to produce shareholder value (Froud et al., 2006) in a system in which their corporate value is calculated by the rent-maximization value that they produce for their shareholders. The stock exchange serves as the realm in which they put their value into competition with others. In this financial architecture, the prominent goal is to keep financial shareholder value as high as possible. This loop of financial value creation puts pressure on the boards of corporations, the members of which strategize to extract as much value as possible and as cheaply as possible. The rise of shareholder value as one of the key components of the financial hegemony has led corporations to mobilize more aggressive strategies against the socio-environmental facts of life. This form of capitalism is often presented as developmentalism in discourses that legitimize an obsession with growth. Shareholder value cannot be maintained at a high level without the domination of commodity and property markets. Commodity, property, and financial markets have thus become fully tied to each other, thanks to the importance of shareholder value, and most corporations have become accountable to their shareholders rather than their clients. Financialization as a strategy for producing shareholder value leads corporations to act as cruelly as possible vis-à-vis natural resources. This strategy reveals the extractive form of financialization: it extracts whatever it needs and leaves behind destruction because it needs to extract the highest potential rent to keep its shareholder value high in global competition.

As an example of such extractive destruction, Mark Whitehead reports that most of the sensitive forest areas of the world are now threatened by timber and mining industries. He attributes this development to two main driving forces: the increasing violent greed of MNCs and the globalization of financialization. Whitehead argues:

> At one level, MNCs, like the fast-food outlet McDonald's, operate in a number of different countries in order to expand the consumer population that can purchase its fast food products. Other MNCs, like the energy giant ExxonMobil, operate globally because the source of materials upon which this company relies (in this case gas and oil) are concentrated in certain countries and regions throughout the world. MNCs such as the clothes manufacturer GAP, have, by contrast, sought to globalize their production of apparel as a way to exploit the lower labour costs that can be found throughout different parts of the world. While MNCs are diverse, their significance as agents within the Anthropocene [the era in which human activity has become the primary influence on

> climate and the environment] should not be underestimated…. Some argue that the size and power of MNCs now means that they are able to create virtual price monopolies for the goods and services they provide, and thus ultimately reduce competition and choice for consumers. (2014: 87-88)

We should consider the critical role that MNCs play in socio-environmental processes, as these corporations operate in accordance with an agenda of extraction—whether it be to extract natural necessities of life or extract cheap labour power. As I noted above, it is also necessary to consider how the recent global hegemony of finance puts pressures on these MNCs to maintain their monopoly power for the sake of further accumulation and to prevent decline in shareholder value.

Whitehead (2014) uses the term "jungle capitalism" to highlight how forests have been subjugated to the ultimate target of financial value extraction by MNCs. He emphasizes the role of the home decor and furniture industries, which are indispensably linked to urbanization and the housing market as extractive sectors. He claims:

> [IKEA] offers over 9000 timber-based products to their customers and consumes somewhere in the region of 7 million cubic metres of wood per year. With its 301 stores in 37 different countries, IKEA is the example par excellence of the globalization of timber retail. But IKEA is not alone when it comes to the growing impact of big box retail on global timber transactions. Walmart, Home Depot, King Fisher (B&Q), Staples, and Lowe's are all significant players in the global trade of timber…. They have flooded home improvement and furniture markets with products that are so cheap that it is impossible for smaller, local retailers to compete. (Ibid., 95–6)

Similarly, the oil industry also aims to dominate markets for energy usage. They maintain a monopoly on energy production, and under that monopoly, alternative energy streams have become a market strategy rather than a political choice necessary for our planet. The actors that dominate energy markets thus play a primary role in determining the rise of alternative energy systems. MNCs operate as rent-seekers; i.e., they lobby to foster their monopoly position in rent extraction. In their book *Global Warming and the Sweetness of Life* (2018), Matt Hern and Am Johal explore the case of the Canadian tar sands. They argue that capitalism has a tendency to extract accumulation from each form of life (2018: 24). Thus, global warming and ecological destruction may themselves serve as opportunities for capitalist exploitation. The tar sands in Alberta is estimated to be the largest industrial mega-project in the world, and according to Hern and Johal, it might be the largest contributor to pollution, contamination, and hence global warming. Although many indicators suggest that it might now be the developmentalist strategies of countries in the Global South that constitute the most detrimental practices to the world's environments, the tar sands stand as a significant example in the Global North. Local and global mining and oil corporations all have a great interest in the tar sands, and they all provide necessary finance for the urbanization process, not only in Alberta but across all of Canada. Even in developing countries, many of the activities of extraction are carried out by MNCs with headquarters located in the Global North.

In this schema, it is quite clear that most of the actors of REFCOM are also tied to the global mechanisms of shareholder value assessment. For the actors of REFCOM, rent extraction and the production of shareholder value are ingrained in further mega construction projects and massive housing projects, which are backed by the mining industry that provides necessary raw materials for construction. In this case, REFCOM perceives suburbanization as one of the key opportunities for abstraction and extraction. REFCOM transforms the urbanization process into a predatory formation, which is now becoming much more explicit in developing countries.

The grammar of developmentalism contributes to two crucial problems: On the one hand, developmentalist discourse serves a governmental growth strategy of extracting urban fortunes from suburban/urban land relations. On the other hand, when discourses of fast development or "catching up with the West" prevail, then citizenship rights, labour rights, and environmental concerns may be disregarded. Although we increasingly see these practices proceeding in developing countries, they may also take place in certain mature economies. We should not forget, moreover, that many MNCs that are based in the Western world try to abuse the developmentalist strategies of developing countries.

MNCs see the new growth-based coalition of REFCOM as creating opportunities for easy exploitation in many developing cities and countries. Agatino Rizzo (2019) identifies this new phenomenon as "predatory cities." He provides the example of the Persian Gulf Region—mainly Doha and Dubai—and emphasizes the role of the mega-project model as an exploitative predatory form. Similarly, in China, massive suburbanization through the building of new towns with large-scale housing projects also functions as a predatory form (Zhu and Wu, 2019). Meanwhile, Turkey is following a similar developmentalist strategy, which is fundamentally based on the implementation of large-scale suburban housing and mega-projects on the periphery of Istanbul. Many of the construction corporations in Turkey also operate mining businesses (Ercan and Oğuz, 2015). As these examples demonstrate, massive suburbanization usually takes place through two mechanisms: large-scale housing projects and infrastructural mega-projects. These projects have wide-reaching socio-environmental consequences, including the emission of greenhouse gases in the production of cement and other components of the construction process, the exploitation of forests and other natural resources for construction materials, the spoiling of clean water sources, and the clearance of slums and displacement of people. It is no coincidence that countries with the largest cement usage, displayed in Figure 7 below, have recently launched large-scale suburban housing projects and infrastructural mega-projects.

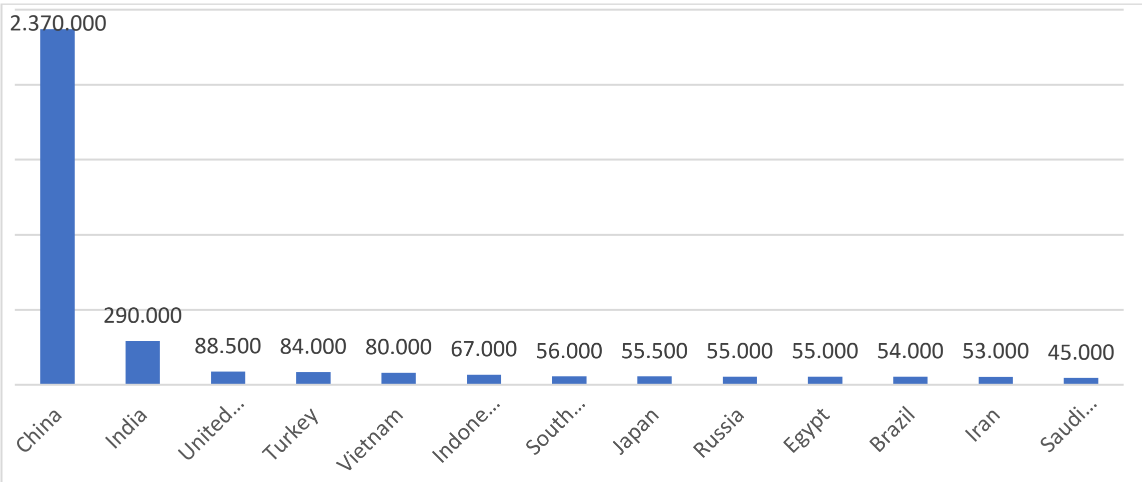

Figure 7. Volume of cement production in 2018 (metric tonnes). Source: USGD Minerals Information: https://minerals.usgs.gov/minerals/pubs/commodity/cement/mcs-2019-cemen.pdf

This figure illustrates just one of the ways in which countries that embark on rent extraction through mega-projects and massive housing projects are tremendously exploiting the world's natural resources. This exploitation is now open to global financial flows. For example, the Chinese ambition to construct a geographical landscape that is connected through large transportation networks and the construction of new towns has boosted the global consumption of extracted materials and inspired other countries to launch new mobilizations of suburban land transformation.

Financial institutions and investment funds	**Construction, housing, and mining sectors**	**Other industries related to the suburban housing market**	**Political structures, media, and education**	**Individuals and informal Sectors**
• Banks • Bankruptcy immune companies (e.g., security companies of banks, such as TD Securities in Canada) • Secondary mortgage lenders • Micro-finance institutions • Investment funds (e.g., mutual funds, pension funds, insurance) • Shadow banking (i.e., large financial firms acting as mortgage lenders, generally consisting of big investment corporations and insurance companies, such as Manulife in Canada) • Risk management companies (i.e., portfolio companies managing the risks of people wanting to benefit from financial tools) • Shareholders (i.e., those who invest their funds in the shares of financial, mining, or construction companies)	• Construction companies (e.g., major developers and their subsidiaries) • REITs (i.e., local or MNC companies that invest in projects and provide necessary finance through their links to financial markets, while either acting as developers or contracting out to developers) • Mining MNCs (e.g., cement producers, aggregate companies, oil companies, marble extractors) • Timber companies (i.e., MNCs that provide necessary timber for construction and furnishing)	• Furniture • Home decor • Renovation • Home appliance (e.g., TVs, fridges, laundry machines) • Automobile (the suburban way of life entails car ownership) • Grocery stores and shopping malls (e.g., Walmart and similar companies that strategize their operations in accordance with housing market dynamics) • Other sectors (e.g., fast food, warehouse stocking)	• Local governments (municipalities usually act as part of REFCOM through public-private partnerships) • Provincial and/or federal governments (in certain cases, REFCOM coalition building may be undertaken as a national or provincial government strategy, as we see in Turkey) • Government agencies (e.g., TOKI in Turkey, HDB in Singapore) • Neighborhood communities (may either join or resist REFCOM) • Media and advertising (may promote discourses that legitimize the ongoing operations of REFCOM, often in alliance with REITs) • Universities (may produce data that favours development) • Rent-seekers (lobbyists)	• Homeowners (may perceive the deregulation of finance as an opportunity to invest their existing assets in speculative operations) • Landowners (may act as true speculators in suburban expansion) • Rentiers (may use their assets to keep prices high in the housing market) • Immigrants (may move to a country with a dream of homeownership and be ready to join REFCOM as risk-takers) • Money launderers and other informal sectors (informality plays a crucial role in real estate investments, with the source of investments often obscured)

Table 4. REFCOM: Actors, beneficiaries, and sectors related to the financialization of the suburban housing market

Table 4 shows the actors, beneficiaries, and sectors that are linked to the financialization of the housing market, mainly the suburban housing market. Some of these actors have not directly joined the hegemonic bloc of REFCOM, but they do benefit from the rent-seeking and maximizing strategies of REFCOM. That is why the construction-driven hegemony is supported by various business sectors in the economy; it provides a point of consent manufacturing for an entire economic system. Agents of massive suburbanization aim to manufacture the consent of subordinated populations by generating a new norm of ownership dreams.

4.4. Suburbanization through financialization

Suburban development and the peripheral production of space have been objects of REFCOM since the early 1990s. As Lorenzo De Vidovich points out: "suburbs can be considered as the core component of 21st century urban growth" (2019: 2). Suburbanization in a general sense may be defined as: "the non-central growth of population and economic activity combined with the spatial expansion of urban areas" (Addie, Ekers and Keil, 2019). Suburbanization is primarily a way of producing space (Keil, 2013; Keil, Güney and Üçoğlu, 2019). That is why we should consider it within the framework of Lefebvre's account of the production of space. The production of space is an outcome of hegemonic social relations. Therefore, suburbanization is a process that includes the dialectical processes that form the capitalist hegemony. Suburbanization is the key driving force of urbanization in the 21st century, and its articulation into the neoliberal hegemony has taken place within a regional context of property relations. Hence, suburbanization cannot be excluded from the property relations that neoliberal hegemony instigates through financialization.

Suburbs, then, cannot be defined without reference to the new financialized property relations based on increasing indebtedness and asset-based welfare. There is an increasing tendency to define suburbs within regional contexts, as suburbanization refers to a new type of regionality that includes a multiplicity of variegated governance (Hamel and Keil, 2015). From that perspective, we must emphasize that suburbs can no longer be categorized as the extended semi-urban form of cities. Rather, suburbs dynamically constitute their own forms of everyday life (Keil, Güney and Üçoğlu, 2019). As Arnisson Andre C. Ortega (2018) suggests, it would be a mistake to essentialize suburbs under the classical image of a white middle-class North American lifestyle. Suburbs in many parts of the worlds are home to people from many different classes, as well as terrains of hegemonic power relations, neoliberal capital accumulation regimes, and networks of capital flows. Around the world, suburbanization is increasingly associated with capital accumulation (Shen and Wu, 2017), and this new financialized suburban development is not necessarily connected to the dynamics of classical urban growth theories. Suburbs are now a leading terrain of neoliberal hegemony construction because the majority of populations in many countries now reside in the areas categorized as suburbs.

Neoliberal hegemony construction in the suburbs makes the suburban housing market as the key object of financialization. Critical scholarship broadly theorizes neoliberal urbanization as a process of producing space to expedite capital flows and establish a spatial context in which capital accumulation advances in a facilitated way for certain classes (Brenner and Theodore, 1999, 2005; He and Wu, 2009; Le Gales, 2016). Neoliberal urbanization must also be theorized as a hegemonic process that aims to produce space through social segregation. As Lefebvre (1991) indicates, the production of space carried out by the capitalist hegemony is a violent process. Lefebvre stresses that: “hegemony implies more than an influence, more even than the permanent use of repressive power” (1991: 10). Hegemonic balance-seeking thus includes a violent aspect, which does not have to take the form of direct repressive physical violence but may rather exist as social distinction, direct exclusion, or mass hatred toward certain groups of society. As Julie-Anne Boudreau, Roger Keil, and Douglas Young (2009) highlight, neoliberal urbanization often occurs through a violent strategy of segregation, exclusion, and dispossession. More specifically, neoliberal urbanization refers to a process that protects the interests of financial corporate elites and the top 10 percent of the social scale at the expense of others. The neoliberal urbanization process thus instigates an urban reality that is segregated based on income, social status, and ethnic identity.

Many scholars have examined this violent process of neoliberal urbanization through analyses of revanchism (Smith, 1996), gentrification (Lees, Shin and Morales, 2016; Zukin, 1987), slum clearance and mass eviction (Desmond, 2012; Karaman, 2013; Kuyucu and Unsal, 2010; Roy, 2017; Soederberg, 2018), and urban austerity (Mayer, 2013, Peck, 2012). Essentially, the mass eviction of residents from informal or formal housing in many parts of the world has become a widespread neoliberal practice to enable the building of new housing projects. Urban austerity, in the meantime, refers to the prioritized allocation of tax money collected in neoliberal contexts to facilitate capital accumulation for certain hegemonic groups. Due to the violent dimension of neoliberal urbanization and its austerity policies, critical scholars have also analyzed the neoliberal urbanization process in terms of changing security perceptions, segregated socio-spatial settings, and increasing social income disparity in cities. Mike Davis's famous explanation for the displacement of the urban poor remains crucial in this context. Focusing on the example of Los Angeles, Davis (1990) argues that neoliberal urbanization aims to build two types of urban forms: "pleasure-domes" for the rich and imprisonment for the poor. Theresa Caldeira (2000) similarly asserts that the neoliberal city is built on a strategy of social enclaves. In many parts of the world, enclaves and gated communities are key results of neoliberal urbanization.

Therefore, to analyze suburbanization as a terrain, we need to examine its link to selective urban austerity policies. These policies prioritize capital accumulation for certain groups, while in the meantime creating a vulnerable segregated social reality that is shaped by the perception of security. In order to explain this violent urban process, which mainly takes place in the suburbs, Ortega (2016) uses the concept of "neoliberalism through suburbanization." He specifically uses this phrase to describe the recent suburban real estate boom in the Philippines. However, what makes this general definition important is how it applies to research on different cases of urbanization under neoliberal financial hegemony. As Ortega asserts, the neoliberal urbanization process accelerates through a mentality of security, segregation, and urban fortification (2016: 28). Gated communities, according to him, are key outcomes of this process. Neoliberalization through suburbanization is gaining momentum in many parts of the world, where luxurious suburban gated communities, large-scale suburban housing projects, and newly constructed towns emerge at the heart of this process.

Neoliberalization through suburbanization is also subject to, and generative of, norms that configure everydayness in the production of peripheral space. Hence, suburbanization as a hegemonic process generates its own everydayness vis-à-vis urbanized everyday life. The crucial point of consideration here is what kind of life is being brought into existence via neoliberalization through suburbanization. Gated communities, or housing projects that resemble gated communities, represent one of the primary ways in which suburban space is produced in many parts of the world. As Renaud Le Goix and Elena Vesselinov (2012: 2130) assert, there are two main approaches to defining gated communities in the research literature: (1) gated communities are part of a larger, more general class of planned communities organized around collective tenure (McKenzie, 1994; Gordon, 2004); and (2) gated communities are distinguished by the existence of fences, walls, and other security features (reference here). This segregated form of life fosters a perception of security, which enables the neoliberal hegemony to manufacture consent for living or moving into gated communities. Gated communities commonly exist in the form of high-rise condominium buildings (vertical segregated planning) with security units, as well as mass housing projects with special security and surveillance systems. The latter are commonly seen in suburban areas. However, that does not mean that gated communities all have strict security systems with fences and walls. Certain suburban neighbourhoods also resemble gated communities, in so far as they accommodate only people from certain ethno-social classes, thereby reproducing a similar logic of exclusion.

As Fulong Wu (2010) illustrates for the case of China, suburban gated communities are often presented in a Western-style built form. They are generally presented as the latest form of modern life that offers a privileged status and family life. In a conventional sense, suburbs have been known as spaces of middle-class families. However, while this does describe a particular image of the American suburban dream that emerged in the post-war period, we can no longer define suburbanization as being essentially middle-class and white. Suburbs are dynamic and currently accommodate diverse socio-economic activities (Harris, 2010) that emerge through the transformation of suburban land. As such, we need to understand that several ways of producing suburban land exist, and each reflects and reproduces a different socio-spatial reality. Thus, the conventional image of North American white suburbs organized around middle-class norms of automobility can no longer serve as the sole model of suburban reality.

Throughout the history of suburban landscapes, variegated forms of suburban development have emerged. In the decades following the Second World War, the North American suburban landscape became a powerful symbol of ownership dreams. In developing or latecomer economies, suburban development in the neoliberal epoch is now advancing through urban fortification projects that take the form of either new suburban towns or luxurious gated communities. As Walks indicates: “perhaps no other neighbourhood form is more clearly associated with contemporary neoliberal times than gated communities” (2006: 469). Such communities are now the primary form of suburban housing markets. Hence, as Peck argues: “Gating is the most visible manifestation of a much wider and deeper privatization of (sub)urban governance in the United States, yielding an expansive complex of homeowner associations, quasi-private community-management regimes, and ‘association-governed communities’” (2015: 142).

As Karl Schmid (2019) indicates in the case of Cairo, these segregated suburban projects often have Americanized names, such as Evergreen Compound. In Istanbul, gated communities built over the last two decades have followed a similar branding trend, with names such as Kemer Country, Uphill Residences, Mashattan, and Capital Hill. Likewise, gated communities in Manila bear monikers such as Greenfield Residences (Ortega, 2016). The branding of many of these projects connotes “greenness,” promising a so-called built environment that links nature with an idealized, securitized, and sterilized lifestyle. These projects are either fortified or they are constructed far from other built environments and accommodate people of certain social and ethnic groups. In the suburbs of the Greater Toronto Area (GTA), they are not always gated, but they nonetheless exist in the form of exclusive communities or segregated subdivisions.

Suburbs exist in a multiplicity of produced spaces throughout the world. The neoliberal suburbanization of land takes place through three key strategies: the shift of certain businesses into suburbs (particularly in the form of warehouses), the construction of mega infrastructure projects (usually transportation-based projects), and the construction of massive gated communities, either in the form of Americanized affluent lifestyle communities or mass high-rise buildings. Urban fortification is a widespread way of producing suburban space. As Wu (2010) points out, this growth in suburban gated communities has not created any widespread concern in Chinese society. Similarly, in Istanbul, the proliferation of gated communities is not generally seen as a problem for urban life. Rather, many of these gated sites are accepted as given because many people want to live the "privileged life" that they promise.

Neoliberalization through suburbanization yields the dream of rentiership for households. Exercising active agency to acquire property converts people into active and potential rent-seekers (or maximizers), at least in countries where real estate speculation is at a peak. In order to reconfigure this new society of ownership, there needs to be a real estate boom that is presented as a locomotive of economic growth. The real estate boom, in the age of financialization, is generated through various ways. As I point out above, the state, as part of REFCOM, regulates the financial-housing nexus and the reorganization of social order; hence, the state is not a neutral actor in this process but is rather widely influenced by the logic of financial markets. This dialectical relationship between the state and financial markets has led states to foster favourable conditions for the construction of speculative property markets (Sokol, 2017: 680). The speculative composition of property markets is exacerbated by the massive construction of new suburban housing. The real estate booms that we have been witnessing over the last decade in many different parts of the world are mainly suburban. Hence, as Ortega (2018) emphasizes, there is an increasing relationship between the current suburbanization process and capital accumulation. Jie Shen and Wu (2016), in a similar vein, argue that suburbanization in many countries has become a means for accumulating capital. Hence, suburbanization is helping to create a new real estate boom that is tied to global financial markets.

Another dimension of the suburban-financial nexus can be explained through an examination of other key actors of the process: REITs. Richard Waldron asserts that:

> A Real Estate Investment Trust is a publicly listed company whose main activity is the ownership and management of income-producing real estate and allows investors to hold property through shares rather than direct investments. REITs are typically exempt from tax on rental income and capital gains subject to certain restrictions on ownership, borrowing, and distributions of earnings. (2018: 209)

REITs are key private sector actors that transform spatially-fixed properties into tradeable, income-yielding financial assets (Ibid., 209). REITs are huge networks that hold properties and connect several actors, such as financiers, developers, investors, homeowners, secondary mortgage lenders, and tenants. These corporations act as the bridge between financial markets and property markets. In certain countries, as is the case in Turkey, REITs can even offer their own mortgage credits to potential homeowners (Erol and Tirtiroğlu, 2008). The suburban-financial nexus reflects how in recent decades, REITs have tended to invest in suburban land. Thus, neoliberalization through suburbanization takes place by key REFCOM actors, and the narrative of growth articulates other actors into the investment greed of REITs.

REITs have a great interest in transforming suburban fixed assets into liquid financial assets, and the financialization of housing thus primarily takes place in the suburban housing market. To understand why REFCOM has targeted the suburban housing market, it is helpful to consider Richard Harris and Ute Lehrer's description of the essence of suburban land. Suburban land has become a favourable site for developers, speculators, and investors because it is easy to convert it into commercial land or investment. Harris and Lehrer (2018) indicate that land is associated with its usage externalities such as proximity to infrastructural investments, locational position and commercial investments in the vicinity. Land is also strictly tied to the legal system since it is limited and cannot be moved. The ownership of land, then, refers to a monopoly over a space on earth. Land, however, is also linked to its externalities with respect to its valuation. The value of land is often calculated by its externalities, such as its proximity to public facilities or business opportunities, neighbourhood profile, local crime rate, government investment in the area, surrounding natural landscape, and so on. In fact, location plays the most crucial role in the valuation of land and housing. The location of housing is a matter of regional development since the housing market is now composed of several sub-markets on a regional scale. Regional submarkets may vary in their composition, including neighbourhood demographics, immigration trends, and near-by facilities. Other relevant factors include a region's employment growth rate, as well as its unemployment rate (Linneman, 2013: 104).

The actors of real estate capitalism tend to analyze regional growth strategies in order to calculate housing prices based on marginal utility. A house cannot be evaluated as a market commodity without considering its location and without estimating the potential utilities that might come into being through local investments and demographic dynamics. On that front, the expansion of peripheral land is cheaper than the transformation of an already inhabited central neighbourhood. In other words, the potential speculative wealth that might be extracted through the conversion of agricultural or green land (sometimes greenbelt) into suburban residential land is higher, as well as easier to generate, than the wealth offered by the gentrification of central neighbourhoods.

According to Lehrer (2013), another important aspect of suburban land is that it is much more flexible in how it may be used, compared with centralized locations. Lehrer proposes the concept of "FlexSpace" to describe flexible land control in suburbs. This quality helps to account for the ease of land development in suburbs, as FlexSpaces may be composed of corporate business headquarters, banks, gas stations, warehouses, airports, and suburban residential housing, often located near a highway. Harris and Lehrer explain that:

> Suburban space… lies between city and country, the urban and the rural. By "urban" we refer to territory that is fully built up at relatively high densities; "rural" consists of a variable mix of agriculture, wasteland, and wilderness. In the past, when many urban areas were strongly monocentric, suburbs occupied a zone that was broadly circular…. Suburban territory is a transitional territory and is often associated with the visible infrastructures related to the transitional form including self-storage facilities, transmission towers, and pipelines, but overwhelmingly to transportation of people and goods: highways, parking lots, rail lines, freight yards, truck terminals, warehouses, storage tanks, and airports. Much of this infrastructure serves the city, linking it to the region and places beyond: it is, precisely, what visitors, commuters, and truckers need in order to get to and from the centre. (Ibid., 7-8)

Suburban land is thus transitional land: "suburbs are transitional in space, in time, and in their cultural aspects" (Harris and Lehrer 2018: 5). This time-space axis may be elucidated through the changing morphology and expansion priorities of suburban development and investment in suburban land over different time periods.

Figure 8. An example of FlexSpace in Brampton, Ontario. This new Toronto Dominium (TD) Bank headquarters in Brampton is located in between Brampton and Mississauga, in the Peel Region of the GTA. It is located close to Ray Lawson Boulevard in Brampton, where many members of immigrant communities reside. The production of space in this example shows how the suburbanization process produces its own socio-spatial dynamics. Photo credit: Murat Üçoğlu

Suburban land control is flexible, and it enables variegated morphologies of infrastructural and residential facilities to emerge. The flexibility of suburban land control is decisive for the formation of the suburban-financial nexus. Suburban mega-projects, massive residential projects, and massive gated communities are constructed within the confines of this flexible suburban land usage. This flexibility is relevant not only for the construction of massive projects, but also for auto-constructed suburbs (Caldeira, 2016). In many parts of the world, particularly in developing countries, suburban reality consists of houses constructed by the residents themselves (e.g., slums, *gecekondu*, and *favelas*). In most cases, the residents of these houses do not acquire a tenure license for legal dwelling. This legal ambiguity opens these suburban areas to flexible land usage and financial abstraction.

4.5. The suburban-financial nexus as debt machine

Flexible suburban land use in the 21st century is open to global financial flows from all around the world. China's massive new towns, Brampton's large-scale detached housing projects, and Istanbul's gated communities are all linked to global financial systems. These projects are constructed within the context of flexible land governance and planning. That is why capital accumulation through flexible suburban land use has become a global inter-referencing point. Shen and Wu write that: "capital accumulation has become a major driving force for suburbanization" (2017: 762). The opportunity for capital accumulation by REFCOM creates the opening for future cities in waiting. For instance, in the Chinese case, capital accumulation through suburbanization occurs through a mixture of market logic and state authority, in what Shen and Wu describe as a widespread strategy of public-private partnerships (Ibid.). They assert that the Chinese case cannot be conflated with post-war North American suburbanization; rather, it entails its own dynamics based on suburban land relations.

As I note above, massive suburbanization encompasses many different regimes of governance and relations. Michael Ekers, Pierre Hamel, and Keil (2015) identify the suburbanization process with a new form of governance that encapsulates three modalities: the role of capital accumulation, the role of the state, and private authoritarian governance. These three modalities are closely interconnected. On the global periphery, we thus see suburbanization working as a key force of capital accumulation, financialization, and private-level residential authoritarianism.

Development and real estate industries play crucial roles in this new suburbanization process (Shen and Wu, 2017: 763). Mega-projects on suburban land, in the case of Turkey (Güney, 2019), Dubai, and China (Harvey, 2018), have now become a normalized means of producing space to increase land value and to maintain the speculative housing economy. Harris points out:

> Huge profits are made from suburban development, especially around rapidly growing cities. They attract big investments in a world of global capital flows. Some money goes into mere speculation, but massive amounts support useful investments in infrastructure. Suburban development, and the millions of people who benefit from it, is vulnerable to anything that stems or redirects such flows, including hiccups in the financial system. At the same time, property speculation has helped precipitate such crisis, as it did during the Great Depression, in the Asian financial crisis of the 1990s, and the global meltdown of 2008. (Ibid., 38)

As Harris puts forward, suburban development may be easily linked to global financial flows. The metabolic relationship between property development and finance capital investment is not necessarily associated with the remaking of downtown localities. It is true that the financialization of the housing market may lead to the expansion of downtown localities for further rent-maximization by REFCOM; however, this is not always the case. Rather, suburban development is often the agenda and more profitable option for this new growth coalition because suburban land is typically cheaper in value and larger in size compared with already developed urban centers. Suburbanization and financialization of the housing market are now completely tied to each other. That is why I assert the existence of a suburban-financial nexus that is shaped by the capital accumulation greed of REFCOM, as well as the accumulation of debt by households.

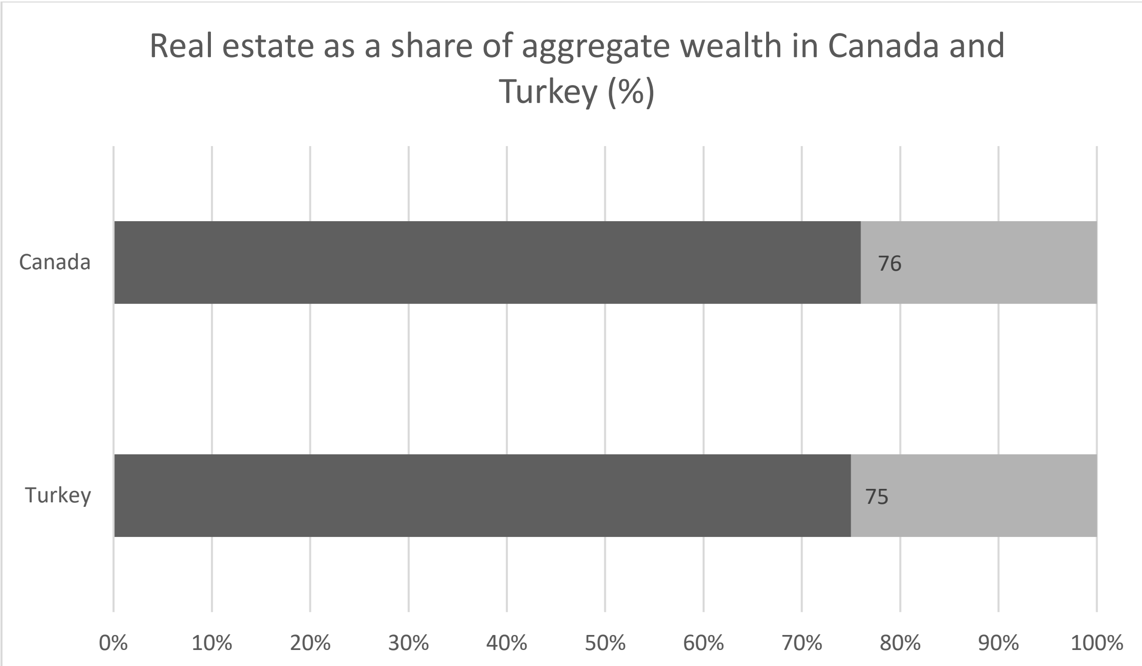

Figure 9. Real estates as a share of aggregate wealth in Canada and Turkey. Sources: https://www150.statcan.gc.ca/n1/pub/11-626-x/11-626-x2019003-eng.htm; http://www.tuik.gov.tr/

There is one more indicator that we must examine for the purposes of this study: real estate as a share of aggregate wealth, in Canada and Turkey. Figure 9 shows that regardless of each country's international economic outlook (i.e., whether or not the national economy is classified as developed or developing), real estate offers the primary means of accumulating wealth. This wealth accumulation comes with the price of increasing indebtedness, social segregation, urban poverty, and homelessness. Most housing projects are currently located in the suburbs, which have become ultimate terrains of wealth accumulation in both countries. However, suburbs are also terrains of debt accumulation. In these two economies, Toronto and Istanbul are leading global-city regions that indulge a considerable amount of finance capital flow through housing. Suburban housing projects constitute key elements of this wealth accumulation through financialization. Thus, the suburban-financial nexus is not only a matter of REFCOM actors playing financial games for further projects; rather, it is also a socio-economic fact that has great impacts on communities. In Chapter 4 and Chapter 5, I will examine how the suburban-financial nexus operates as a debt machine in the GTA (particularly Brampton) and Istanbul (particularly Göktürk).

4.6. Conclusion

Throughout the first chapters of this dissertation, I have discussed the link between financialization and new property relations. In doing so, my aim has been to construct a theoretical approach for defining and examining the financialization of suburban housing. It is not a simple matter of saying that people need more affordable housing and that is why we must expand the suburban housing market. In fact, housing as an asset will never become affordable when the market dynamics are controlled by private market actors. For now, the state acts as a facilitator of these private market actors, enabling their capital accumulation.

Suburbanization is an important process that financialization situates as a key target. Suburbanization historically refers to a conservative lifestyle composed of patriarchal family relations, sharply gendered roles, and isolation from urban life. Under neoliberal hegemony, suburbanization has become a key driving force of urbanization; this hegemony embraces conservative suburban values, primarily as a way to promote suburban housing projects. Neoliberalization through suburbanization thus proceeds through the promotion of conservative family values, patrimonial capital investments, and gated segregated lifestyles. The suburban-financial nexus entails a confluence of financialization and suburbanization, in which REFCOM actors (mainly the state, MNCs, and REITS) operate as a debt machine. The financialization of the suburban housing market thus instigates an indebted society, as suburbanization has been reproduced in accordance with the new property relations configured by financialization.

Suburban housing markets are also regional matters. Through suburban housing markets, regional housing markets become growth (debt) machines. The regionalization of housing markets also leads to the regionalization of housing crisis. In Chapter 4 and Chapter 5, I will present the empirical components of this dissertation research in order to demonstrate through specific case studies how the suburban-financial nexus shapes the social order by destroying socio-spatial balances.

Chapter 5: From Agro-Industrial Complex to the Real Estate-Financial Complex: The Suburban-Financial Nexus in Toronto and Brampton

In this chapter, I focus on the financialization of housing in Toronto and Brampton in Ontario, Canada. The key argument that I develop here is that the financialization of housing in the Greater Toronto Area (GTA) refers to a new hegemonic restructuring, in which the growth model of REFCOM has become the dominant way of wealth accumulation for certain growth coalitions. This restructuring mainly takes place in downtown Toronto and in the suburban towns of Peel Region, including Brampton. I first discuss the rise of Toronto as a global financial hub and the regionalization of a new political economy in the GTA. Then I shift my focus to Brampton, sharing the findings of fieldwork that I conducted in this suburban city. Interviews with a variety of key informants helped me develop the necessary background knowledge to understand the ongoing economic restructuring of the region vis-à-vis the housing market in the GTA and Brampton. I attended meetings with the Brampton Vision Team to discuss their new vision plan. Using snowball sampling, I was also able to interview many people on the housing economy in the GTA. I will share more details about these interviews in the next sections of this chapter.

This chapter deals with the housing market dynamics in Toronto and Brampton. It offers a regional perspective, with a special emphasis on suburban governance. When we talk about suburbanization in the Canadian context, we should keep in mind that we are, as Keil (2016) puts forward, talking about colonization of indigenous land. In Canada, colonization of indigenous land has played an essential part in suburbanization, and it remains an important feature of regional economic expansion. In Toronto, suburbanization began with the immigration of colonial settlers into the area. Those settler communities started to build their own living environments by displacing indigenous peoples from their territories. The huge amount of colonized land provided ready opportunities for expansion, ownership, and accumulation by newcomer communities. Currently, suburbanization continues to occur as a practice of land colonization. Land colonization is now a competitive essence of the regional economy and is proceeding hand in hand with massive capitalist accumulation by actors in the construction and financial sectors.

5.1. The changing economy and the financialization of housing as a new growth model

The transformation of Ontario's economy (but mainly Toronto region) from being constructed upon a growth model based on manufacturing industries and agriculture to a new model that is depended on the financialization of housing is the theme of this part. The neoliberal transformation in Ontario (and particularly in Toronto) has been similar to what has happened in many parts of the world under the well-known topic of "neoliberal turn".

> Neoliberalism first appeared in the 1970s as a project to break working-class resistance to the restructuring of capital and the state. Its economic policy regime can be summarized as "market-expanding" in its regulatory focus on the market determination of distribution and allocation of output, the internationalization of capital, the monetization of the public sectors, and self-regulation by market dependence for economic agents. As with any economic policy regime, neoliberalism forms within particular political strategies and is institutionally mediated within states. Neoliberal policy regulations is always, therefore, uneven and differentiated across political jurisdictions and governance scales, or "variegated" in the terminology of urban geography (Albo and Fanelli, 2018: pr. 7).

In Ontario, therefore, we can see the transition from a traditional social welfare regime to a new neoliberal-financial project as a massive restructuring based on market fundamentalism, financialization and the subordination of the working-class. This transition can be named as a shift from the agro-industrial complex to the real/estate financial complex (REFCOM). The rise of

REFCOM in Ontario, and particularly in Toronto is not only a strategy that we can attach to the Progressive Conservative (PC) party policies, but it is a general consensus of party politics.

One of the parameters that we must consider to understand this transition of socio-economic conditions in Ontario is that the party politics in this province has been in parallel with the transformation of property relations and the rise of neoliberalism as a new capitalist hegemony.

> The solidity of Canada's national party system has been built, it is argued, on the overwhelming electoral dominance of the Conservative and Liberal parties, with their overlapping system of support from Canada's business elites. The social democratic New Democratic Party (NDP), with its historical links to the labour movement, occupies a subordinate place within the system. But the NDP is equally committed to building a market economy (if balanced by a measure of social supports), and offers an alternate channel for political integration. None of the sub-national political systems in Canada have replicated this pattern more closely than Ontario, the second largest province by geography and largest by population. (Albo, 2019: 3).

Hence the strategy of Ontario since the 1990s has been built on the shift from being the Canadian economic hearthland to a North American economic region state (Ibid.). If we scrutinize the history of Ontario, it is not a surprising strategy since Ontario has always followed the widespread North American growth model. "The North American growth model is constructed around the equal shares of intensive (agro-industrial growth) and extensive (demographic) growths. We can say that their shares are approximately 50-50%. Ontario is one of the leading regions that follows this model of 50-50% growth model alongside with California" (Interviewee 8). Hence, Ontario's economic model is akin to the American growth model, and is also linked to the industrial growth related to American market as well as immigration. Extensive growth is a crucial part of growth since immigration streams have been a significant factor in the North American economic system since the time of colonization. Extensive growth is then not only about bringing new immigrants into Ontario but also displacing the indigenous people from their land.

> The displacement of first nation people provided an easy way of primitive accumulation for colonizers. The consequence of this process was the rise of single farmers owning huge lands and appropriating the lands of first nations. New immigrants and displaced first nation people then went to the cities to find job. That is to say a rural proletariat has never been the case in Ontario, instead urban proletariat grew so rapidly in the late 19th century with the rise automobile industry, bicycle production as well as small industries like shoemakers, textile workshops and distilleries (Interviewee 8).

In Ontario, the growth model, then has been constructed on easy primitive accumulation by expropriating the lands of first nations and by using immigration as a way of proletarianizing the new immigrant working classes. This growth model has put Toronto into the center of gravity since the very beginning. Toronto, with its financial centre hosting one of the largest stock exchanges in the world, stands as the financial hub of Canada and the demographic attraction point of Ontario.

Ontario’s economic growth model then prioritized the demographic restructuring to boost the intensive growth. Immigrants from many different streams (in the late 19th century they were usually from English Isles, Germany and Italy) came to the cities and the countryside was appropriated by the rich and agricultural producers mainly by dispossessing and marginalizing the first nations. This ongoing process has resulted with the rise of an agro-industrial complex that was supported by the governmental body in Ontario. In Ontario's politics, the state has never been the key constructor of politico-economic distribution. Rather, it aims at letting the market function and see where to support market actors. Therefore, we always need to take account that even the party politics in Ontario have always been pro-market and the 50-50% growth model has been a key itinerary for the governments (Albo, 2019).

In fact, in recent years, the economic growth model in Ontario has been configured by the rising shares of the services sectors and construction/real estate economy. In Canada, a considerable share of annual GDP is produced in the construction and real estate sectors; in contrast, industrial manufacturing's share of GDP has steadily fallen since the 1990s. As of 2019, Canada's GDP was 1.988 trillion CAD. Table 5 provides a breakdown of total GDP by sector—and shows that the real estate and construction sectors constitute the largest pieces of this pie. It is important to note that the greatest share of Canada's economic activities take place in Ontario, as Ontario produces 37–39 percent of Canada's total GDP (based on data from 2012–2019). Therefore, Ontario is the economic centre of Canada.

Total GDP of Canada	**1,988.66 (bn. CAD)**	**Share of GDP (percent)**
Real estate	254.50	12.8
Manufacturing	199.35	10.02
Mining, oil, and gas extraction	145.86	7.34
Construction	142.66	7.17
Finance and insurance	135.02	6.79
Professional, scientific, and technical services	120.46	6.06
Agriculture, forestry, fishing, and hunting	40.82	2.05
Other	950.02	47.77

Table 5. Breakdown of Canada's total GDP by sector, 2019. Source: Statistics Canada: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043401

In Ontario's economy, manufacturing sectors have played a crucial role since the early 1900s. Before then, in the late 19th century, farming, hunting (fur industry), and lumbering were the main economic sectors in the province, along with small urban industries. During that early colonial period, much of the economic growth in Ontario derived from the appropriation of land from First Nations. This colonial economy, based on the displacement of First Nation people, provided an easy source of primitive accumulation for agrarian and colonizer capitalists. It resulted in the rise of farmers owning huge lands appropriated from First Nations. New immigrants and displaced First Nations peoples then traveled to cities to find jobs. As such, a sizeable rural proletariat never existed in Ontario; instead, the urban proletariat grew rapidly in the late 19th century, with the rise of the automobile industry, bicycle production, and small industries such as shoemakers, textile workshops, and distilleries (Interviewee 8).

In Ontario, then, growth models have been built on primitive accumulation driven by the expropriation of First Nations lands and the use of immigration to proletarianize the new immigrant working classes. Toronto has served as the centre of Ontario's historically divergent growth models, since the very outset of First Nations land expropriation. Land appropriation, farming, lumbering, and mining have always played a crucial role in Ontario's economic growth. Many economic sectors grew around this appropriative colonial mentality. Now in neoliberal times, land appropriation continues through a neoliberal urbanization process that aims to generate capital accumulation for the top centiles of society. When we look at the sectoral breakdown of Ontario's GDP in Table 6, we find striking similarities to the national GDP of Canada. This table shows the importance of the production of space, as the real estate sector currently leads the provincial economy and the construction sector also has a considerable share. Together, the real estate and construction sectors constitute 19.79 percent of Ontario's total economy, which is similar to their share at the national level (these two sectors account for 19.25 percent of Canada's national GDP).

Total GDP of Ontario	**744.44 (bn. CAD)**	**Share of GDP (percent)**
Real estate, rental, and leasing	97.57	13.01
Manufacturing	89.15	11.98
Finance and insurance	68.11	9.15
Professional, scientific, and technical services	55.23	7.42
Healthcare and social assistance	54.86	7.37
Public administration	54.58	7.33
Construction	50.47	6.78
Agriculture, forestry, fishing, hunting	0.68	0.92
Other	268.14	36.04

Table 6. Breakdown of Ontario's total GDP by sector, Source:
https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610040201

The rise of the real estate and construction sectors does not represent a simple transition in the production of space; rather, it is a part of a complex strategy to create a new growth model based on the financialization of real estate. Since the 1990s, the REFCOM growth model has become a key economic strategy in Ontario, combined with the conservative austerity program introduced by Mike Harris's provincial government. With these shifts, we see a transition from a manufacturing-based economy to a growth model focused on real estate and financial and technical services.

The rise of the REFCOM growth model has been accompanied by the decline of manufacturing in Ontario. Historically, manufacturing served as a locomotive of the Canadian economy since the 1900s. Although agriculture also played an important role, helping to create an agro-industrial complex, the manufacturing industries produced 25 percent of Canada's GDP between 1916–1924. We can see that the share of manufacturing in GDP reached its zenith from 1940–1970. In 1940, the share of manufacturing was 28 percent, the highest seen in Canadian history. From that point until 1970, this percentage fluctuated between 28 and 25 percent. In the 1980s, a decline in manufacturing began, in parallel with the neoliberal restructuring of the world. Between 1988–1992, the share of manufacturing fluctuated between 16 and 18 percent. Between 1992–1996, it fluctuated between 17 and 22 percent. From the passage of the NAFTA agreement in 1994 into the 2000s, the share of manufacturing decreased every year. In 2007, manufacturing accounted for 15 percent of the nation GDP. By 2019, it had dropped to 10 percent. From 2000 –2005, manufacturing declined by 4.6 percent, and from 2005–2019, it declined by 5.54 percent.[16]

Along with the decline of manufacturing in Canada, we witness the rise of real estate, service, finance, construction, and mining sectors over time. Ontario stands as the leading site of this economic transformation in the country. Ontario accounts for 46.1 percent of Canada's industrial manufacturing and 44 percent of the country's manufacturing employment. By examining Ontario, we may gain insight into how the larger Canadian economy has evolved. Ontario has always been the centre of the country's socio-economic development, and trends in the province's economic development have more or less paralleled those of the national body. Ontario, particularly Southern Ontario, has been the site of an important agro-industrial complex that began to emerge in the late 19th and early 20th centuries (Interviewee 8). Over time, manufacturing industries have become less important than newly rising sectors in this region. The leading manufacturing industries in

[16] All of the data in this section has been retrieved from two sources, unless otherwise indicated: 1) Statistics Canada; and 2) labour market reports from the Ontario Government.

Ontario include the appliance, beverage, chemical, computer, electronics, metal, paper, plastics, printing, textile, transportation, and wood industries. In 2000, the number of people employed in such sectors was 937,370. By 2011, that number had fallen to 712,060. This decrease in manufacturing continued throughout the 2010s. For instance, from May 2018–2019, employment in manufacturing in Ontario declined by 14.4 percent; over the same period, employment in sales and service sectors increased by 67.7 percent (Ontario Labour Market Report, 2019).

It is important to explore the reasons for this decline and the corresponding rise of the real estate, construction, and finance sectors. One key factor comprises historical shifts in human capital. In other words, one reason for declining employment in the manufacturing sector is that manufacturing jobs increasingly require high-credited skills. Credentials, particularly university and college degrees, are now important for getting a job working with new manufacturing technologies. However, this alone does not account for the ongoing economic transformation in the province. Another factor is the increasing global demand for primary commodities, such as petroleum, natural gas, and other primary commodities (we can even classify housing in this category) that have gained importance with the rise of the global population and globalization. Canada is rich in natural resources, and its mining and oil sectors have profited from increased global demand for primary commodities. This has resulted in the appreciation of the Canadian exchange rate. In turn, the increased strength of the Canadian dollar has driven up Canadian manufacturers' prices, while in the process decreasing the sector's international competitiveness (McKitrick and Aliakbari 2017: 17). Thus, global demand for primary commodities has elevated the Canadian currency relative to the US dollar, which has lowered the competitiveness of Canada's manufacturing sectors. In this case, mining and oil extraction have become particularly important. Global money flows for primary commodities have helped to increase the drive to replace declining manufacturing industries with new sectors. As part of the neoliberalization process, cultural industries and service sectors have gained importance. However, it is the real estate, construction, and finance sectors that now dominate the Ontario economy.

This chapter aims to analyze the rise of the REFCOM growth model in Ontario, particularly in the GTA, as a leading strategy of capital accumulation, particularly for large-scale developers, REITs, financial institutions, and other actors of the housing market. Housing and urbanization have become the driving forces of economic growth. Before diving into the details of why and how housing has become a key source of capital accumulation, it is important to touch upon another dimension of economic growth in Canada: immigration. Immigration has always played a crucial role in Canada's economic growth, and Ontario has always been the central destination of immigrants to the country. Between 2000–2005, Ontario received around 57 percent of all incoming immigrants in Canada. Between 2005–2010, this number declined to 45 percent. From 2010–2015, 38 percent of all immigrants coming to the country landed in Ontario. Thus, although its share of immigration has declined over the years, Ontario remains the leading destination for immigrants to Canada. Another important trend to note with respect to immigration and the housing market is that each year, more immigrants enter into the mortgage markets in Canada. In principle, most immigrants begin their lives in Canada as tenants; however, as time passes, they also enter mortgage markets. One third of new immigrants directly attempt to access financial tools to buy a house. This articulates a considerable amount of people into the mortgage pool of the housing market. Among recent immigrants, 38.1 percent own a house (Edmonston and Lee, 2013).

Until the late 1960s, immigrants to Canada mainly came from European countries, Commonwealth countries, and the United States (US). In 1967, however, Canadian immigration law was amended to alter the process of immigrant selection; while the previous system of selection granted to preference to certain immigrants based on their place of birth, the new points-based system focused on skills and credentials. Since then, we have witnessed a more diversified immigration stream. In the 1970s, immigrants from India, China, and other developing countries began to come to Canada in larger numbers. In the 1980s and 1990s, we see the rise of people coming from post-Soviet countries. In the last two decades, people from developing countries have accounted for a large share of immigrants to Canada. Thanks to Canada's point-based system, these immigrants have primarily been well-educated and middle-class members of their countries of birth (see the criteria for Express Entry: Federal Skilled Worker Stream).

Since the 1900s, the average number of permanent-residence immigrants that have come to Canada is 120,000 per year (Edmonston and Lee, 2016). Since 2016, this average has increased to 300,000 permanent-residence immigrants per year. The number of incoming permanent-residence immigrants that arrived in 2016 was 295,000. In 2017, it was 300,000. In 2018, it 330,800. In addition to these permanent residents, people have also come to the country as international students and workers; in 2017, their contributions to Canada's economy came to 31.8 billion CAD (Canada Immigration, 2018). Within this economic and demographic transformation, Ontario stands as the nodal point of financial investment and immigration streams. Within Ontario, Toronto is the key attraction point of immigration and investment. In *Arrival City* (2011), Doug Saunders focuses on how Toronto has become such an important destination for people looking for a new life in another country. Immigrants bring their savings with them, and for many, living in a house in or near to Toronto is one of the motivating reasons for them to come to Canada.

5.2. The financialization of housing, neoliberal urbanization, and affordability crisis in Toronto

As indicated above, the manufacturing-based growth model, together with a Keynesian consumerist society, are on the decline in Canada, including in Ontario. For this very reason, a choice has been made in Canada to replace the old growth model with a new growth model that is connected to global financial flows, the commodification of urban land, the rise of the housing market as part of neoliberal urbanization, and new immigration patterns. One of the key considerations for understanding the Canadian transition from a manufacturing economy to a construction- and finance-led economy is the role that governmental policy has played in this shift. The financialization of housing serves as the new economic growth model in the country, particularly in Ontario. This growth model, which I call REFCOM, has been on the agenda of Ontario politics since the 1990s. It became the ultimate way of doing business after 2004, when housing prices made a significant jump, and following the global financial crisis in 2008. Since then in the GTA, the housing market has become the key driving force of economic growth.

The financialization of the housing market occurs through a changing business model, the rise of shareholder value, and also contingent governmental policies that support the real estate economy and financial liquidity. In other words, unlike the case in Istanbul that I explore in Chapter 6, the new growth model in the GTA has not appeared as a direct and vulgar intervention by the state; rather, private sectors and growth coalitions have been functioning as drivers of the financialization of housing in Ontario. In the case of Istanbul, the central government has served as the key actor in creating a growth model based on the housing-finance nexus. In Canada, local, provincial, and federal levels of government have never directly engaged in creating a new growth model based on the financialization of the housing market; however, they have in one way or another supported the new growth coalition of businesses and/or prioritized the allocation of tax money collected from citizens in such a way as to boost the commodification of land and housing prices. As Gideon Kalman-Lamb highlights, financialization in Canada has developed "as the result of government-insured mortgage programmes that socialized financial risk and transformed the mortgage market into the basis of finance capital profitability and liquidity" (2017: 299). This new socialization of risk has been associated with increasing household indebtedness, the rise of social inequality, and the transformation of the welfare system, specifically through the erosion of socialized public programs and the rise of asset-based welfare (August, 2019, 2020; Simone and Walks, 2019; Walks, 2016).

As such, what we are witnessing in Canada is a development that runs in parallel with neoliberal urbanization in many parts of the world. As manufacturing industries and related sectors have declined in urban areas, urbanization, land commodification, and the housing market have gained economic importance in many countries (Aalbers 2011, Brenner and Theodore, 2002). In the Canadian case, this transformation has taken place under the leadership of private growth coalitions, with strategic political support from multi-scalar governance. The financialization of housing in this country became a dominant strategy of economic growth in the late 1990s (August, 2020). Business and financial elites viewed this economic growth model as a suitable economic replacement strategy. Its rise was also linked to the passage of austerity policies at multiple levels of government.

In 1993, the liberal federal government declared that the provision of housing for the poor was no longer a responsibility of the Federal Government (Hackworth and Moriah, 2006: 515). This responsibility was thus passed down to provincial governments. Shortly afterwards in Ontario, a conservative provincial government came to power in 1994 under the leadership of Mike Harris, who keenly followed a policy of neoliberal austerity that he named “the common-sense revolution” (CSR). This austerity plan is seen by many scholars as the ultimate introduction of roll-back neoliberalization in Ontario (Boudreau et al., 2009; Fanelli and Evans, 2018, Keil, 2002). It initiated an assault on the urban poor, working class, environmental programs, and social welfare structures (i.e., unionized rights and social housing).

The seductive simplicity of the CSR made dramatic incisions into the everyday lives of many people in Toronto and Ontario. Overall, the local neoliberal project in Toronto appeared as a mix of half-hearted market reforms (including the privatization of Toronto’s collective consumption, a leaner local state, and so forth) and frontal attacks on the poor, the left, labour, and so on. These are among the provincial policies established since 1995 that have most directly affected the urban population: drastic welfare cuts, starting with a 21 percent cut in benefits in September 1995; the “Safe Street Act,” directed against squeegee kids and panhandlers; the reduction and redesign of local government (Boudreau 2000; Keil 2000), including the amalgamation of hundreds of local governments (Sancton, 2000); the reduction of provincial full-time social service positions by 21,000 (Mallan, 2001); the introduction of “workfare” (Peck, 2001); the legalization of the 60-hour work-week, based on total intransigence towards the concerns and demands of public- and private-sector union; strategic attacks on public-worker unions, the dismantling and systematic underfunding of the education system, the curtailing of school boards and their rights, and the monitoring and harassment of civil society organizations (Keil, 2002: 588–9); the deregulation of the province’s environmental regime (Winfield and Jenish, 1998); the loosening of planning restrictions and pursuit of an aggressive (sub)urban growth strategy, which has only recently been reined in through a “smart growth” strategy with doubtful credentials; and of course, the elimination of all public housing programs and downloading of responsibilities to the local level (Urquhart, 2001).

Reminiscent of many roll-back neoliberalization programs (Thatcher in the UK , Reagan in the US, and Özal in Turkey), Harris's neoliberalization strategy was based on the restructuring of the social welfare system to introduce the workfare system, cut working-class benefit budgets, and make way for easy capital accumulation by business elites. Thus, many business elites, white middle-class people, and members of the newly growing urban bourgeoisie supported Harris's CSR agenda (Ibid.). His strategy was based as well on a restructuring of urban space; through neoliberal urbanization, provincial governance was restructured in such a way as to dismantle many of the provincial government's responsibilities and relegate certain responsibilities, such as social housing, to local governments (Abruzzese, 2017).

Following this agenda, amalgamation was undertaken to create a mega-city out of Toronto. This move was not undertaken to create a global-city region, as Harris was not in favour of that kind of regional economy discourse. Rather, the idea was to create a mega-city under the name of Toronto Metropolitan Municipality, by merging six local municipalities. The amalgamation came into effect at the beginning of 1998, and since then, the ambiguity between local and regional governance has never been resolved. The Harris government favoured suburban growth rather than urban thriving, and as such, it never created a coherent system of urbanization; rather, governance in the mega-city of Toronto remained unclear and contingent. However, business elites and other local and regional governments acted in such a way as to create a global-city region out of the amalgamated Toronto area. In this global-city region context, governance often proceeds unclearly, with limited contributions from many actors; regional space-making occurs through the ad hoc decisions of certain government bodies, agencies, and business elites:

> As the city-regions expand geographically, they either outlaw existing local government boundaries, resulting in a fragmentation of local authority in relation to the city-region, or they undergo periodic boundary changes—as evidenced by the long history of municipal incorporations, annexations, amalgamations, and other boundary shifts. (Horak, 2013: 314)

This leads to a complicated governance regime at the regional scale, which consists of inner-city areas, suburbs, and in-between places. As Jason Hackworth and Abigail Moriah (2006) put forward, this form of governance often works contingently. Thus, in the GTA, new massive suburbanization and its governance are often guided by contingent decision-making and collaborations among political actors, market actors, and civil society.

Within this framework, three crucial developments have turned the GTA into a regional growth machine based on the financialization of the housing market. The first was the relegation of social housing programs to local municipalities. This strategy led to the elimination of the social housing system in Toronto. The second comprised the cuts in funding to local municipalities. These cuts rendered local municipalities reliant on property taxes as their sole source of income, thereby increasing their dependence on new property constructions. (Keil et al. 2015). The final development is linked to the first two: massive condofication and suburbanization as part of the neoliberal urbanization process.

The relegation of social housing programs to local municipalities occurred in parallel with the federal government's abdication of responsibility for the issue in 1993. Following this move, the provincial government of Ontario also abdicated responsibility for building social housing. At a local level, the city of Toronto has pursued a very weak social-affordable housing program, which has never fulfilled the demand of its people. As of 2010, only 1.5 percent of all built housing existed in the form of social housing in Toronto. Between 2007 and 2017 in Toronto, this number declined to a dramatic low; only 33 co-op units were constructed during this time (Toronto Housing Market Analysis, 2019).

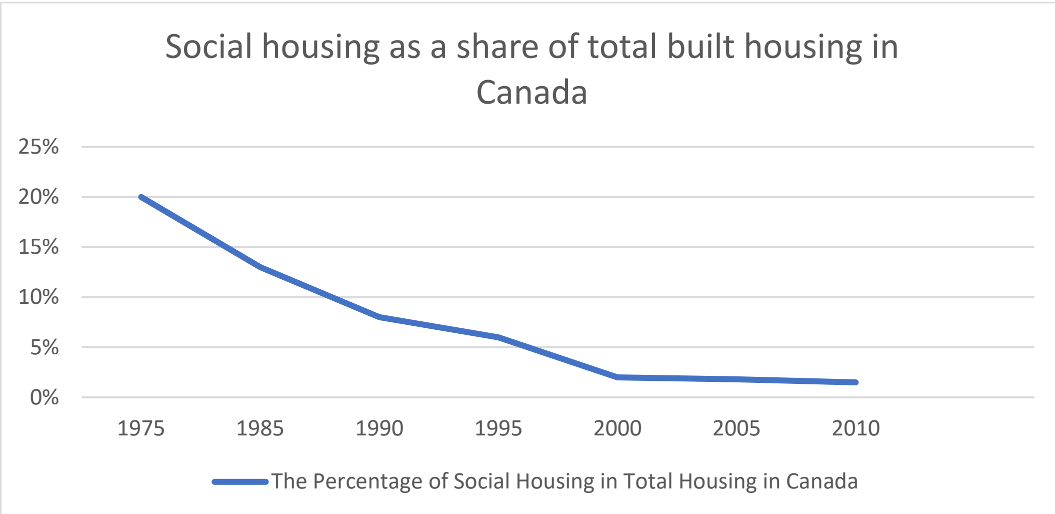

Figure 10. Social housing as a share of total built housing in Canada. Source: CMHC Housing Outlook Reports, 2017

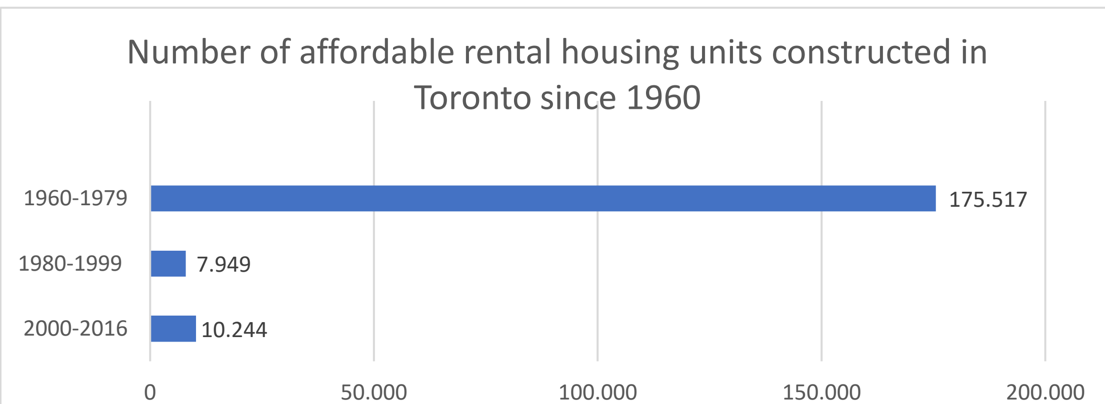

Figure 11. Number of affordable rental housing units constructed in Toronto since 1960. Source: Toronto Housing Market Analysis, 2019

The decline of social housing in Ontario was accompanied by the decline of affordable rental housing. The affordable rental housing model was an essential component of the social welfare regime of the 1960s and 1970s. However, it began to decline in the 1980s and particularly the 1990s. Eventually, the affordable rental market was supplanted by the condominium boom. Hence, in many parts of the city, condo units have become the leading rental option, rather than affordable rental units (also known as primary rental units). From the 1990s onwards, condos began to dominate the housing market in the GTA. Rental housing has become more reliant on condominiums as social housing and affordable rental unit construction have declined. In 1996, 86,279 condo units were built in Toronto, with 33.7 percent taking the form of rental units; in 2018, there were 288,115 condo units completed, with 35.3 percent of them on the rental market. The reliance on limited condo options in the rental market has also increased rental prices in Toronto. The rent for condo units surged by 30 percent from 2006 to 2018. As of 2018, the average rental price of a condo unit was 2,337 CAD. For primary rental units (affordable rentals), the average rental price was 1,372 CAD. However, the vacancy rate is very low, and there is a long waiting list for such housing, as new affordable rentals are not being built.

Condofication, therefore, describes one of two crucial aspects of neoliberal urbanization in Toronto. Condominium construction has generated a real estate boom, particularly after the crisis of 2008. Now, the municipal government and actors of the REFCOM growth model have begun to use condofication and massive suburbanization as strategies of spatial fix, not only to create temporal economic growth but also to increase financial liquidity, mortgage credits, and household indebtedness.

Total units	**161,161**	**100 percent**
Homeowner (freehold)	18,119	11.2 percent
Rental	11,632	7.2 percent
Condo	131,377	81.5 percent
Co-op	33	0.01 percent

Table 7. Number of units built in Toronto between 2007–2017. Source: Toronto Housing Market Analysis, 2019

Thus, Condofication has become symbolic of the creation of a competitive global city-region in the GTA (Lehrer and Wieditz, 2009). What is distinctive about condofication is that: “condominium building is a housing form that allows the maximization of individual ownership” (Lehrer, Keil and Kipfer, 2010: 74). Hence, the proliferation of condo buildings relies on a strategy for creating a society of ownership that is shaped by financial flows for mortgage credits. Together with the deregulation of mortgage markets, condofication aims to increase access to assetization, in a move that has nothing to do with providing affordable shelter.

As Gillad Rosen and Walks put forward, “urban development trends in Toronto over the last 20 years have increasingly been structured around what we term condo-ism” (2015: 229). They write:

> Condo-ism has become the overarching strategy for fulfilling multiple official development objectives. Of course, it is important not to reify condo-ism here. Condo-ism should be understood as a concept for understanding and delineating the nexus of interests, financial practices, forms of governance, tenure shifts, and social preferences that have come together in the current conjuncture to promote condominium development over the alternatives, and around which public policy is increasingly organized. Condo-ism represents the crystallization of a set of intersecting factors characterizing the post-Fordist, postindustrial restructuring of the city, including financialization, deindustrialization, and gentrification. (Ibid., 229)

That is to say, condo-ism, or condofication, is a strategy for replacing the former social welfare regime with the new growth model of REFCOM. Therefore, it is important to note that condofication is an extension of a cumulative transformation of social order. This transformation of social order relies on the squeezing of rental markets, the elimination of social housing systems, and the establishment of homeownership as the key pattern of housing. Assetization through the use of financial tools and the attraction of foreign financial investors are employed as strategies of housing commodification, land-rent speculation, and economic growth. In 2016, the percentage of foreign buyers in the housing market was 8 percent in Toronto and 7 percent in Brampton. In 2017, Toronto legislated a foreign-buyer tax, but this has not really altered this composition.

In the condominium market and also the suburban housing market, immigrants play a crucial role. Many immigrants are coming to Toronto as young professionals and middle-class residents. According to data, at least 30 percent of these immigrants are entering the housing market as potential homeowners. The rest come as renters, which helps drive up the prices for condo rentals. Immigration is thus one of the driving forces of this new housing market structure.As Table 8 illustrates, the majority of immigrants arrive in the city as young professionals and students, who represent a segment of the population that constitutes one of the engines of the housing market now dominated by condo projects in Toronto.

All ages	**104,440**
1–14 years old	18,730
15–24 years old	20,615
25–44 years old	46,115
45–64 years old	12,990
65 years and over	5,990

Table 8. Number of immigrants that arrived in Toronto, 2015–2016. Source: Toronto Housing Market Analysis, 2019

As I have indicated above, what distinguishes this new socio-spatial reality from previous socio-economic orders is that this new hegemony operates by increasing assetization and ownership. This hegemonic maneuver is completed not only by motivating people to own assets as a life guarantee, but also by eliminating other options for social and ontological security. The increasing homeownership rate in Ontario is one of the key indicators of this assetization process. Table 9 illustrates an increasing tendency towards homeownership since the 1990s. This reflects the decline of social housing and rise of assetization. In 1971, homeownership rates were higher in other parts of Ontario compared with Toronto, which historically had the largest stock of social and affordable rental housing in the province. However, as we see, the provincial and municipal homeownership rates in 2011 were very similar. This illustrates the role that ownership and assetization are playing as the driving social factors of the new growth model.

Year	**Homeownership rate in Ontario (percent)**	**Homeownership rate in Toronto (percent)**
1971	62.9	55.4
1981	63.3	57.3
1991	63.7	57.9
2001	67.8	63.2
2011	70.1	68.3

Table 9. Homeownership rates in Ontario and Toronto, from 1971 to 2011. Source: CMHC Ownership Report

5.3. The key actors of REFCOM

As indicated above, the rise of a new economic growth model based on the financialization of housing constitutes an extension of the neoliberal production of space in Ontario, particularly in Toronto and the wider GTA. The elimination of social housing and affordable rental housing options in Toronto have contributed to the rise of market actors that benefit from the financialization of the housing market. These actors have begun to use the production of urban space (not only in the form of housing, commercial stores, or office spaces, but also in the form of infrastructural networks that facilitate the flows of things into and out of urban areas) as the new dominant strategy for accumulating capital and providing financial liquidity. This new housing market structure is supported by local governments, as city councils in Toronto and the wider GTA generally act in such a way as to enable construction projects; it is significant to note here that property tax is the key income source of those municipalities.

Condofication and the proliferation of high-rise buildings through processes of neighbourhood gentrification are key strategies in Toronto for instigating the domination of the housing-finance nexus and increasing assetization. However, they are not the only strategies used to generate profits for developers and REITs, along with other business elites. Another important strategy in this process is massive suburbanization. In many parts of the GTA, suburbanization has become the key driving force of the financialization of housing. The rediscovery of suburbanization has also enabled rapid assetization and indebtedness, while providing an easy source of primitive accumulation for the actors of REFCOM through the transformation of greenfield and erstwhile agricultural and forest areas.

Before delving into the details of suburbanization as a key driving force of the new growth model, I will touch on the key actors of the REFCOM growth model in the GTA. The emergence of REFCOM in Toronto is rooted in numerous financial and political regulations on both the movement of finance capital and housing policies. The six key actors of the neoliberal real estate market restructuring here are: the federal government, local government, developers and REITs, banks and other financial institutions, the Canada Mortgage and Housing Corporation (CMHC), and the Ontario Municipal Board (OMB) (Replaced by Local Planning Appeal Tribunal - LPAT in 2019). Residents, mortgage payers, landlords, and tenants also play a role, but I will discuss them further while talking later about the financialization of housing.

5.3.1. Banks, other financial institutions, and the Canada Mortgage and Housing Corporation

The financialization of housing in Canada is mainly reliant on mortgage credits issued by the banks. Banks in Canada received the authority to issue mortgage credits in 1967, as a response to a housing boom in the post-war period (Kobrak and Martin, 2018: 234). After the Second World War came to an end, a large number of returning veterans spurred a demand for mortgage financing. At that time, banks were not allowed to lend money for mortgages. Life insurance companies were the major source of mortgages, followed by trust companies. As a consequence of the increased demand, the government created a new crown corporation, a state-owned enterprise called the Central Mortgage and Housing Corporation, later renamed the Canada Mortgage and Housing Corporation (CMHC).[17] Its basic function was to: "provide discounting facilities for loan and mortgage companies" (Kobrak and Martin, 2018: 233). However, when the CMHC proved to be inadequate for meeting market demands, the Federal Government allowed banks to enter the mortgage game.

After banks were granted the authority to issue mortgage credits, they became the key financial institutions distributing mortgage credits in the housing market. As shown in Figure 12, the Canadian mortgage market is now dominated by banks, "which together hold approximately 75 percent of the value of outstanding mortgages" (Crawford et al., 2013: 53). More specifically, Canada's mortgage market and entire financial sector are dominated by the country's five largest

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[17]The CMHC (founded in 1946) is a key institution in Canada for regulating certain housing-related policies. According to its website: "CMHC exists for a single reason: to make housing affordable for everyone in Canada" (CMHC website, 2020). In fact, as Walks and Clifford (2015) indicate, the agency now serves mainly to facilitate the financialization of the housing market, as it generally manages the securitization process.

banks—TD, Royal Bank, CIBC, Bank of Montreal, and Scotiabank—although a number of smaller institutions, including credit unions, trust companies, non-depository institutions, credit intermediaries, and insurance companies, also originate mortgages (Walks, 2012: 261).

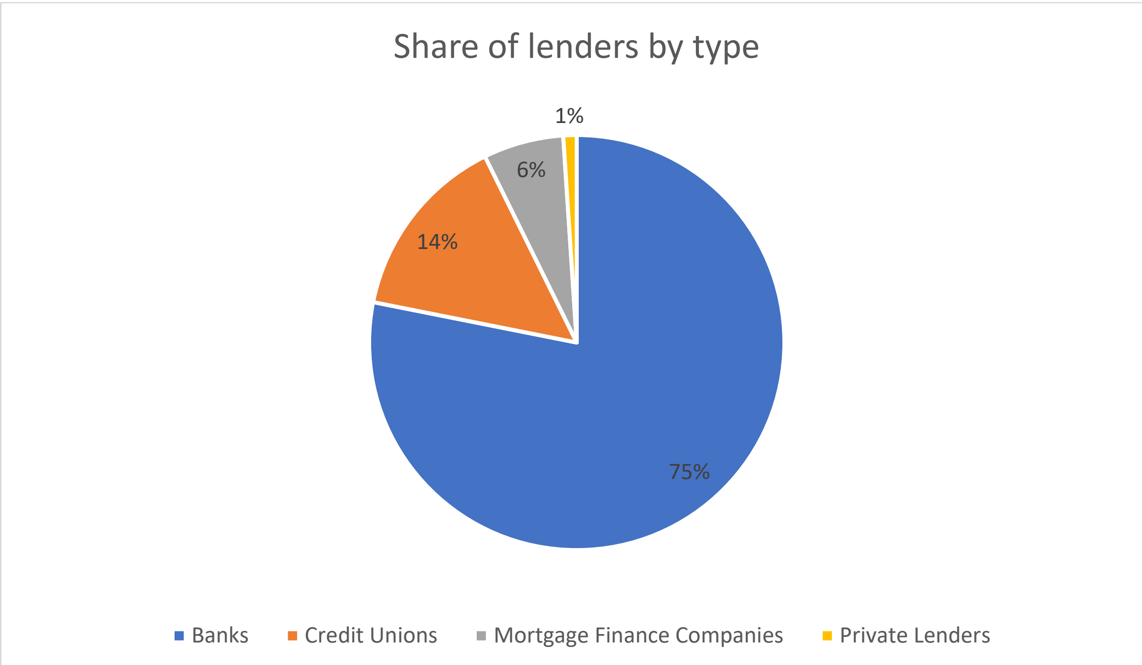

Figure 12. The share of lenders in the Canadian housing market by type of financial institute, 2018 Q3. Source: Canadian Bankers Association; CMHC calculations based on Statistics Canada custom request; fundamental research and CMHC calculations based the Non-Bank Mortgage Lenders Survey, taken from the Residential Mortgage Industry Report of CMHC, 2019 Q3.

In addition to the right to issue mortgages, two other developments also helped to position Canadian banks as key actors in this process. The banks were allowed to buy trust companies and were also allowed to issue mortgage-based securities (MBS) freed by the National Housing Act (NHA).[18] In 1987, the Federal Government introduced the MBS market in Canada to provide the

[18] The National Housing Act (NHA) was introduced in 1938 to form a federal planning strategy for housing. Before that, housing policies and urban planning pertaining to housing were contingently designed and/or housing was left to market conditions and the industrious works of communities. In the text of the NHA, it is written that: "The purpose of this Act, in relation to financing for housing, is to promote housing affordability and choice, to facilitate access to, and competition and efficiency in the provision of, housing finance, to protect the availability of adequate funding for housing at low cost, and generally to contribute to the well-being of the housing sector in the national economy" (National Housing Act, 1985). Hence, the purpose of this federal initiative was to finance housing systems in order to provide the affordable housing needed to meet increasing demand.

necessary liquidity for the real estate market. It was originally introduced with a strategy that differed from other countries; however, it was restructured in 2001. The system is now constructed around a strategy that does not require banks to hold a huge amount of capital as a reciprocity of their risks; instead, the system is designed to allow banks to keep lending (Walks and Clifford, 2015: 1628). To this purpose, the Federal Government has assigned the CMHC to insure MBS. Since June 2001, through a special purpose trust of the CMHC called the Canada Housing Trust (CHT), the Canadian state has created special purpose vehicles to purchase and pool mortgages into MBS. The CHT sells non-amortizing bonds called Canada Mortgage Bonds (CMBs) to large-scale investors, and it uses the funds raised to directly purchase NHA-MBS conforming mortgages from banks, moving them off banks' balance sheets and onto the books of the CHT/CMHC. Thus, the CHT is a public body that absorbs credit risk and reduces the amount of capital that banks are required to hold in reserve, allowing them to ramp up their lending. Because CMBs are 100-percent guaranteed by the government, there is no risk to investors (Walks and Clifford., 1628).

As this pattern of multiple regulations and creative bookkeeping demonstrates, there is a configuration in place that facilitates increased lending and positions banks and their subordinated companies[19] as the chief locomotives of financialization, through the provision of a governmental guarantee of future profit. In fact, the government guarantee also helps to create a new social order since banks use it to lend more mortgage credits to borrowers. It is important to note here that this system of guarantee is mainly set up to protect lenders and investors rather than borrowers.

[19]The banks have several subordinated companies in their bodies. In their bookkeeping and balance sheets, these companies are seen as autonomous corporations that can lend money or insure certain products. For instance, TD Canada is the known name of one of the country's largest banks; however, TD Mortgages, TD Insurance, and TD Trust Investment also exist as autonomous companies that act in the financial markets.

Securitization allows banks to lend more mortgage credits, in such a way that may even lead to over-lending. When the government backs the securitization process, the banks do not hesitate to lend whatever they have in their reserves.

Hedge funds, investment funds, mining corporations, REITs, and pensions funds are all investing in these securities. With the rise of real estate sectors in Toronto following the elimination of affordable housing policies, huge pension funds and mining corporations started to invest in the housing market through either securities or shares of REITs. For instance, pensions plans such as the Ontario Municipal Employees Retirement System and Ontario Teacher's Pension Plan invested in real estate shares of the Oxford Properties Group and Cadillac Fairview Corp. Ltd. (Melnitzer, 2018). In addition, the Alberta Pension Fund invested in apartment buildings in the Toronto neighbourhood of Parkdale.[20] As Interviewee 20 told me: "In Toronto, we can now definitely say that pension funds and some union funds can be counted as major players of the housing market." Pension plans and other major funds invest in this market through NHA MBS or REITs. In order to understand the investment strategies of those large funds, we also need to examine REITs in the GTA and Hamilton Area to gain greater insight into the strategies of different actors in the financialization of housing.

[20]This investment has generated multiple controversies. In 2017, tenants in the Parkdale district of Toronto engaged in a rent strike against rent increases issued by the property management corporations. When the management corporations applied above-guideline rent increases (AGI), more than 300 tenants refused to pay rent for months. The reason for implementing AGI's was that The Alberta Investment Management Corporation (AIMCO), Alberta's pension fund, had invested in property managements to run the buildings together. The effects of financial fund investment led to resistance from tenants, who successfully stopped the rent increase through striking. More than 300 households in twelve buildings asked for a reduction in the AGI, a rent decrease for tenants in financial hardship, and a maintenance program for the buildings (Parkdale Organize, 2017).

5.3.2. REITs, developers, and the Ontario Municipal Board

As I mentioned in previous chapters, REITs are not solely developers. Rather, REITs may act as developers, or different developers may come together to form a REIT, or developers and REITs may act together as business partners. According to Samita Pachai:

> A REIT is a trust that passively holds interests in a portfolio of real estate properties. It does not conduct an active business in the traditional sense, but rather engages in earning income from property. Instead of selling goods or services out of its property, it owns income-producing property that is leased out to third party tenants who, in turn, operate a business. (2016: 11–2)

There are three main types of REIT: equity REITs, mortgage REITs, and hybrid REITs. Peter Linneman explains:

> Equity REITs, the dominant format, own and operate income producing real estate, while mortgage REITs lend money directly to real estate owners, or extend credit directly through the acquisition of loans or mortgage backed securities. The revenue from mortgage REITs primarily derives from interest on the mortgages they own, while equity REITs derive their profits from rental streams. Hybrid REITs pursue a bit of both strategies. (2013: 296)

In Canada, the majority of REITs are equity REITs, but some act as Hybrid REITs that acquire MBS. These REITs put their properties, assets, and securities into financial markets, and their shares are processed in the Toronto Stock Exchange (TSX). The TSX has a special index for REITs, which shows the major players in Canada's REIT market. Martine August and Walks (2018: 124) suggest that together with private equity funds, financial asset management firms, and other funds, REITs are financialized landlords. Many mining corporations also invest in these REITs, or some form REITs to financialize their savings through real estate investment.

In Canada, REITs were legislated in the early 1990s as a neoliberal remedy against the ongoing recession (Power and Risager, 2019: 82). As I mention above, this response was part of a neoliberalization process based on the withdrawal of the Federal Government from the domain of affordable housing. REITs began to emerge in this time period as a key actor of competitive city-building. In fact, REITs are now essential for the financialization of decision-making and city-building.

Name	**Market Value (CAD)**	**Weight (Percentage)**
Canadian Apartment Properties REIT	166,302,195.16	16.14
Allied Properties REIT	126,684,397.06	12.30
Riocan REIT	117,941,834.5	11.40
Choice Properties REIT	76,707,151.12	7.40
Granite REIT	72,435,967.39	7.03
HANDR REIT	58,888,152.74	5.72
SmartCentres REIT	55,453,071.96	5.38
Northview Apartments REIT	45,559,281.52	4.42
InterRent REIT	37,207,093.44	3.61
Killam Apartments REIT	35,520,669.54	3.45

Table 10. S&P/TSX Capped REIT Index: Top 10 REITs in the TSX as of March 31, 2020.
Source: https://www.blackrock.com/ca/individual/en/products/239843/ishares-sptsx-capped-reit-index-etf?switchLocale=y&siteEntryPassthrough=true

In addition to these financialized landlords, developers also act as key actors of the housing market. In this case, we need to clarify the differences and similarities between REITs and developers. The key difference is that not all REITs act as developers; instead, they often show interest in investing in the projects built by developers. Certain REITs (such as Cadillac Fairview in Toronto) may also act as developers for large housing projects, or they may create partnerships with developers to act as speculators of place-making. As Harvey (1989) indicates, these developers act as speculator-developers to extract the highest possible land-rent from urban development and generate a volume of economic growth. Economic growth based on urban land speculation has become a priority of public administrations in neoliberal times, and thanks to the roles they play in building cities and reproducing urban space, developers along with REITs have become driving forces of this growth model.

The production of space by developers is not solely a construction matter; it is also a social matter that is tied to political choices, strategies, and struggles, as well as financial flows. As such, we need to consider developers as key components of the growth coalitions in the REFCOM model. In Toronto, the largest developers are Smart Centres, Oxford Properties Group, Cadillac Fairview, Tridel Corporation, Menkes, H&R Development, and Daniels Corporation (Moore, 2013: 105–6). In these suburbs, Mattamy Home and Metrus are also well-known large players. In addition to these corporations, giant subcontractors also work on construction sites; EllisDon, for instance, is the largest subcontractor that provides developers with the construction materials and workforces needed for large-scale projects.

Developers and REITs have used condofication and massive suburbanization as a primary strategy to bolster economic growth out of land commodification and land-rent speculation. The latter is one of the most important developments pertaining to REFCOM in the GTA. Condofication, or condo-ism, originated as a massive speculation tool in the 1990s in response to the economic recession. Immigration has also helped to drive condofication, as developers and financial institutions perceive immigrants as potential homebuyers:

> For a very long time, the access to housing credits was facilitated for immigrants. The idea behind this policy was not only about integrating these immigrants into the Canadian system but also maintaining a financial chain through which banks and developers can benefit. (Interviewee 1)

New immigrants coming with dreams of homeownership to Toronto could easily obtain mortgage credits, particularly before the introduction of the stress test in 2017[21]. The Bank of Canada reduced the interest rate, and many banks have embraced the strategy of articulating new immigrants into the financial system.

The OMB (currently LPAT) was also another actor that has enabled growth coalitions in the REFCOM model to dominate urban land commodification. The OMB is a supervisory body that acts as a kind of court for disputed urban development projects. The Ontario Government technically invests planning authority in local politicians (i.e., municipal councils). However, it allows actors that are upset with municipal council decisions to appeal those decisions to the OMB. The OMB is the most powerful board of its kind in North America. Its role is to act as an appeal body in planning disputes, and its ability to overturn or alter the decisions of democratically elected councils is a cause for consternation in many Ontario communities, including the provincial capital of Toronto. Aaron A. Moore writes:

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[21] Stress Test was a precaution taken by the Canada's Federal Government in 2017 as the Canadian real estate bubble expanded tremendously in the early months of 2017. As Tencer (2018) higlighted, Toronto and Vancouver became leading cities in Global Real Estate Bubble Index, the government introduced the stress test to slow down the market. The rationale behind this move was to slow down the money lending of the banks by introducing financial criteria to qualify for a mortgage credit. The potential homeowners must pass the stress test in order to receive a mortgage credit for their dreamed house.

> the OMB can overturn Toronto City Council's decisions regarding development just as it can the decisions of the province's smallest municipalities. Both the OMB's position as the final decision-maker on development and planning issues and the procedural requirements of appealing to the board may substantially shape and direct the politics of urban development in the City of Toronto. (Moore, 2013: 5)

As such, the OMB is an important actor in urban development in Ontario. As Moore highlights, developers and REITs can influence members of the OMB through their lobbying power, and many development projects are accepted by the OMB after being turned down by local councils. As one of my interviewees, a former planner in Ontario, told me: "the development industry knows that they have the OMB wrapped up for them" (Interviewee 3)[22].

Thus, the formation of REFCOM, in a nutshell, can be seen as a coalition of the development industry, REITs, banks, other financial institutions, along with the OMB, local politicians, and other actors such as media and universities. This coalition can be depicted within the growth coalition framework drawn by Logan and Molotch (2007). In fact, as I explained in Chapter 4, under neoliberal hegemony, the growth machine has a broader meaning and it operates as an overwhelming engine of debt creation as Peck and Whiteside (2016) would claim. This debt machine in the GTA leads to the rise of indebtedness, inequalities, and poverty. On the one hand, we witness the increasing indebtedness of households, particularly in the suburbs. On the other hand, we also see increasing homelessness, particularly in inner-city areas. In fact, Toronto now

[22] OMB had been the appeal court for many years but in 2019 it was replaced by LPAT (Local Planning Apepal Tribunal). LPAT is basically a new version of OMB and it was introduced by Progressive Conservative Government led by Doug Ford. Through this transformation, the conservative government of Ontario aimed at expanding the responsibilities and legislation of OMB with a new structure. LPAT has the power to override the municipal decision (Willing, 2019).

has one of the most serious homelessness problems in North America. According to Toronto's Street Assessment results, there were 4,969 homeless people in the city as of 2006. By 2016, this number had increased to 8,715. Now, there are more than an estimated 9,200 homeless people in Toronto (Toronto Housing Market Report, 2018; Fredvictor, 2020). This number is subject to ongoing increase, as there are no new social housing projects or new investments are being made to improve the accessibility of proper and affordable shelter.

5.4. Boosting the housing market by spreading fear of housing scarcity

As indicated above, banks, REITs, developers, the OMB, political decision-makers, and other actors, such as media, private lenders, and real estate agencies, create the housing-finance nexus in the GTA. In order to understand how they maintain this economic growth model, it is important to grasp how they represent the housing market and promote their actions. Rising unaffordability in the GTA is exacerbated by a fear of housing scarcity. This fear boosts the demand for a limited housing supply, which in turn boosts prices. As one of my interviewees explained:

> Disposable income to obtain a proper housing is not sufficient for many people. It is preventing certain income groups to get into ownership market. Even if they want to spend 20, 30, 40 percent of their income. In fact, the lender will lend you the money if you qualify. Certain income groups cannot qualify to get a mortgage for ownership. (Interviewee 3)

In the GTA, housing prices are skyrocketing due to the high volume of speculation and financial engagement. The rising unaffordability has a big impact on the rental market, as well as the ownership market: "I think what we are seeing is a much lower vacancy rate, and prices go up on the rental side as well, and there is much less choice on the market" (Interviewee 3). Thus, while prices go up, housing choices are decreasing in the market. The growth coalition aims to shrink housing choices, so that people feel obliged to go for the limited options on the market—which are generally condominium units or suburban detached houses.

The GTA saw a tremendous increase in prices between 2013–2017. There are two key reasons for that: first, the demand has increased at a rate that the market has been unable meet; and second, there is plenty of choices available for financing property. Thus, "in a sense, the proliferation of financial tools led to the rise of demand" (Interviewee 20). These financial tools include not only mortgage credits, but also other financial options that I will touch upon later. Such tools contribute to the demand for housing, by enabling more people to access the credit needed to buy homes. However, there remains a question of whether or not the increase in demand has been unexpected. Many actors of the housing-finance nexus claim that there is very high demand for housing and the supply is inadequate to meet it because there is insufficient space to grow. However, one of my interviewees disagreed with this argument, telling me that:

> The demand side has not really changed. We have been growing by 100–120,000 people per year in the last 20–25 years. There is nothing new, in terms of giant explosion of the demand. The prices go up, and people who have waited for the market say, 'I gotta go now… If I don't get in there now, I will never get in there.' (Interviewee 3)

Here, we see how one of the most important strategies for attracting people into the market is the spread of market fear. Many people would argue that the demand is very high and that is why prices are going up; however, in principle, the demand has remained similar across a couple of decades, and the population growth has not been unprecedented. There are three key factors that would boost the demand for housing in Toronto Region: a) the decline of the interest rate, b) population growth and c) the rise of household income. If we evaluate these factors;

a) The Decline of Interest Rate

The decline of the interest rate inevitably leads to an increment in the demand for more credits as people would like to invest in asset ownership. Decreasing the rate of interest is part of a long-run strategy that Canada embraced since the 1990s. The early 1990s saw a real estate crisis essentially in Toronto, and due to the crisis, the house prices fell apart and many people lost their investments. In order to revitalize the housing market two strategies were embraced; 1) CMHC began to issue mortgage securities under National Housing Act, 2) The Bank of Canada began to decrease the interest rates. There are two fundamental reasons for these two steps; 1) As a response to the real estate crisis, the credits were deregulated, so that more people could easily go into the mortgage market, 2) CMHC guaranteed the credits of the banks through the securitization mechanism, therefore the banks could easily lend their money without having the risk of losing a big share of their reserves.

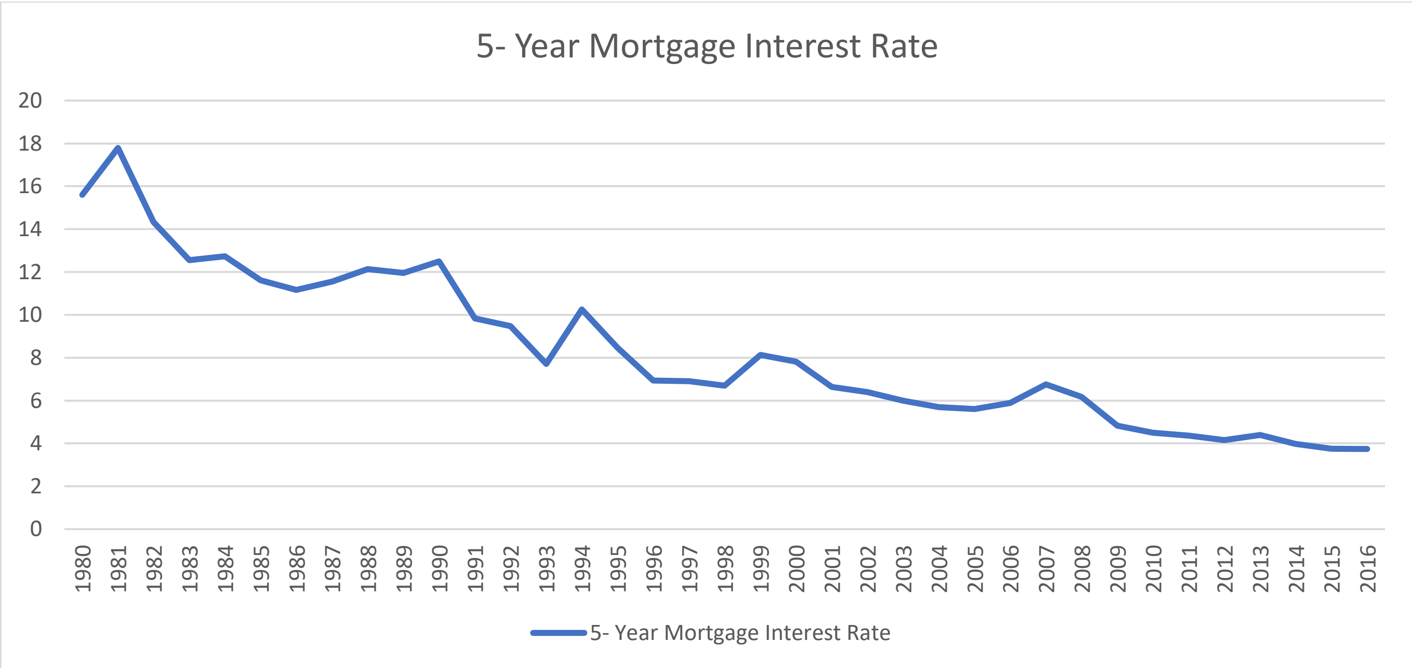

Figure 13: Mortgage Interest Rates from 1980 to 2016 in Canada, Source: Bank of Canada

As the Figure 13 also illustrates we are witnessing the decline of interest rates for mortgage credit since the 1980s and this decline began to accelerate in the mid-1990s. The banks have been the mortgage credit lender for decades in Canada, and CMHC is the leading agency that guarantees the securities. Therefore, the decline of interest rate came with easy lending of banks (which lasted until 2018 when the stress test was introduced).

b) Population Growth

The 2016 population of Toronto is 2,731,571, or 7.8% of Canada's absolute populace of 35,151,728. In fact, As Stats Canada indicates 46% of the populace in Toronto is made out of workers. Toronto’s population grows with a rapid haste as its population developed by 116,511 inhabitants somewhere in the range of 2011 and 2016, an increment of 4.5%. This increase refers to more than the quantity of individuals added somewhere in the range of 2006 and 2011 of 111,779 or 4.5%. Additionally, the 2016 populace of the Greater Toronto and Hamilton Area (GTHA) is 6,954,433, or 19.8% of Canada's entire population (Toronto, 2017).

Also, as of 2019, Ontario’s population is 14.57 Million people and this population is subject to increase according to the projection for 2040. There are a few suburban towns where the population increases by the rate of 15%. For instance, A 2018 report published by Peel Region, indicates that Brampton’s population was 635,400 that year (Peel’s Economic Pulse, 2018), up 15 percent from the 2016 census numbers just two years before. 73 percent of the immigrants are “visible minorities” (The term used for non-white non-Indigenous people in Canada).

c) The Rise of Household Income

The disposable income rises in GTA every year, but this does not mean that the increase in the income of households will lead to the easy down payment for homeownership as in the meantime home prices are also increasing. The key problem with the rise of disposable income in GTA, this rise is considered as a new force that increases the prices.

As the Table 11. illustrates, the median household income in the suburbs of GTA is higher than the city of Toronto. There are a few reasons to explain it, and the first one is that as David Gordon (2018) underlines the majority of population reside in the suburbs in Canada. Suburban development is the key urbanization form that determines the urban expansion in GTA essentially in the last two decades. Also, more and more immigrants tend to live in the suburbs to be close to their own ethnic community (Üçoğlu, 2020). Another reason is that the suburban housing is much larger than the average size in Toronto; for that reason, families with a high household income tend to go to the suburbs to dwell in a large freehold house. The suburban development provides necessary land to construct large estates. Therefore, much of the urban development in GTA takes place in the suburbs and the household with higher income dwell in the suburbs. In Toronto, there is a lot of students, international expats and newcomers that begin a new life. That is why the household income is lower than the suburbs. Also, in Toronto as the condominiums have become the dominant housing style, many families with high income do not want to reside in Toronto.

Therefore, the rise of household median income has a great impact on further suburbanization as many families aim to live in the suburbs rather than in downtown Toronto. Another important point here is that many jobs in the sectors of logistics, warehousing, service businesses, technological services are located in the suburban area. The flexible land use in the suburban regions provides the developers and policymakers to expand the suburban land in a way to allocate large lands for business and infrastructure (Lehrer, 2013). However, there is a crucial point in understanding the median household income in GTA. This problem is the widening inequality of household income. Even though the average income signals a reasonable amount that is acceptable for everyone, this income is not distributed fairly and the share of top 1% is much higher than the bottom 50%.

The Towns in the GTA	**The Median Household Income 2016 ($CAD)**
Ajax	96,949
Brampton	87,290
Brock	73,072
Burlington	93,588
Caledon	113,651
Clarington	95,753
East Gwillimbury	104,716
Georgina	81,695
Halton Hills	106,349
Markham	89,028
Milton	104,730
Mississauga	83,018
Oakville	113,666
Oshawa	70,211
Pickering	99,701
Richmond	88,353
Scugog	90,478
Toronto (The City)	65,829
Uxbrige	98,991
Vaughan	105,351
Whitby	103,809
Whitchurch-Stoufville	102,997

Table 11. The median household income in the cities of GTA, Source: Canada Census 2016, received from https://torontofoundation.ca/wp-content/uploads/2019/10/VitalSigns2019_01_IncomeAndWealth.pdf, p. 26

Therefore, the increase in the demand is predictable but the house prices are increasing far more than the affordability level in Toronto. One of the key indicators of housing unaffordability is identified as the core housing need by Statistics Canada. Stats Canada defines the concept as: "A household is said to be in 'core housing need' if its housing falls below at least one of the adequacy, affordability or suitability standards and it would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable" (Stats Canada, 2017). According to their explanation, the three housing standards are: "Adequate housing is reported by their residents as not requiring any major repairs. Affordable housing has shelter costs equal to less than 30% of total before-tax household income. Suitable housing has enough bedrooms for the size and composition of resident households according to National Occupancy Standard (NOS) requirements" (Ibid.). In Canada the core housing need rate is 12.7% as of 2016. It was 12.5% in 2011, this means that the trend has a tendency of increase. In the meantime, in Ontario the rate of households in need of core housing is 15.3% as of 2016, much higher than the Canada's average. Indeed, in Ontario this rate was 13.4% in 2011; this means that the housing conditions provided and the stock supplied to the market between 2011 and 2016 in Ontario had a lot of problems with meeting the demand for proper and affordable housing. Particularly, if we check the data for Toronto, the picture gets worse. In Toronto, the rate of households in need of core housing is 19.7%, this is the highest percentage in entire Canada. Therefore, in Toronto 1/5 of all households are not able to dwell in housings that can really satisfy their proper and affordable living standards.[23]

[23] All the data in this part is retrieved from https://www12.statcan.gc.ca/census-recensement/2016/ref/dict/households-menage037-eng.cfm

As I indicated, the key reason for the rise of unaffordability and also for the rise of housing scarcity is that developers and other real estate corporations are creating the rhetoric of fear and disseminating the message to "get in right now" through the media:

> We see this engagement essentially for the detached house market. The media talks about that there is no more land for single detached houses. The supply is getting smaller. The total stock of singles in Toronto is declining. The prices are going up because it is now a limited commodity. The press then starts to talk about how the prices are going up because there is no single homes. People did not realize that they are talking about 416. This snowballing effect reaches the entire region and becomes the mindset of everybody. 'There is not more detached houses, we gotta get in now.'[24] (Interviewee 3)

Hence, we can see that REFCOM employs a strategy of spreading fear in order to boost housing demand and prices. This fear works to two effects: on the one hand, it increases prices for detached houses, hence engendering a new speculative market for singles (and even for semi-detached houses); on the other hand, it also inflates the demand for condominiums, since many young adults are now unable to afford the singles market. The demand for suburban housing increases, as developers invest in the fear-driven propaganda of "you have to buy it right now." In fact, suburbanization in this case is often offered as a remedy to slow the skyrocketing of house prices. According to the rhetoric of many media outlets (e.g., *The Globe and Mail* and *Toronto Star*), new immigrants go to the suburbs because suburban houses are more affordable (Pelley, 2017). A widely asserted solution to fix the problem of unaffordability generally begins with: "we need

[24] 416 is the area code of the City of Toronto, formally known as the historical city of Toronto.

more housing." From this perspective, the only thing that politicians have to do is "to allow more housing supply," so that we can fix the crisis of housing affordability (Florida, 2018). However, one of the interviewees explained that the housing industry does not operate with this simple strategy—and that "the developers are not that stupid" (Interviewee 3).

> The development industry has short-term and long-term plans, both of which I will mention. The short-term plan comprises what I described above: to foster the idea that "there is not enough housing stock" in the minds of the population. The development industry cultivates this idea because it knows that if it controls the supply of housing, or if there is limited supply, it can more sell new houses at a very high price. Therefore, instead of expanding the housing supply to benefit everyone, developers circulate anecdotal stories of line ups. My team worked with all the municipalities in the Golden Horseshoe area, and we found that there is plenty of land that is ready for development, and there is no necessity to expand the boundaries or destroy the farmlands and greenbelt. On these lands, according to our estimations, around 800,000 ground-related units can be planned. This means that these plans can provide housing to between 1.6 million to 2.4 million people in the coming years. This would be 85 percent of all the population growth up to 2031. However, the industry always claims the opposite. They always argue that they are running out of land. This is complete bullshit. (Interviewee 3)

This acerbic account of developers' scarcity-focused rhetoric illustrates how the politics around space-making are shaped. As noted above, many actors are involved in shaping those politics, including not only developers but also the OMB, local politicians, media, and more. One interviewee told me that: "In the GTA, there are many associations of builders. These are home builders associations. These associations act like the umbrella of developers, and they have close relations with both the local politicians and Ontario Municipal Board (OMB)" (Interviewee 20). Another said similar things: "they have the city wrapped up, they got OMB wrapped up, and most importantly, they have media wrapped up" (Interviewee 3).

In fact, it is not only the media, corporate finance, and actors of the real estate sectors (mainly REITs), but also certain academic institutions that work with developers to form REFCOM:

> Bay Street and real estate sectors and essentially the banks are listening to these guys, instead of officials who claim that there is necessary land, there is space for an affordable housing supply, and we can provide more options to our citizens. In fact, these developers work with professionals and universities' research centres in order to get a very broad range of data. You can check Toronto Sun (sometimes Star) as the advocates of these developers. Also, some research faculty at Ryerson are always working with these developers. If you check the sponsors of Ryerson University Centre for Urban Research, you will see these corporate developers. Also, they use those magazines that are free in the subways (such as *Condos*), and they run full page ads that look like news—at the bottom it is indicated that this is advertorial. (Interviewee 3)

In fact, if we check the sponsors of the Centre for Urban Research and Land Development at Ryerson University, we find numerous corporations that are the key actors of the housing-finance nexus in the GTA: Brookfield Residentials, Empire, Geranium, Pace Credit Union, Holborn Group, Mattamy Homes, Solmar Development, etc. The REFCOM coalition thus works with information, reporting, and survey support from academia, together with experts of urban planning, geographic information systems, and surveys:

> The industry claims that they have reliable data, so that they can easily convince other actors of the fact that they are running out of land. In the meantime, these experts and faculty members are working with them for their future plans. They have a huge data network, so that they can create 20–30-year plans. Their long-run plan is to appropriate the potential vacant houses that are accommodated by baby boomers. You should again keep in mind that these guys do not go for the vacant land provided by municipalities; they go after the already-existing subdivisions and land, since there will not be additional infrastructural costs for these lands. Some of them, of course, they create new subdivisions, but they do it with the help of local governments and with a limited supply. In the case of baby boomers, the industry knew it by 2006 that there are 330,000 units owned by people between 55 and 65. Many of these people are now retired and some of them died. By 2031, the oldest ones of these people will be 91, and by 2041 the youngest ones will be 91. Hence, they also calculate that by 2045, we are not going to expand any more. They are waiting to appropriate the houses of those baby boomers mainly residing in the inner suburbs. They are now calculating how to appropriate and convert the subdivisions in the suburbs, essentially in the inner suburbs, into a capital accumulation stream. (Interviewee 3)

Thus, the development industry and their coalitions operate with the incentive of keeping prices as high as possible, and politicians as well as the OMB pave the path for this coalition to act as brutally as possible. The increase in prices has affected not only singles but also condominiums, which means one thing in an economy with limited choices: more indebtedness.

The shrinkage of market options has also been pursued as a deliberate policy to allow REFCOM actors to serve as the key economic boosters in the region, where the coalition now plays a leading role in determining the production of space. The GTA now hosts one of the largest housing markets and development industries in North America. The shrinkage of market options began with the decline of social housing, when the Federal Government declared that it would no longer support affordable housing systems for poor families. It relegated this duty to the provinces; however, in Ontario, the provincial government has always acted in such a way as to support market actors rather than social housing systems (Abbruzzese, 2017). The gradual elimination of the social housing system has been followed by two developments: the shrinkage of the rental market and the financialization of rental buildings. The latter matter is also related to REITs. August and Walks (2019) indicate that REITs act as financialized landlords, and they invest in rental market with the motivation of increasing the average rental price. As part of this process, some REITs open the door for further investment and attract big funds to invest in the rental apartment buildings in the GTA.

If we analyze the market through the lens of the development industry, this industry wants indebtedness to continue:

> The market actors can always rationalize the ongoing financial system because according to them, the financial system provides necessary options for people to own a house. The variety of financial options gives the sector an opportunity to legitimize market tools that come with being a homeowner. That is why many people take the risk of becoming a homeowner. (Interviewee 20)

The variety of financial options (not housing options) are presented to homebuyers as a blessing of the market, since the market provides everything to buyers to enable them to become homeowners. This is also a mark of financialization. Consider my conversations with one interviewee:

> There are several financial tools that people can benefit from owning a house. That is why many people go for a mortgage credit. What I mean is that affordability is decreasing, but the options for financial tools are increasing. If you have a house that you bought through mortgage credit, in Toronto and in the GTA, the value of a house rises every year. Every year, the properties become more valuable. Suppose that you bought a house valued at $500,000: Usually 5 percent goes to the down payment. You have to pay $450,000 for your mortgage credit, which is for between 22–30 years in average. In fact, after a year, your house's value hits $600,000, and the value difference of $100,000 becomes your home equity line of credit. It means that there is a concept called appraisal. They assess the value of your house. If the value increases, that increment becomes your line of credit. It means that if you want, they reform your mortgage with the new value of the house. Then the difference of $100,000 becomes your credit. Many people get this credit for further investment; they either buy a car or go for another house (Interviewee 20).

Therefore, one of the reasons that increases the demand is the creative financial technique called home equity line of credit. Home equity line of credit is a tool that mortgage credit holders can use to go for further investments. Therefore, the most important thing for many people is to enter the housing market as a homeowner.

> For many people the most important thing is to enter the housing market as a homeowner in one way or another. I know many people who used to live in Brampton and Mississauga as tenants because their workplaces were there. However, I found houses for them in Barrie, as the prices are lower in Barrie than GTA. The reason for this strategy is that they want to enter the market as a homeowner with a mortgage credit that they can afford. Once they begin to live in their houses, their home equity line of credit begins to accumulate.

> This financial tool will make them a potential investor for further housing projects (Interviewee 20).

As the idea relies on that fact that various financial tools must be used in the market in order to increase property ownership, another strategy is to go for private lenders. I asked to my interviewee about how and why people go for private lenders, and he responded as;

> Private lenders charge more interest rate and they have more fees. But the issue is that the formal banking system can be very conservative while lending money, as they ask your credit score and financial history. Many newcomers do not have credit score in Canada; however, private lenders do not mind your financial history. They lend the money and they want you to pay it in 1 or 2 years. This is impossible, but guess what happens, if you buy your house with a mortgage credit from a private lender, and in the market your house value will increase the year after the appraisal, so that you can go to the bank, and say that, "I want an appraisal for my house," and the banks will issue you a mortgage with the new value of the house, so that with this mortgage you can pay your debt to the private lender and become a formal client of the bank. The system provides a lot of opportunities to make people enter the market as a homeowner. Also, in Canada, if you sell your primary residence, you do not have to pay any income tax. This also provides a lot of opportunities. That is why many people go for mortgage even though they know that they will have to pay debt for a very long time. (Interviewee 20-1)

In fact, while this variety of financial tools, mortgage credits, and private lenders provides financing options for homeownership, it also increases the burden of indebtedness. People use secondary mortgage lenders as a temporary solution. Private lenders enable access to housing at a very high rate of interest, and they want the homebuyers to pay their debts in 1 year. After the homebuyer gets a house using credit from a private lender, they can now begin to bargain with the bank for a long-term mortgage deal. If they can convince the bank to extend them credit, they can pay back their debt to the private lender, using the money lent by the bank, and they continue as the new customer of the bank. Hence, private lenders offer a tool for gaining bargaining power against banks, since banks do not accept everyone's mortgage application.

5.5. Massive suburbanization and suburban condofication: The rise of the suburban-financial Nexus in the GTA

Hitherto, I have illustrated how the housing and real estate sectors, together with the rise of financialization, constitute the dominant way of doing business in Ontario, as a replacement for the declining manufacturing sectors. The financialization of the housing market is now the central dynamic that dominates the socio-spatial reality in the GTA. This socio-spatial reality refers to the hegemony of finance capitalism aligned with sectors involved in the production of space. Within this new hegemonic growth model, it is possible to say that, on the one hand, business elites and growth coalitions are able to accumulate an enormous amount of wealth, while on the other hand, subordinated populations are subjected to debt mechanisms for the continuation of assetization. On the one hand, the top centiles of society increase the assets that they own, while on the other hand, subordinated communities are caught in the loop of debt-payment just to own a house as a family asset.

The literature on the financialization of the housing market in Toronto and the wider GTA touches upon the increasing income disparities, household indebtedness, and dominance of REITs as important aspects of the changing housing policy. While carefully examining the role of government in supporting mortgage credit distribution and the construction of more buildings for more financial investments, researchers often emphasize the role of condofication in this new construction-led economy. In fact, while condofication is an important symbol and reality of the new economic growth model, the financialization of the housing market mainly takes place in the suburbs. That is because the majority of the Canadian population resides in the suburbs (Addie et al., 2015); hence, the demand for suburban housing is higher than the demand for housing in downtown areas. North American societies also embrace the suburban way of life more than Western and Eastern European countries do. The suburban way of life is ingrained in the social life of Ontarians, and it is also a point of attraction for new immigrants, many of whom come to Ontario to live in suburban single-family houses with backyards. At least, this has been the ongoing perception of the housing market in Canada. Hence, the actors of the REFCOM growth model have rediscovered the importance of suburbanization in land-rent speculation and commodification.

As I explained in the previous chapter, suburbanization provides a higher volume of speculation, and it is easier to convert suburban land into an investment platform, compared with already-inhabited urban areas. As Jean-Paul Addie and colleagues argue, suburbanization has been associated in Canada with this notion of "rediscovering the suburbs" since the 1960s. As Harris (1999) indicates, suburban development began with an auto-constructed and unplanned housing model in the early urban areas of Toronto. Since then, many different forms of suburbanization have emerged Canada. While the stereotyped image of suburbanization in North America consists of middle-class single-family homes (Moos and Mendez, 2015), suburban development has always entailed diverse dynamics. For example, it has encompassed both the working-class suburbs of the early 20th century (Harris, 1999) and the middle-class suburbs of creeping conformity (Harris, 2004). Over time, suburbs have also become more ethnically diverse: “the white middle-class suburbs of the postwar years are largely gone, with the ‘old’ or ‘inner’ suburbs now having very diverse non-white and immigrant populations” (Keil et al. 2015: 82). In the meantime, suburbs in many parts of the world, and specifically in the GTA, have also become the terrain of growing poverty, poor infrastructure, and the racialization of space (Keil, Güney and Üçoğlu, 2019). Therefore, Keil (2011) argues that suburbs should be understood as the emergence of new types of urbanization, including global-city regions.

Another important point to consider for the suburbanization process in the GTA is that land use and suburban planning have become muddled, and many suburban spaces now exist as spaces in-between cities. In other words, the neoliberal land regime (which is dependent on flexible land use for potential commodification and speculation) has changed the ways that suburbs are organized:

> Many Canadians now live, work and play in quite undefined and nondescript middle landscapes where everything seems to happen at once: large-scale infrastructure such as highways and airports are next to residential quarters; all manner of service providers, including universities and high-tech industries, are adjacent to low-rent apartments; parks and parking lots are side by side…. (Keil et al., 2015: 83)

However, we need to keep in mind that suburbanization is still viewed by many people in Canada as a process distinct from the urban form (Ibid.). In fact, in the case of the GTA, the dominance of Toronto creates the perception of Toronto as the urban core and the rest as the suburbs. Nevertheless, a new type of suburbanization has been emerging in the GTA, in the form of massive peripheral construction with the adjacent combination of diverse land use. Studies on suburbanization in the GTA often emphasize the role of regionalization, economic restructuring, and new blurry forms of governance in this process. While these approaches are very significant for grasping the process, we also need a perspective that addresses the role of the financialization of housing.

There is a tendency to perceive recent suburban development in the GTA as part of a spatio-temporal fix strategy to boost the economy for a while. However, the crucial point to recognize is that the financialization of housing refers to a new growth model, and this growth model instigates socio-economic reorganization based on assetization and indebtedness. The suburbanization that we have seen in the last two decades in the GTA is an outcome of this new growth model, which is dependent on the construction of more housing units and the connection of more households into financial mechanisms. That is why massive suburbanization is the driving force of the financialization of housing, as this is the dominant growth model. That is why I identify this distinctive form of suburbanization as the suburban-financial nexus.

That is to say, massive suburbanization has become the initial driving force of the financialization of the housing market in the GTA. This suburban-financial nexus occurs within a regional context that is supported by provincial mobility plans and the rising service sectors of logistics, cargo, and warehousing. More and more households are located in the suburbs, thanks to their abilities to obtain mortgage credits:

> Suburbs in the GTA have much higher level of indebtedness. With building new communities in the suburbs, you basically open a new opportunity for the first-time homebuyers. In this limited market structure, financial institutions are more tolerant to first time homebuyers, as CMHC guarantees the potential losses of banks. Then, first time homebuyers are more likely to get access to the credits. (Interviewee 1)

This massive suburbanization process does not only proceed in the classic suburban image of single-family homes. Rather, one of the distinctive points of the suburban-financial nexus is that suburbanization has become increasingly connected to projects of condofication. Hence, condofication is no longer a spatial indicator of urban gentrification. Instead, more and more suburban towns aim to attract developers and investors to build high-rise condominium projects in order to create a downtownesque density and attract young professionals.

The tendency to build more condo buildings in the suburbs of the GTA has two driving forces: First, condominiums are gated communities with their own gated governance; hence, this allows developers and REITs to charge extra fees or arrange the buildings in more profitable ways. Second, the suburban way of life has been moving towards a more securitized model, and condominium buildings provide the opportunity to own a home in a gated community. The demand for suburban housing has been fostered around the idea of security, gated governance, and a privileged or exclusive lifestyle. Hence, suburbs have become full of gated community projects, in the form of both detached houses and communities. In the GTA, developers have promoted this new gated lifestyle by highlighting the privileges of modern life in exclusive detached suburban communities, which are generally built for ethnic communities (this is also an exclusion policy), or by advertising the special amenities and privileges of concierged life in middle-class condos. The latter lifestyle is generally targeted towards young adults, and more development projects and planning initiative are being implemented on suburban land to attract these groups as potential homeowners.

Figure 15. A symbol of condofication in the GTA: Mississauga's Marilyn Monroe Buildings. Photo credit: Murat Üçoğlu


BUSINESS

OXFORD PROPERTIES GROUP

Developers this month unveiled plans for an 18 million-square-foot neighbourhood in Mississauga.

Building communities for suburb-hating millennials

Figure 16. An example of how the press promotes massive construction projects in the suburbs. This image comes from the business section of the Toronto Star, on January 31, 2020.

Income disparity among young professionals is another defining dimension of the suburbanization and condofication of the GTA:

> There is a huge income disparity between young professionals. Some of them have managerial positions, so that they can easily afford a mortgage credit and they can pass the stress test. However, many young couples and professionals are not in the same position. They should either rent in order to live in central areas and suburban areas or they should work in more than two jobs in order to pay their mortgage loans. (Interviewee 10)

Thus, the REFCOM growth model heralds not only the spread of condominiums, gated communities, and flexible land use, but also the rise of the debt machine. The GTA is now one of the global city-regions where household debt has most dramatically increased in the last two decades. As one of my interviewees told me:

> The housing system inevitably leads to more indebtedness, since there is no accurate housing policy in Canada. In Toronto and the GTA, we are now seeing that household indebtedness has become more and more suburban. If we check the disposable income ratio to household debt, we see that suburban households are drawn into mortgage indebtedness. Not to mention that in the GTA, the major share of household debt is the mortgage loan. There are a few key reasons for that: One of them is the immigration stream. The banks and many different financial institutions provided an easy access to mortgage credits before 2017. With a very low interest-rate, people coming from all around the world to the GTA easily entered the mortgage pool with relatively easy conditions and rates. Many of these new immigrants ended up in the suburbs, since the detached housing market and even condominium markets are very expensive in Toronto for newcomers. One of the things that we need to consider in order to understand the increasing household debt is that in Canada, there is no coherent housing policy that can support affordable housing in both federal and provincial levels. (Interviewee 1)

The lack of affordable housing supply is often obscured by the pro-growth discourse of supplying more suburban housing. Business elites perceive the ongoing immigration stream and real estate growth as an opportunity for exploitation; for this very reason, suburbs have become spaces of household debt, not only for young adults but also for immigrants of diverse ages. This increasing indebtedness goes hand in hand with the wealth accumulation of the growth coalition. This coalition of developers, REITs, financiers, media, experts, politicians, and international corporations is not only an economic form that strives to do business in the globalized world;

rather, it also forms a hegemonic strategy through which members of the coalition dominate the production of space.

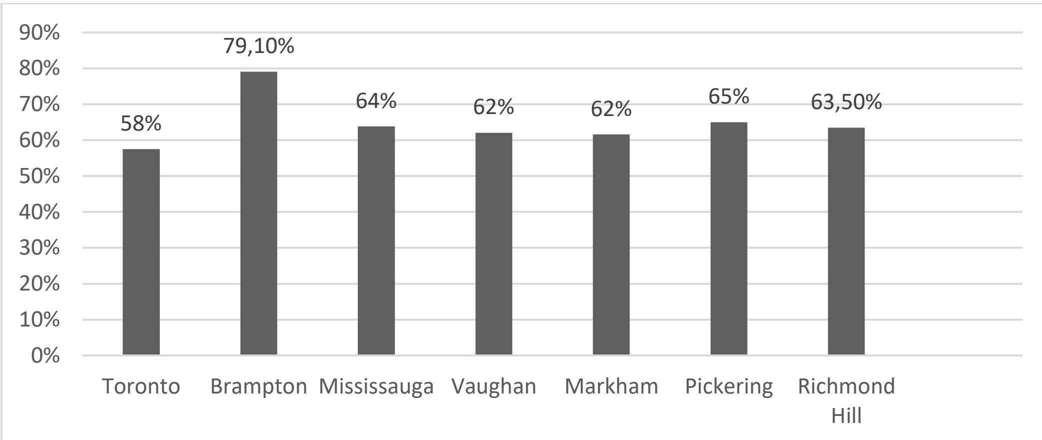

Figure 17. The percentage of households paying mortgage debt in the GTA. Source: Census Canada 2016

As Figure 17 shows, the percentage of households paying mortgage debt is much higher in the suburbs than in the inner city of Toronto. We should also keep in mind that in the city of Toronto, a considerable proportion of condominium units and townhouse projects are owned by the investors (currently 30 percent), and these investors rent out their units at a very high price. This also makes suburban development more attractive for young couples and professionals, including potential investors in Airbnb:

> Another actor in Toronto is the investors for Airbnb. These are generally speculative purchases. They either buy or rent the unit and convert them into Airbnb market commodity. This inevitable increases the cost of housing in Toronto and limits the access to the market. (Interviewee 1)

Suburbs are mainly becoming sites of investment for first-time buyers, immigrants, and young adults. That is why the percentage of households paying debt is higher in the suburbs than in the inner city—and why the suburban housing market now operates as a giant debt machine.

5.6. Brampton: A case between debt and growth—the suburbs of changing political economy

The financialization of the housing market in the GTA is a process that is driven by market actors, particularly business elites, financial circles, REITs, developers, and other sectors that benefit from the housing market. As indicated above, one of the key spatial reflections of this process is the dominance of the condofication that goes hand in hand with gentrification in the city of Toronto. However, another driving force of this process is suburbanization. Suburbanization in the GTA also illustrates how the economic growth model has evolved into a regime of land commodification and household indebtedness. I call the rediscovery of suburbanization with the creation of massive subdivisions for the financialized housing market the suburban-financial nexus. In the suburban-financial nexus, suburban expansion and all of the necessary investments in suburban land use are conspired in such a way as to financialize the suburban housing market and suburban households.

Local politics and economic dynamics in the GTA help to promote the suburban way of life to further the financialization of housing. For this reason, the case of Brampton stands as a crucial example for illustrating the suburban-financial nexus. The significance of Brampton as a case study of novel growth model is illustrated in Figure 16, which shows that 79.1 percent of households in Brampton are paying mortgage debt, representing the highest rate in the GTA.[25]

There is another reason to analyze Brampton as a key site of the changing growth model, as well: Brampton stands as a unique example of the changing political economy. Compared with the

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[25] Here, we need to note that the definition of "household" is generally given as the accommodation occupied by a resident or many residents that have the legal right to stay in that unit. According to Census Canada, a household can be a single person, or a single parent, or couples and families with children. The most ambiguous is shared occupancy by roommates or flatmates. In this category, only the primary tenant or the owner is considered to be a household in statistical analyses.

Kitchener-Waterloo and Hamilton areas, for example, Peel Region's political economy is articulated into the global economy in different ways. The Hamilton and Kitchener-Waterloo areas have universities and long traditions of engineering education and well-trained human capital. That is how they are articulated into the current global economy. In comparison, Brampton is now full of suburban economic transformation, characterized by flexible land use, supply chains and airport traffic, and new labour relations. The airport and warehousing economies are mainly located in this area, and many new immigrants, particularly from South Asia, choose Brampton as their first destination in Ontario. Its role as a landing site for new immigrants is supported by the supply chain networks and new economy of labour relations in Peel Region. Brampton thus reflects the changing patterns of political economy in the GTA (Interviewee 8).

The changing political economy of Brampton can be analyzed through its geography of flexible suburban land, which is full of supply chain networks and new housing projects, as well as the growth of its immigrant populations. According to Keil (2018: 7), Brampton is the beacon of a new Canada. More than half of the population comprises immigrants, and 73 percent of the immigrants are visible minorities—the Canadian term for non-white populations. This suburban city is located at the heart of Peel Region, which is governed by an administrative body that is called the Region of Peel or The Regional Municipality of Peel. This region consists of three suburban municipalities west of the city of Toronto: Mississauga, Brampton, and Caledon. Most of the local services and planning issues within the region are managed by the local municipalities; however, the Region of Peel also plays a role in shaping local policies, including housing policy.

In fact, there is administrative uncertainty around the planning of housing and other things related to the construction economy in Brampton. On the one hand, officials in Brampton say that it is the Peel Region that is responsible for housing; however, building and construction permits go through the municipal administration. At the same time, the Peel Region in theory bears responsibility for social housing; however, social housing projects are not the key agenda of this regional body. One of my interviewees, who was one of the key planners for Brampton's 2040 Vision Plan told me that:

> The two-tier system in Peel creates a lot of problems, and one of them is housing. Peel Region is responsible for affordable housing, but they do not really plan any new projects for it. The City of Brampton also has no coordination with the Peel Region to provide an affordable housing system (Interviewee 5)

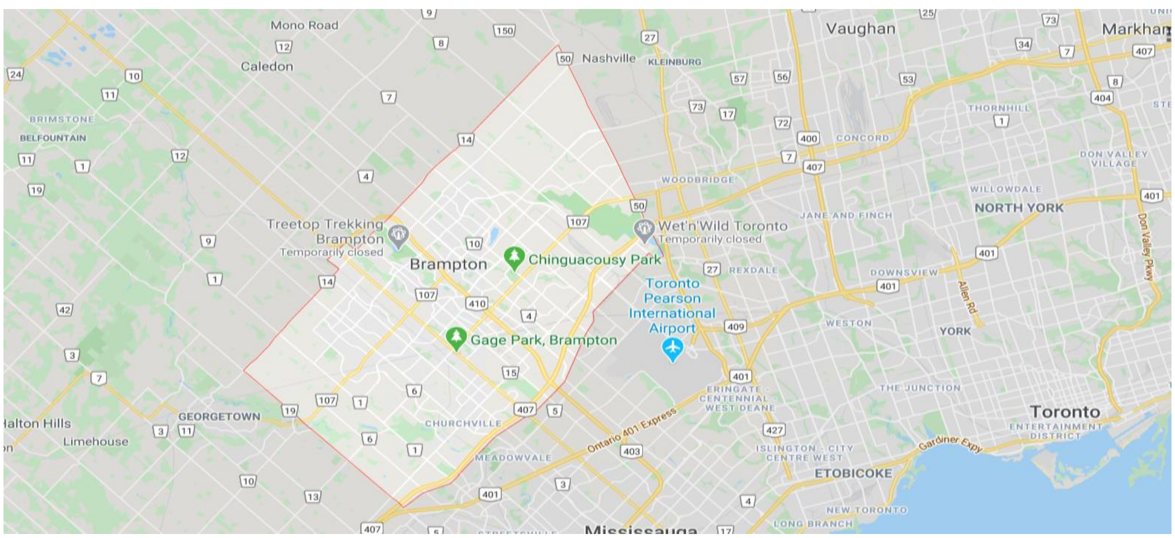

Figure 18. Map-view of Brampton. Retrieved from Google Maps on April 29, 2020.

The lack of communication is one of the key problems in the regional governance of Peel, essentially in the matters of housing. In the case of suburban governance this lack of communication might have severe consequences as the population growth mainly takes place in the suburbs. In Canada, population growth is currently centred in the suburbs. That is why the housing market and construction are mainly concentrated in suburban regions that are located close to central metropolitan areas. Daniyal Zuberi and colleagues write that:

> Canada's suburbs are growing much faster than its cities, largely as a result of immigration. Between 2006 and 2011, the population growth of Toronto (4.5 percent), Vancouver (4.4 percent), and Montreal (1.8 percent) lagged far behind suburbs like Brampton (20.8 percent), Surrey (18.6 percent), or Laval (8.9 percent). (Zuberi, Ivemark and Ptashnick, 2018: 444)

As the statistics indicate, there is rapid population growth underway in Brampton. One of the features that needs to be emphasized here is that suburban regionalism and economics have become global matters. Brampton, as a suburban city and as part of Peel Region, aims to bring foreign direct investments together with new immigrants. The plans and economic forecasting of the suburban cities of Peel Region are constructed on two key pillars: (1) on the one hand, these suburban cities aim to design new downtown centres, where huge amount of funds are invested in condominium projects and downtown revitalization, so that young adults may choose to live there without having to go to Toronto; and (2) on the other hand, the region represents itself as a transit and "cargo" hub, which illustrates the changing economy and role of the suburban cities in the new regionalization.

Population growth is an important factor that planners account for, while creating ambitious growth plans for the GTA. According to a report from the Urban Land Institute:

> Over the next two decades, the province of Ontario, home to the GTA, will grow by over 4 million people. The Greater Toronto Area is expected to grow from 6.35 million today to more than 10 million residents by mid-century, making it one of the fastest growing regions in the developed world. (Greenberg, 2020: 1)

Growth plans for the GTA are mainly associated with the creation of new "downtown centres" through the building of high-density neighbourhoods (Ibid.). Hence, suburban governance is shaped by investment in new downtowns in suburban cities.

Another common feature of GTA growth plans is transit-oriented development. The reorganization of the GTA is shaped by new competitive economy dynamics—and the circulation of goods, services, and financial flows are crucial in this new competitive economy. The province of Ontario has reserved a fund of 28 billion CAD for the Regional Transit Plan, announced in April 2019 (Ibid.). For this reason, transit-oriented growth is very important for the reorganization of the political economy in the GTA.

Peel Region plays a crucial role in this reorganization, since the Pearson Airport is located there, along with a growing cargo sector and construction industry. Reports from the Region of Peel often emphasize the role of the region in creating a transit and cargo hub (Region of Peel Report, 2015). In fact, Peel Region is also one of the key contributors to the "Goods Movement" growth plan, which showcases the region's ambition to create a transit-oriented regional governance. The Goods Movement strategic plan was crafted in 2012, for the period of 2012–2016; it was later updated in 2017, for the period of 2017–2021. According to a report from the planners: "an estimated $1.8 billion worth of commodities travel to, from and through Peel every day making goods movement a pillar of the regional economy" (Ibid., 2). Goods movement is thus one of the primary employment sources in Peel Region. It includes the movement of manufacturing, wholesale trade, transportation, warehousing, agricultural, mining, and construction goods (Ibid.). Most of the transportation activities are carried out by trucks, and Peel Region has grown into a transitional suburban region full of truck traffic circulating between warehouses, airport, and highways. The goods coming to Pearson Airport are distributed from warehouses around the airport by these trucks. The Goods Movement planning report even includes a plethora of truck photos, reflecting the fact that trucks represent a colossal portion of road traffic in the region. The annual truck freight volume in Peel is 154,862,000 tonnes; the trucks in the region carry goods valued at $502,218,000 and conduct 24,238,000 trips (Ibid., 15). It is possible to see the footprint of the goods movement sector in the movements of these trucks; moreover, goods movement industries contribute 49 billion CAD to the GDP of Peel Region and provide 43 percent of the jobs (Ibid., 10).

Brampton stands in the middle of this new regional economy, and as a suburban town, it represents one of the largest portions of the transportation and construction economy in the GTA. Hence, the labour and employment composition of the city is very reliant on transit-related industries and construction. According to census data published by Statistics Canada, the population of Brampton was 593,638 in 2016. Peel Region reports indicate that as of 2018, the population of Brampton had reached 635,400 (2018 Peel's Economic Pulse Report, 2019: 7). The population thus increased by 15 percent from 2016 to 2018—and there is a pressing need to accommodate this growing population. Brampton attracts a crucial amount of immigration, which needs to be governed vis-à-vis the investments of the growth coalitions within REFCOM. Thus, construction and real estate industries are very active in Brampton, which these sectors see as a key investment city, along with the City of Toronto. The local politics and suburban governance of the city also facilitate this industry, enabling it to dominate the suburban landscape by creating dense communities through a new mobilization of mortgage debt. The construction economy has been one of the key industries for Peel Region, and particularly for Brampton, since 2011. In 2015, the construction sector reached a peak point in Brampton, as the value of residential building permits hit 3.63 billion CAD in Peel Region and 2.38 billion CAD in Brampton specifically (Peel Region Building Permits, 2019). Approximately 70 percent of the construction projects in Peel started in Brampton. Since 2015, Brampton has had the 7th largest construction market in all of Canada. On this metric, it numbers among the main metropolitan centres of the country: 1) Toronto, 2) Calgary, 3) Montreal, 4) Edmonton, 5) Vancouver, 6) Ottawa, and 7) Brampton (Brampton City Hall Economic Snapshot, 2015).

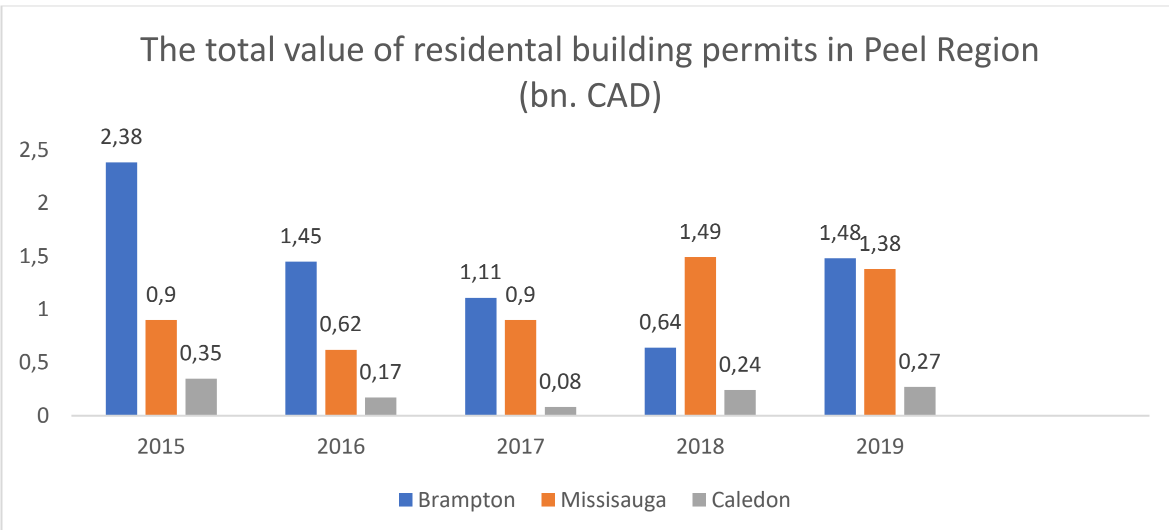

Figure 19. The total value of residential building permits in Peel Region (bn. CAD), 2015–2019. Source: Peel Region, Financial Indicators, Building Permits, chart drawn by data provided by Statistics Canada: https://www.peelregion.ca/finance/economic-indicators/building-permits.asp

Figure 19 highlights the central role of the construction industry in Brampton's economy. Within the larger regional body, we can see that there is competition between Brampton and Mississauga to attract investment in urban development. While Brampton is the leading housing market in Peel Region, Mississauga is as eager as Brampton to attract foreign direct investment and real estate capital in order to build new "downtown centres." These ambitious plans depend upon the transportation and construction sectors.

On that front, Brampton aims to bring investments together with new immigrants. Large corporations and brands have their operation centres and/or logistical warehouses and cargo departments in Brampton. These facilities are subject to future growth, as the strategy of positioning Brampton as a transportation hub is dependent on the growing economy of logistics and construction. According to Brampton's 2040 Vision Plan, the population of the city is expected to reach 1 million by 2040. This growth will be supported by corporations that are themselves subject to growth. The commercial real estate market is also growing every year, and as of 2017, Brampton ranked as the 4th largest city in the GTA in commercial development investment and the 12th largest in all of Canada (Brampton Economic Development, 2017: 4).

Company name	**Number of employees**	**Company name**	**Number of employees**
Rogers Communications	5,200	Amazon (distribution centre)	970
FCA Canada Inc.	3,521	Technicolor Canada	915
Loblaw Companies (distribution centre)	3,200	TJX Canada	720
Canadian Tire (distribution centre)	2,140	Polar Pak	700
Maple Lodge Farms	1,700	Adesa Toronto (car auction)	615
Coca-Cola Canada	1,300	Kaneff Group	500
Dynacare	1,200	DHL Canada	400

Table 12. Top employers in Brampton. Source: Brampton City Hall: https://www.brampton.ca/EN/Business/economic-development/Research-and-Data/Pages/Top-Employers.aspx

These are generally large communication, transportation, retail, and warehousing corporations. Other corporations from a wide variety of sectors, such as groceries and textiles, also maintain warehouses or depots in Brampton. Apart from these employers, there are also construction companies that are constantly building new facilities and residential units. In this suburban city, commercial facilities, industrial facilities, residential areas, and roads connected to regional highways are juxtaposed side-by-side. While Brampton has a historical downtown where the City Hall and main GO Transit station are located, the majority of the population resides in the peripheral subdivisions, close to the roads and business areas. Strip malls, auto-repair shops, huge warehouses, million-dollar castles, gas stations, community centres, bank headquarters—all are side by side in Brampton, and you can come across all while walking around the city. These developments emerge in the form of suburban super-blocks, sometimes in a matrix of flexible land use: they may be located close to a housing block, commercial area, and public area (school or municipal building).

5.7. The rise of the suburban-financial nexus in Brampton

The literature on the recent suburbanization process in Brampton often focuses on ethnic diversity, social segregation based on ethnic identities, and the problems faced by immigrant families (Ahmed-Ullah, 2016, 2017; Keil, 2018; Patel et al., 2018). While this literature encompasses important dynamics of the suburban towns in the GTA, it does not fully address the new economy of suburbanization in Brampton. Only Dylan Simone and Walks (2018) have conducted a detailed analysis of immigrant indebtedness and the role of asset-ownership in this growing indebtedness. However, they mainly focus on metropolitan areas rather than the suburban parts of these areas. Research on Brampton's growing suburban housing market and the dominance of financialization in this market can provide essential clues on how the suburban-financial nexus functions in the GTA.

The rise of the suburban-financial nexus in Brampton relies on four key factors: 1) the construction-based agenda of City Hall and its planning department; 2) the disconnect between City Hall and the residents of Brampton; 3) the increasing use of private mortgage lenders in the area; and 4) the creation of new suburban subdivisions for further land commodification. Regarding the first two factors, it is possible to say that Brampton's City Hall has its own agenda of urbanization; on the one hand, the municipal government wants to create new downtownesque urbanization by investing in massive condofication; on the other hand, it wants to expand this condofication into the subdivisions of this suburban town.

To dive into the details of these factors, I will first examine the Brampton 2040 Vision Plan that was announced in 2018 by Brampton City Hall's Vision Team. This plan imagines the Brampton living experience as "Living the Mosaic," while promising to provide sustainable housing for everyone in Brampton. It is built on a strategy of revitalizing downtown Brampton through the development of a new downtownesque subdivision, called Uptown Brampton. It forecasts: "in 2040, Brampton will be a mosaic of sustainable urban places… will be a mosaic of healthy citizens… artistic expression and production" (Brampton 2040 Vision, 2018: 5). The plan is centred around the establishment of a university campus in the downtown area, as well as massive condofication and gated community construction.

If one looks at the plan, the first thing that she will see is the rise of condos and the construction economy. This image demonstrates the disconnect between City Hall and the realities of Brampton, illustrating how the municipal government prioritizes boosting construction over fixing the problems faced by its residents. One of my interviewees, who is a doctor in Brampton and a leading figure in the local Sikh community, knows well the problems faced by immigrant communities. I asked him: "What are the key problems about the accommodation of new immigrants?" He told me:

> The key problem with Brampton is that the City Hall is totally disconnected from the realities of Brampton. The City Hall mainly deals with new construction projects, new industrial projects, and new money-making things. However, we have severe problems. Crime rate is increasing because Brampton is mainly a bedroom community, immigrants

> coming here usually work in two jobs, sometimes three, and in a family, mother and father work in several jobs but the children are not well taken care of. Our school system is not working properly. However, the City Hall is not really interested in these problems. Households are in debt, but nobody minds. (Interviewee 14)

The 2040 Vision Plan is one of the key indicators of how and why Brampton's City Hall disregards the already-existing problems of residents and new immigrants. Among these problems, Brampton has a healthcare problem: the city has only one full-capacity hospital, and the emergency service is not well funded or adequate for 590,000 people. The city had no plans to fix this problem until 2019; now, due to internal conflicts among conservative politicians—including disputes between the new mayor of Brampton, Patrick Brown, and the premiere of Ontario, Doug Ford—the healthcare investment plans in Brampton have been stopped. Brampton is also experiencing rising crime. According to data provided by Peel Police, the crime rate in Brampton has now topped the crimes rate in other cities in Peel Region. The increase in crime in Brampton is often associated with homelessness, drug use, and increasing poverty. Indeed, visible poverty is also growing in Brampton. These problems are not really addressed by the 2040 Vision Plan. Instead of proposing substantive policies to address these issues, Brampton's plan focuses instead on creating a thriving downtown economy by enabling further land commodification and land-rent speculation for the actors of the suburban-financial nexus.

The strategy is therefore to revitalize the historical downtown, which is currently quite empty during workdays, and to invest in infrastructural facilities in the subdivisions to boost the market prices of a limited supply of single detached or semi-detached houses. These strategies aim to promote projects that will be built by the development industry. The plan is based on three key factors: 1) It relies on an ongoing increase in population. The authors of Brampton's 2040 Vision

Plan believe that population growth provides an opportunity for further investment (Brampton Vision Plan, 2018). 2) The authors think that attracting young adults and new professionals is crucial for downtown revitalization. That is why they want Ryerson University to establish a satellite campus in downtown Brampton. This would also bring more international students to the area. 3) The plan depends on the flexibility of land use, which enables the opening of new lands for residential and commercial investments through the conversion of agricultural areas and greenfield.

Downtown Brampton grew out of a historical town that was founded in the 19th century. Downtown Brampton does not have many restaurants, cafés, or stores, but it has several micro-finance institutions that operate as private (and secondary) mortgage lenders. Everywhere, you can see these institutions offering a good deal of mortgage credit. I talked to one of the city councillors of Brampton, who is a socially democratic-oriented member of city's Sikh community and he told me that:

> These are predatory lenders. The city does not have any policy to ease housing financing for newcomers; therefore, these predatory lenders have proliferated over the years. We try to take action against them, but still we will have to wait until we get a solution. (Interviewee 15)

This interviewee told me that they were trying to find new ways to eliminate the predatory financing model; however, their attempts have not worked so far. Brampton is now home to one of the most indebted populations in North America, and Brampton's City Hall believes that the best way to eliminate this problem is to invest more in the housing market in order to create a new downtown life and provide more jobs through the construction economy.

In fact, when we look at Brampton's 2040 Vision Plan, we see that it works for the well-being of the construction economy. This plan is a result of a growth coalition that aims to dominate through the suburban lifestyle by connecting potential homeowners to financial mechanisms. It is also a plan to bind new immigrants into financial mechanisms by selling them a future city. In this plan, there is no strategy or policy to build affordable housing systems. The planners simply use the concept of "sustainability" as a metanarrative tool to justify massive suburbanization and condofication. This new sustainability-fix does not aim to reduce the indebtedness of Brampton's population or accommodate new immigrants with proper and affordable housing. During my meetings with the Brampton's Vision Team, I asked them: "Why are there so many private lenders in this city? And why do we see that there is a massive increase in the rate of indebtedness in this city? Does your plan include anything to address this problem?" The answers were really surprising: "I even did not notice that there are so many private lenders in this city," responded one team member (Interviewee 21).

Figure 20. Brampton 2040 Vision Plan. This is a plan based on condofication.

While Brampton's 2040 Vision Plan aims to use condofication as a new strategy of subdivision creation, the ongoing massive suburbanization process is currently continuing through the construction of low-rise buildings. Thus, the new plan will change the entire socio-spatial dynamics of the city. In order to grasp the ongoing massive suburbanization process in Brampton, I conducted several interviews in the city and its subdivisions. I sought to understand why there are so many micro-finance institutions, credit unions, and debt management corporations, not only in downtown Brampton but also in many subdivisions. As I indicated previously, 79.1 percent of households in Brampton are paying mortgage debt. To learn more about this situation, I spoke with one of City Hall's economists (Interviewee 6):

Figure 21. Photos of downtown Brampton, where many micro-finance institutions and their fliers can be found. Photo credit: Murat Üçoğlu

The percentage of 79,10 percent covers all types of mortgage credits. The census gets the information about whether or not this household pays mortgage debt, but it does not ask who the lenders are. This percentage covers all the mortgages that are taken from numerous lenders. The reason why we have such a high percentage of indebtedness and also various private mortgage lenders in Brampton is that people like the suburban way of life in Ontario, and Brampton is one of the suburban places that provides the opportunity of living in a suburban house where you can raise your children. I am from the Indian community, and in our culture, if you go to Canada from India, you have to own a house in order to be successful in this new country. It is actually a prestige among our community. It is a success here in Brampton, but it is seen as a bigger success back home. Personally, I also pay mortgage debt. I would never think in this way while living with my family. We came to Brampton from India with my family when I was a teenager. Now I have my own family and I am paying mortgage debt. The reason why I chose to live in Brampton, like my family—why I found it reasonable to pay mortgage debt—is that this is a great place to raise your children. I really recommend you live here, as it is relatively affordable in the GTA. Many new immigrants are coming here, and it is not easy for them to get credit from the formally known financially institutions. These lenders saw this as an opportunity; hence, they started to issue private mortgages for those who are ready to take risks for the sake of communal prestige. (Interviewee 6)[26]

As illustrated in this example, Brampton is consistently promoted in two ways: it is the best place to live with your family and it is the city of hyper-diversity. The dream of homeownership among immigrants brings a lot of people to this city. The City of Brampton also uses the discourse of diversity as a rhetorical strategy to attract more immigrants.

When I started to talk with residents about their lives in Brampton, they usually began by saying that: "it is a great place for a family."[27] This statement was typically followed by: "Toronto is too chaotic, the streets are too narrow, here we have large streets." Once I interviewed a resident of the Castlemore subdivision of Brampton—an activist working on the campaign to increase the minimum wage to $15—and she told me similar things: "My parents came to Brampton a few decades ago. In the beginning, it was difficult for them to settle in this area. They worked very hard in their early years. Now we are residing in Castlemore" (Interviewee 14). Castlemore is actually one of the most luxurious subdivisions of Brampton, where immigrants mostly from India and Sikh communities reside.

[26]As noted at the beginning of this excerpt, the interviewee told me that he wanted one of the things that he said to say off the record. As promised, I cannot reveal that part here.
[27] Even though this might be

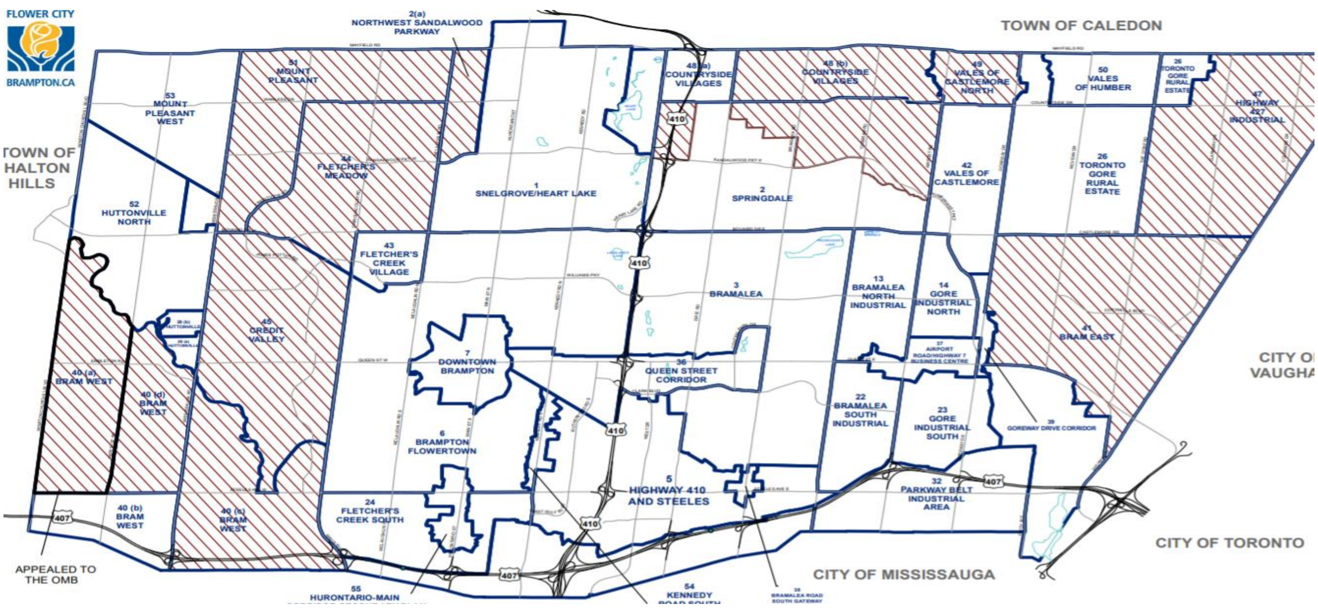

Figure 22. The subdivisions of Brampton. Source: GeoHub Database of Brampton’s City Hall

The interviewee from Castlemore continued:

> I work in downtown Toronto, so every day, I have to commute, and I drive my own car. In fact, being in Toronto is very difficult. There are not enough parking lots, the streets are too narrow, and the city is very crowded. I do not like it. In Castlemore, we have huge spaces for parking, our streets are large enough so that children can play there. Also, we have a lot of green space, so that our elderly can go for a walk, and they can socialize. I love living in Brampton. It is a peaceful place. (Interviewee 11)

This narrative was always on the agenda when I talked to people in Brampton. One of my interviewees, an architect leading a rental apartment building project in Brampton, told me that: “even though the profiles or the forms of immigration have changed over the time, people still see suburbs as a refuge" (Interviewee 9). In fact, this image of the suburbs as a refuge has been the subject of historical metaphors, stories, and events over the last two centuries.[28]

These stories are part of the urbanization of nature; the refuge sentiment, which goes hand in hand with idea of finding shelter in nature, was actually part of the colonial settler mentality in the 18th and 19th centuries. As Williams (1973) points out, the countryside has historically been perceived as the site of refuge, an opportunity to escape from the complexity of the industrial city form. Nature or countryside as the space external to the city and to the relations of production has long been a matter of nostalgia in Western societies. One of my interviewees even cited the example of Thoreau's *Walden*:

> Suburbs have been in the mind of people with its image of living in the woods. When I was a university student, I read Thoreau's Walden, and that story taught me a lot about North American keenness of living in the suburbs. Suburbs are still seen as refuge. Brampton is not exempt from this image—essentially, new immigrants come here for this image of refuge. (Interviewee 9)

[28] I do not want to dive into the details of the literature that bloomed after the industrial revolution. However, Raymond Williams provides a concise but crucial historical account of the urbanization of nature. In *The Country and the City* (1973), Williams attempts to highlight this aspect of capitalism by stressing that the relationship between the city and country is deeply connected to capitalist global imperialism. Williams' argument centres on the heydays of English imperialism, and he emphasizes: "Much of the real history of city and country, within England itself, is from an early date a history of the extension of a dominant model of capitalist development to include other regions of the world" (1973: 279). He notes that this capitalist development has a reciprocal global dimension that influences the regions of colonization: "What was happening in the 'city,' the 'metropolitan' economy, determined and was determined by what was made to happen in the 'country'; first the local hinterland and then the vast regions beyond it, in other people's lands" (Ibid., 279). Williams argues that colonization determines the relationships between country and city, based on the metropolitan economic regime of the colonizer. Tropical plantations and country houses in the colonies were all part of this colonial economy, and they were all based on capital accumulation through slavery and exploitation (Ibid., 280). Hence, free market utopianism utilizes nature as a site of conquest to advance the "greater liberty" of towns, and from this perspective, nature is waiting to be colonized for the well-being of the free market.

I then asked this interviewee to tell me more about people's decision to live in suburbs such as Brampton:

> When Brampton made its first explosion in the 1980s and 90s, suburbs seemed to be a refuge for people because the downtown areas were not good. You do not want to live there. When I was young and met my wife, for instance, she was living in Cabbagetown, Toronto. The entire neighbourhood was very nasty. You would never want to live there. It was cheap housing, but downtowns were not the places to live in the 1990s. It was all around the suburban dream. The 1950s suburban dream lasted in Canada for a very long time. This has always reminded me of a Waldenesque theory, the culture of living in the country. All the infrastructure, highways, and roads were planned to rescue you from downtown…. In Brampton, for instance, you can still see this suburban mentality over there. (Interviewee 9)

Thus, the historical appeal of a refuge on the periphery persists in contemporary conceptions of suburban life.

However, people coming to Brampton and new young generations that grew up in Brampton are now struggling with two things: 1) the difficulty of finding proper affordable housing, and 2) the restrictive strategies of financial institutions towards certain communities. The former is also related to the supply of housing; hence, it is related to strategies of the development. The latter is linked to bias, redlining, and the stress test. These two challenges help to form the suburban-financial nexus. Two of the key factors that increase indebtedness in Brampton are the restrictive treatment of the banks towards communities, as well as the introduction of the stress test. Many of my interviewees told me that the stress test is the key reason that people go for private lenders:

> Part of the problem is that stress test has really changed the way that the market has behaved. We had a very hot condo market in Toronto, a lot of them were in the form of speculation, and Brampton has been subject to that speculation. Still, condominiums are still seen as one of the most affordable choices. But for instance, we sold many units in our projects in Brampton, but they are all small and cheap units. There is still a lot of demand for housing in the GTA. Interest rate, coupled with the stress test, makes everything very difficult because the stress test limits the choices. In order to qualify the stress test, you really need to make a lot of money, or somehow you have a good down payment. The banks under the new guidelines have absolutely been restricted. The panic of "in the future it may get worse" makes people take risk. In North America, homeownership is seen as a social status, as a prestige—people do not want to miss this chance. (Interviewee 9)

The suburban mentality thus converges with financial debt mechanisms. People want to live in Brampton, particularly immigrants from India, Pakistan, and Bangladesh. That is why sometimes people call the city "Browntown" or "Sikhdale." These identifications create a kind of bias towards the new immigrant communities. That contributes to the reluctance of banks to lend mortgage credits to community members, particularly after 2017.

A resident of Brampton, who is from the Indian immigrant community, told me that: "even though I and my partner were born in here, in Ontario, we still had many difficulties of getting mortgage credit since we are part of South Asian communities" (Interviewee 13). We then had the following exchange:

> My partner is a teacher, and I am doing PhD at York with a special scholarship; however, they [the banks] still could not believe that we can really pay our mortgages. In fact, this

> would not be the case for many couples from the communities of other backgrounds. We even thought about going for private lenders, but we decided not to do that. We said to the bank that we could give a high down payment. The problem is that the banks wanted a person to be the guarantor of our credit. Our parents signed a special guarantee contract. This is how we received the credit with high down payment, and we bought our house. (Interviewee 13)

Another interviewee, a local resident and journalist, also emphasized the existence of this social segregation:

> There is indeed an ongoing social segregation towards the immigrant communities in Brampton. It is not new, and if you go to downtown Brampton and other subdivisions, you will see that the poverty exists there. White people always claim that their town has turned into "Browntown," and people nastily create the discourse of "white flight," which means that white people "escape" from Brampton due to the mass immigration of people of colour. In fact, many of them went to Caledon, not to downtown Toronto. You cannot disregard these ongoing problems while talking about Brampton. (Interviewee 12)

While some people say that "it is a perfect place to have a family life," the reality is that Brampton is deeply a segregated community. On the one hand, white communities reside around downtown areas; on the other hand, new immigrants and working-class people live in the subdivisions that are located very far from each other. We should remember what Harris (2004) says about suburbanization: according to him, suburbanization is a means of social segregation, and it occurs through the construction of new subdivisions. The creation of new subdivisions is one of the key strategies to create the suburban-financial nexus in Brampton. I asked one of the urban planners at

Brampton’s City Hall about how the new housing projects come into being and how new subdivisions are being created in Brampton:

> I have been here as a planner for 15–16 years now. If we look at the development applications, much of Brampton’s explosions in the 80, 90s, and 2000s, of course, were in the form of subdivision expansion. The expansion of subdivisions has always been promoted with the principle of, you would buy a house in Brampton which is 20–50 thousand dollars cheaper than Mississauga. The cost of land is also an important factor. Since land is relatively cheaper in this area. An example that I can give for the creation of a subdivision is the Mount Pleasant Village of Brampton We developed sustainability guidelines and worked with Mattamy Homes, as you know, one of the largest developers in Ontario, and we talked to Go Transit, since Mount Pleasant stands in the middle of a road where people can either go to Toronto or Kitchener-Waterloo area. Then, Metrolinx established a stop at Mount Pleasant Village. These are mix-used buildings in the form of 3–4-storey townhouses. There are some singles and semis, but in general, families are residing there. In the near future, we will have more high-rises with more stores in the second stage of the project. This was a profitable project for Mattamy too, as the land was very cheap, as we started the project more than a decade ago. These are not, of course, social housing, but still they are quite affordable, at least more than Mississauga. In 2011, the prices were affordable, and some people bought for investment. The good thing is that this subdivision has been planned for a transit-oriented approach. This means that you do not have to spend money for a second car since you also have the option of public transit just across the street. Mattamy Homes is the key developer in these projects (Interviewee 7-1).

Figure 23. Mount Pleasant Village Community Centre, which is located across from the Go Station and the beginning of Mount Pleasant Subdivision, Photo Credit: Murat Üçoğlu

These explanations demonstrate that the creation of subdivisions goes hand in hand with the interests of large developers, who seek to acquire a large amount of land-rent from the financialization of immigrant households. Households are getting highly indebted, and some of them have to go to private lenders and micro-finance institutions. That is why many people live as joint families, in order to save money before going to these financial institutions. While the municipal planners and local politicians often claim that "they live together because this is a cultural fact," this statement is in fact a stigmatizing generalization about immigrant communities.

Another interviewee of mine explained the situation differently (I began to ask her how she started to live in Brampton):

> I grew up in Toronto, and we moved to Scarborough, but after getting married, we went to Chicago for my partner's work, but later on we came to Canada, and we started to live in Brampton. We have family and relatives in Brampton—my mother and two of my sisters and their families live in Brampton—that is why we chose to live there. We were renting a semi-detached house there, so it was affordable comparing to Toronto. It was a large three-bedroom apartment, and we were paying $1,750 per month. In Toronto, you can't imagine the price of a similar unit. Certain neighbourhoods of Toronto are not really accessible for a new immigrant. Landlords do not accept you, or it is not easy to get a good credit scoring. That is why many people come to Brampton. There are so many South Asians, that is why I feel like home in Brampton. People are good to each other. But in Toronto, I do not get the same respect. I live in Etobicoke now. We moved recently, and here I do not feel the same. I feel very much alone. Our neighbors are mostly white, and they are not like me. People like me, wearing hijab with a South Asian background, are not welcome in my new neighbourhood. South Asians in Brampton, they are dispersed in the subdivisions. We used to live nearby Highway 15, in one of the subdivisions. Another well-known subdivision is the Springdale subdivision. These are the main subdivisions where South Asian communities reside, but of course, in other subdivisions, too, many new immigrants are living. There is also Castlemore, which is the rich part of Brampton. You will see million-dollar castles over there.
>
> Downtown Brampton is mainly white, and you do not see any South Asians over there. It is on purpose. For the question of multiple families living together, I can say that yes there

> is a cultural dimension, but not all of those big mansions have joint families. It is not entirely cultural; it is part of an affordability problem. Of course, people want to have a nice family home. They do not want to have an apartment building, because going to an apartment is a downgrade for them. But still, not every family is like that. This is not a general cultural issue. One of the reasons about this perception is that there is no diversity in the City Hall, and the City Hall is totally disconnected from the reality of Brampton. Prices are high. As long as the families are coming together, they afford it, but people work in many different works. There are many poor subdivisions in Brampton. These are working-class neighbourhoods, and the city hall does not really work to improve the conditions in these subdivisions. (Interviewee 12)

In comparison, another interviewee shared a very different account of her immigration experience in Brampton, as I asked her experience of housing and her witnesses on the problems of her community. She began by saying that she has problems with living in Brampton;

> I do not like living in Brampton. I came here in 2008 from Abu Dhabi. I have always been in Brampton since I came to Canada. Most of Bramptonians are Indian and Pakistani immigrants, so that I do not feel excluded, but whenever I go to Toronto, for business or voluntary things that I worked, people over there try to over-dictate you. Even my son felt it. He went to a kindergarten where most of the class was white. We had a complaint about it, but the teachers were not listening to us like they were listening to white families. There is an ongoing discrimination that I faced several times as a Pakistani woman wearing hijab. I felt discrimination in every stage of my life here in the GTA. Even for my graduate studies at the university, I had the same problem. I felt like I am there, hence, the university could say that they have diversity. We came to Brampton because my husband's entire family is

> in Brampton. We lived on rent for 3 years. I started to work as a teacher. I got a job in a private school, even though I was not paid well. During that time, we saved a good down payment. We applied for mortgage—we did it through a bank. This is a flat in a building. I used to live on rent, and I saw that many houses do not have necessary facilities like air-conditioning and so on because houseowners are not investing, as many of them also pay mortgage credits for these houses. These are their second or third houses that they bought for investment. They want the tenants to live a very simple life. They buy houses with legal basements, they rent these basements, but they do not help tenants to improve the conditions. (Interviewee 17)

This statement also shows how people use their mortgages as an investor. In fact, this way of investment leads to further problems pertaining living conditions of houses. As indicated above, once people enter the housing market, they use their property and mortgage credit as a source of home equity line of credit, so that they can go for second and third mortgages. However, once they rent out their new units, problems begin as they are not able to invest in improving the conditions of those house. I asked my interviewee about the multiple families living in Brampton and she told me that:

> I have a couple of Punjabi Indian friends—they live as multiple families in big homes in the area nearby Caledon, where there are many castles. Families are saving a lot. If there is enough money, the families buy another one. Many people work in two or three jobs here in order to have a good down payment. Without a very big down payment, it is too difficult to access the mortgages for these communities. We should also keep in mind that these people were middle-class or high middle-classes in Bangladesh, Pakistan, or in India. Some of them, they go for the private lenders for their mortgages. These people that are

> paying mortgages, I know many of them, they live a very simple life. Some of them, they go for a second mortgage, and then they dedicate their lives to pay their debts. It is a tough life. Whenever they rent out their second units or basements, it is not like downtown Toronto. They do not want the tenant to spend a lot of time in the unit. They want the tenants to use the units as bedroom, since when they are home, they spend a lot of electricity and gas, so the bills are increasing. These people in their second mortgages do not want high bills. People are working in two or three jobs, they are working as truck drivers and taxi drivers, some of them were doctors and engineers in their countries. They are here for more than 15 years. They work in these jobs because the job market was not accessible to them, even though they had a good career. I know a family, the husband used to be an engineer in Pakistan, but he never got the job for being engineer here. He is a truck driver now. They sold their everything in Pakistan since they do not want to live in Pakistan.

The rental market is very limited in Brampton, with a vacancy rate of 1.1 percent, and the allegory of "bedroom town" is often used to describe the city. As one city planner told me:

> This is bedroom town. The construction companies build these subdivisions to create more bedroom houses. The streets that you will see here are mainly empty— people go to their work, they have more than one work. These subdivisions often have a small mall and a community centre where elderly and some women hang out with their children. These community centres had big costs. You cannot see similar things in Toronto. (Interviewee 7-2)

Later on, this same planner took me to Springdale Subdivision, where castle-like manors are being built in large numbers. He said:

This area [Springdale Subdivision] was a green field. Many converted subdivisions used to be a green field here, and some of them were agricultural fields. We started to build these communities here, and the nature was covering so fast. That is why we had to send some of the geese to New Brunswick, but you can still see a lot here. Here you will see many South Asian communities. These are bedroom communities. Many people do not even come and see the community centre here. We made this community centre, it was a big project, and the architecture of this project won a special award for this. We spend a lot of money for it. Also, there is a huge Freshco [a grocery store] that sells ethnic food. (Interviewee 7-2)

Figure 24. The community centre in Springdale Subdivision. Photo credit: Murat Üçoğlu

What we are seeing here is the prioritization of tax money at work. The money collected by local authorities is heavily spent on infrastructure and community centres in the subdivisions. I do not mean to assert that this should not happen, but it shows how the prioritization of funding benefits the development industry that constructs these subdivisions. Many of these community centres are designed as part of the housing market promotion of these subdivisions. Developers use these infrastructures as a marketing strategy to promote a lifestyle that is akin to that of American gated communities (even though these particular subdivisions are not actually gated in Brampton).

The planner then took me to another subdivision that is located close to Castlemore. Castlemore is a community where you can find million-dollar castles, huge manors with huge backyards. The housing sites also look like gated communities (but it is not a gated community, rather it looks like an exclusive community), seems excluded from the outside world. Once again, there are huge community centres nearby. You can see some community members, particularly elderly people, hanging out and playing cards at the Gore Meadows Community Centre. When I first saw these exclusive communities, it was surprising for me. It is very difficult to find houses this large in Toronto; they would be priced at $10 million at least, if they were located near downtown Toronto. Likewise, I have never seen such large and well-designed community centres in Toronto or anywhere else in the GTA. The Gore Meadows Community Centre looks like a middle-sized airport from the outside.

Figure 25. Gore Meadows Community Centre. Photo credit: Murat Üçoğlu

These are exclusive communities. They are not literally gated, but as Harris (2004) indicates, the creation of such subdivisions in the suburbs does contribute to segregation. One of the city planners that I interviewed told me: “People living here, they are like isolated from the world. Usually, these communities were built on greenfield as well, and in the future, we expect more construction projects that look like gated communities around this area” (Interviewee 7-2). The huge community centres in these isolated communities also show how the creation of subdivisions drives further construction projects. These community centres are huge in size, they have a lot of facilities, and the isolated communities around them are attracted to the area by these infrastructures.

Figure 26. A castle-like house in Castlemore near Gore Meadows Community Centre. Photo credit: Murat Üçoğlu

This suburban expansion comes with the price of indebtedness. The debt volume increases year by year, as private lending also increases in Ontario. According to a report published in 2018 in the *Toronto Star*:

> For nearly a year, Canadian banks have been required to "stress test" borrowers to make sure they can withstand a mortgage-rate increase…. In the Greater Toronto Area, private lending provided funds for 20 per cent of second mortgages in the second quarter of 2018, a 67 per cent increase in two years. (St. Denis, 2018: 12)

Realosophy also reports that: "total private mortgage volumes have increased from $920 Million in the first quarter of 2016 to $1.5 during the second quarter of 2018" (Market Insights, 2018). The same report indicates that in Peel Region, the percentage of private lending increased by 20 percent in 2018, and forecasting suggests that this growing trend will continue. In the meantime, people in

Brampton are trapped by the financialized housing market. Property ownership has made the economy in the GTA totally dependent on real estate money, financialization, and immigration. The average detached house price has tripled over the past decade in Brampton, from 312,918 CAD to 908,354 CAD (Younglai and Wang, 2019).

A journalist who was also investigating increasing indebtedness in Brampton told me: “We did a census track and realized that people are paying a considerable amount of their monthly income just for the interest rate of their mortgages. In Brampton, this is 22 percent of their income after tax” (Interviewee 21). Another interviewee, who is an immigrant working in the construction sector, said that:

> You have to make at least $5,000 per month to pay your modest mortgage. There are also other costs. If your house is larger, the costs are higher, of course the mortgage will be higher. I am now working in various construction sites in order to be able to pay my mortgage. (Interview 19)

These stories and the ongoing financialization of the suburban housing market in Brampton demonstrate how this suburban expansion has turned into a debt accumulation machine and a suburban-financial nexus that works with social segregation. The suburban-financial nexus in Brampton refers to a new socio-economic reorganization; on the one hand, the development industry is able to accumulate an enormous amount of wealth, while on the other hand, residents (mostly immigrants) are pulled into the turmoil of indebtedness. They have organized their lives in order to access mortgage credits, as their options are very limited.

5.8. Conclusion

To conclude this chapter, I will start by sharing the perspective of one of my interviewees who is a realtor in Toronto—and who has also worked as a representative of construction workers unions in contract bargaining. This interviewee told me that:

> In Toronto, it was easy to understand the boundaries of economic classes in the past. We had the workers and capitalists, and the key clash was between them. However, we now have a clash over the property: we now have landlords and tenants; we see the clash between these two groups, but these groups are very amorphous. The number of homeowners is increasing but more people seek to rent as they are not able to enter the ownership market. People use their home equity line of credit to have a dominant position in the market, in reality this increases the rental prices and many people spend a large share of their income for expensive rent payment (Interviewee 20).

The research and the fieldwork in this chapter illustrate how suburban reality in the GTA has become a debt machine, which instigates a new social order based on financialization and indebtedness. The debt that households in the suburbs of GTA pay has become a financial tool in the hands of REITs that issue equities in the TSX, together with mining corporations. In addition, these debts are the key sources of capital accumulation for the development industry. The results of this study shows that there are two simultaneous processes at work here: On the one hand, the hegemony of REFCOM dominates space and strategizes capital accumulation through place-making. On the other hand, the subordinated populations also become part of this hegemony, through financial coercion. The subordinated populations, particularly immigrant populations, also develop certain strategies to articulate themselves into the new financialization process in such a way as to benefit from it. In reality, however, not everyone is lucky enough to benefit from financialization.

The agro-industrial complex that defined the growth model of Ontario for more than a century has come to an end. This does not mean that agricultural production and industrial labour relations no longer exist or no longer matter in province. However, as time passes, the real estate economy and immigration stream that is linked to the production of space have become hegemonic socio-economic realities, particularly in the GTA. These economic realities are reflected in a competitive regionalization that aims to capture flows of immigration and capital in order to boost the economy of place-making. In this schema, in Peel Region and more particularly Brampton, REFCOM is constituted by large developers (mainly Mattamy and Metrus), local politicians, municipal planners and bureaucrats, financiers, private lenders, and other industries that boost the new spatial economy. Essentially, with the transformation of the economy into a supply chain and transportation network full of warehouses and logistical sectors, Brampton has become a city of trucks, where truck drivers constitute a considerable share of the population.

REFCOM in Brampton instigates the suburban-financial nexus by limiting housing supply, while implementing certain subdivision projects along with novel tools of financing. The suburban-financial nexus operates by creating a region of debt accumulation. This ongoing process constitutes a new social order: On the one hand, households are thrown into a debt accumulation model, which is the only option for owning property. On the other hand, local politicians prioritize the tax money collected from the public to boost further projects, which will primarily benefit development industry and real estate actors. In this new hegemony, people have to work a lot in order to pay their debt, and they are indoctrinated into this process through the rhetoric of the "Canadian Dream," "you have to buy right now," and "if you own a house, you will have many financial tools to make money out of your property." In reality, the creation of subdivisions to attract investment and immigrant money leads to more social segregation. Communities are socially segregated in Brampton, and people who are unable to own a property are excluded and mainly live in terrible conditions in the basements of large manors.

We need to understand this transition to a new hegemony based on the financialization of housing within a new regional economy that encapsulates numerous suburban regimes. These suburban regimes mainly prioritize direct investments made in the real estate market, land-rent speculation, and sectors of logistics and cargo. Brampton stands as the key example of this new life. People in Brampton are in debt, and many of them realize that they are trapped by the debt machine, but they are not able to get out of it. As I explained in the previous chapters, REFCOM operates as a debt machine, and in Canada, this debt machine is mainly suburban in character. There is a clash between the appropriators of land and those who try to survive in the financialized system. Local politics favour the development industry, as one interviewee told me:

> There is nothing more profitable than becoming a local politician and councillor in Ontario. Even Federal MPs do not have the opportunities that those councillors have. Many of them are good friends with the development industry. I worked as the representative of the construction workers' union here in the GTA. I did several bargaining with developers and I know very well how they own the politicians. (Interviewee 20-2)

Hence, the hegemony of REFCOM defines ongoing land politics in Brampton, as well as the wider GTA. We can see these politics at work in Brampton's 2040 Vision Plan, which represents nothing other than the domination of the construction economy over suburban land with massive condofication.

In the next chapter, I will examine the case of Istanbul, and more particularly the case of Göktürk, a former-forest-village-turned-garden-city in Istanbul. Like Brampton in the GTA, this suburban area also stands in the middle of a logistical and highway network, which has been augmented by the construction of mega-projects, including a new airport that is supposed to be the largest in the world. We may say that the Göktürk case represents a completely different spatial context than Brampton; however, in terms of economic transition and socio-spatial reality, there are many similarities between them. The REFCOM growth model also dominates in Istanbul, as part of a competitive regional plan similar to the one discussed here for the GTA.

Chapter 6: Massive Suburbanization and the Financialization of Housing as a Growth Model in Istanbul: The Case of Göktürk

The financialization of housing in Turkey began as a governmental strategy to yield a developmentalist economic growth model. This chapter focuses on this strategy and what kind of hegemony the new growth model instigates. Since late 2002, Turkey has been ruled by the Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP – Justice and Development Party), which came to power with an agenda of neoliberal developmentalism and radical urbanization. In fact, the party was founded by politicians with an Islamic—even *Ihvan*, i.e., Muslim Brotherhood—background. The key supporters of the party were the *gecekondu* neighbourhood dwellers in Istanbul and the conservative people of Anatolia (Tuğal, 2009, Üçoğlu, 2012).

There are a few reasons why the AKP came to power with its new agenda of urbanization. The most well-known among them is the earthquake of Marmara in 1999, which revealed the failures of the housing model that had been implemented from the early 1980s–1999. On August 17, 1999, the Marmara Region, where Istanbul is located, was hit by an earthquake with a magnitude of 7.4. This earthquake killed more than 17,000 people and led to the destruction of more than 285,000 buildings (TrtWorld, 2020). It destroyed many houses that had not been built properly and that had not been properly inspected during construction due to corruption in the construction sector. Marmara Region is the industrial heartland of Turkey, and following the earthquake, the economy shrank by 3.4 percent. The country was unable able to fix the economic problems, and as a result, a financial crisis broke out in February 2001. During this economic crisis, the economy shrank by 5.7 percent. The estimation is that the earthquake caused $36 billion USD economic loss and around 600,00 people became homeless (Ibid.). As a result, people lost their faith in the existing economic system and housing policy.

The AKP came to power after this crisis, with the promise to implement radical changes in the housing sector in order to prevent future corruption and economic crises. In reality, the AKP embraced the financialization of housing as a new growth model, and on this basis, it has established a crony capitalist system, rather than fixing the political problems of yore. This chapter focuses on how the AKP hegemony has positioned Istanbul at the centre of its new growth model, as well as how this new growth model has created popular consent for the authoritarian hegemony of the AKP, which is now functioning as a crony capitalist organization without really providing economic progress for the country.

6.1. Growth models in Turkey and the rise of the AKP

Before the AKP regime, Turkey had implemented two notable growth models: import substitution industrialization (ISI) between 1960–1980 and market-oriented neoliberalization between 1980–2002. I describe the historical emergence and key traits of these models below. I then turn my attention to the rise of power of the AKP and the implementation of its crony capitalist growth model.

6.1.1. Import substitution industrialization model: 1980–2002

The ISI growth model of 1960–1980 is widely seen as the golden age or *belle époque* of capitalism in Turkey (Boratav, 2014; Pamuk, 2014). As in many parts of the world, thanks to the Keynesian welfare model, salaries during this period were high in Turkey and domestic production was protected by high tariffs on imported goods (Pamuk, 2014). The living standards of Turkey’s society increased, and the newly rising industrial bourgeoisie gained skills in industrial production and technology development. The newly rising working class and urbanized middle classes were able to obtain home appliances produced by local industries (e.g., radios, fridges, ovens, laundry machines; Ibid.). Such industries were particularly important since Turkey does not have any remarkable sources of oil and natural gas. From 1960–1977, Turkey's economy experienced no economic crises, and the GDP per capita in the country increased above the world average. In 1950, the average GDP per capita in the world was 2,100 USD, and the GDP per capita in Turkey was 1,600 USD. By 1980, the average GDP per capita in the world had reached 4,500 USD, but in Turkey it had hit 4,750 USD (Ibid., 248; these numbers are calculated by measuring the purchasing power index). In 1950, only 5 percent of Turkey's population was able to have a fridge in their homes; by 1980, this proportion hit 85 percent (Ibid., 241). The increasing use of home appliances and rising living standards resulted from the growth model of ISI led by Istanbul's bourgeoisie, as well as rapid urbanization.

Although Turkey began to implement the policies of ISI before the 1960s, that decade constituted an important transition period in the ISI growth model. Before the 1960s, ISI policies positioned the state as the key investor in industrial, mining, and construction sectors. Since the Great Depression of 1929, the state had begun to implement étatiste (or statist/state-led/dirigiste) policies, through which the state became the central actor of the economy. During the period between 1930–1950, the state invested in building large-scale industrial complexes for textile production, sugar production, steel industries, glass industries, breweries, and aircraft production. One of the important points of this policy is that most of the investments were made in Anatolian cities, rather than concentrated in Istanbul (Türkün et al., 2014). The idea was to remedy and prevent uneven geographical development, as private business could already find a thriving atmosphere in Istanbul, whereas Anatolian cities had been depressed by a lack of investment made by the Ottomans, who had been reluctant to create an economic growth model since the 19th century (Karaman and Pamuk, 2010). Therefore, between 1930–1950, the ISI model functioned under the leadership of the state, mainly in industrial production and infrastructural investments.

From 1950–1960, this model became less salient in industrial production, and many private businesses began to appear, even as the state became a key actor of agricultural production (Boratav, 2014; Pamuk, 2014). During this time period, Istanbul began to gain crucial importance as the central city attracting investments in Turkey. This shift constitutes the key difference that emerged in the ISI growth model during the 1960s: from the 1960s onwards, the state initiated a planning economy in which the fundamental goal was to create a large class of industrial bourgeoisie located in Istanbul. Therefore, instead of initiating direct investments in production, the state provided the necessary infrastructure for the rise of a national bourgeoisie, mainly based in Istanbul, as well as in Ankara and İzmir. This industrial bourgeoisie was protected by high tariffs on imported goods. The result is that Istanbul has become the ultimate business centre of Turkey. The rise of the Istanbul-based bourgeoisie also improved the economic conditions of the working class in Istanbul. In the 1960s–1970s, Istanbul became a working-class city, where many strikes and working-class movements took place. That is to say, the working class appeared as a significant political force during this time period.

This *belle époque* lasted until 1977. As the global crisis deepened in the world, many political problems began to appear in Turkey, and street conflicts between right-wing and left-wing factions increased tensions in the country (Zürcher, 2004). Working-class strikes also proliferated, as the country's capitalists tried to cut jobs, salaries, and pension guarantees in response to the global crisis and emerging domestic political crisis. Tensions between the capitalists and working class increased, and Turkey entered a period of turmoil that erased the most of benefits garnered from 1960–1977. Due to Turkey's intervention in Cyprus in 1974, the United States (US) government also imposed a military embargo and economic sanctions on Turkey (Ahmad, 2002). These ongoing problems culminated in a military coup in September 1980 and a harsh neoliberal program imposed by the International Monetary Fund (IMF) and the World Bank (WB).

According to economic historian Şevket Pamuk (2014), the ISI growth model of the 1960s and 1970s did not fail because it followed the wrong economic path. He argues that it was an apt development model that would prepare Turkey to articulate into global competitive markets—however, it failed due to political instability in the country. This political instability began in the late 1970s became a paramount problem in the country between 1977–1980. It stemmed mainly from street conflicts between left-wing and right-wing groups, particularly young militias. An ultra-nationalist right-wing group, The Grey Wolves, was supported by the Justice Party led by Süleyman Demirel and by Nationalist Movement Party led by Alparslan Türkeş. The left-wing militias were supported by the Republican People's Party led by Bülent Ecevit, communist factions, and worker unions. The conflict between these groups emerged in the form of a micro civil war, which led to political instability, for which politicians at the time could not find a solution; in fact, they even exacerbated the conflict. The US-imposed economic sanctions also contributed to economic instability. According to Pamuk, the ISI growth model had been a successful development strategy for two decades; however, it had evolved into a new model that was more open to global competitive markets and technological advancements. The political and economic instability that arose from internal conflicts in the country and external sanctions led to the failure of this model. Following the military coup in 1980, the IMF and WB adjustment programs became the guidelines for economic growth.

6.1.2. Neoliberal growth model: 1980–2002

The ISI growth model came to an end after the military coup of 1980. On September 12, 1980, the army seized power in Turkey, claiming that it was a necessary intervention because the country's politicians had failed to prevent the street conflicts. The coup constituted a form of a shock therapy, as described by Klein in *The Shock Doctrine* (2007). The military government began to rule the country with an iron fist and started to implement regulations that aimed to quell social opposition—mainly the opposition of the working class. After the coup, the military government announced its commitment to the neoliberal program that had been declared by the overthrown civil government. Before the coup, right-wing Süleyman Demirel had been the prime minister, and he had assigned his undersecretary, Turgut Özal, to conduct negotiations with the WB and IMF in order to develop a new growth model that was coherent with the free market capitalism of the Western Bloc. The world was in the midst of a neoliberal turn, and the government wanted to articulate Turkey into this global current (Yalman, 2009). On January 24, 1980, the civil government unveiled their plan, after the WB and IMB negotiations had come to an end, in an economic strategy document. The plan, popularly known as the January 24 Decisions, constituted a neoliberal austerity programme, envisioning the cut of workers' salaries and benefits, the closure of certain state-owned enterprises, the privatization of certain social provisions, the deregulation of financial markets, and the facilitating of foreign currency flow (Üçoğlu, 2012). Ultimately, the civil government was unable to implement this austerity plan, due to strong opposition from the working class, the union power of which had reached paramount strength between 1960–1980.

After the coup, the military government declared that it would implement the January 24 Decisions, appointing Özal as the minister of economic affairs in the military cabinet. The military government began to eliminate its social opposition. A prominent labour union, the Confederation of Revolutionary Workers (*Devrimci İşçi Sendikaları Konfederasyonui*, DİSK), was shut down right after the coup, and its leaders were imprisoned (Buğra and Savaşkan, 2014: 86). The right of civil servants to act as members of political associations was revoked. Many opponents and critics of the government were arrested. As Erik Zürcher reports, by 1982, approximately 80,000 people had been arrested, and 30,000 of them were still awaiting trial (2004: 279). Many of the arrested people were tortured, and some were killed during detainment. Kurds in Diyarbakır were systematically tortured in prisons, and many leftist publications were banned. In the meantime, thousands of people were also banned from entering the country, and some were sent into exile (Ahmad, 2002). Hence, the brutality of the neoliberal transformation cannot be disregarded; this brutality was targeted most particularly at leftist opponents.

One might question whether or not we can consider the neoliberal shift in Turkey to be similar to what has happened in many Western countries. Harvey (2005) and other scholars (Brenner and Tickell, 2003) suggest that neoliberalization refers to the restoration of class power, particularly in mature capitalist economies. The problem in the Turkish case, as Pamuk (2014) highlights, is that capitalists (mainly large-scale industrial bourgeoisie located in Istanbul) did not lose their power in the 1960s; instead, they became more powerful and emerged as a strong class alliance under the umbrella of the Turkish Industry and Businessmen Association (*Türkiye Sanayici ve İş Adamları Derneği*, TÜSIAD; also known as Turkey's "boss club"), which was founded in 1971. TÜSIAD has achieved a powerful class alliance position in Turkish politics and economics since its foundation, enabling the industrial bourgeoisie for the first time to become very strong political actors in Turkey, in parallel with the rise of the working class.

Therefore, it might not be possible or appropriate to characterize the neoliberal turn in Turkey as a restoration of class power, but we can see this neoliberal turn as the ultimate domination of capitalist classes by eliminating the rights of the working-class. There are two main approaches taken to conceptualizing the neoliberal turn in Turkey. The first contends that after the Iranian revolution, the US worried that it would lose control in the Middle East, and due to the Cyprus problem, Turkey had weak relations with the US. Şahan Savaş Karatasli (2015) argues that the military coup and subsequent neoliberal turn constituted an effort by Turkish power-holders to position the country as an ally of the US once again, in order to convince US authorities to lift the economic sanctions that it had imposed on Turkey since 1974. Karatasli claims that Özal was chosen to lead the neoliberal transition for this very reason. He was an admirer of the American economic system, technological advancements, and neoliberal policies, and he had worked for the WB for a while. He also demonstrated profound hostility towards communism and social democracy (Çölaşan, 1985). The Turkish army agreed to work together with the US after the military coup. In what may also be seen as a conciliatory move, the military regime also agreed to the readmission of Greece to NATO. The January 24 Decisions served as a sort of promise to the US, demonstrating the military government's readiness to articulate into the newly rising neoliberal doctrine.

The other approach to conceptualizing neoliberalization in Turkey contends that neoliberalism emerged in the country as a new regime for asserting free market fundamentalism by eliminating the social opposition. The argument here is that business elites wanted to destroy the strong union power of the working class (Yalman, 2009). As a result, the capitalist classes began to dominate the economy in the 1970s. They simply wanted to eliminate certain rights of the working class and also silence the social opposition. The military coup provided an opportunity for business elites to achieve these goals. Vehbi Koç, the head of TÜSIAD at that time, declared his happiness and satisfaction after the military coup (Üçoğlu, 2012). From this perspective, neoliberalization constituted a brutal strategy to transform the socio-economic conditions in Turkey in order to assert neoliberal market fundamentalism, followed by privatization and the exportation of foreign luxury goods.

The neoliberal growth model that aimed to articulate Turkey into the global neoliberal system continued even after the military government was abolished, following limited democratic elections in 1983. Özal became the prime minister, as the head of the pro-market conservative Motherland Party (*Anavatan Partisi*). His main policy was to enable Turkey's transition to an export-based economy open to global markets and to implement an austerity policy in order to cut the benefits of workers and close down state-owned enterprises (Boratav, 2014). This policy continued throughout the 1980s, during which time Özal had close relations with TÜSIAD. Working with TÜSIAD business leaders, who had become large-scale capitalists in the 1960s, he launched a program of privatization. For this very reason, the Özal era is also known as the first attempt to institutionalize the corruption-based economy in Turkey (Buğra and Savaşkan, 2014: 89). Özal also tried to institutionalize an authoritarian governance model, by bypassing parliamentary and bureaucratic processes and declaring his own governmental decrees. Thus, this period between 1983–1991 may be seen as a time in which corruption and nepotism were institutionalized in Turkey. Even though crony capitalism had not yet become very powerful, Özal's family became one of the richest in the country.

During these years of neoliberalization, Turkey's economic performance was not as successful as it had been during the period from 1960–1977, despite the fact that labour costs decreased by 30 percent in the country (Türkün et al. 2014). The GDP growth was 5.3 percent between 1985–1990, and the unemployment rate increased to 6.94 percent (Buğra and Savaşkan, 2014: 111–2). Privatization continued for a while, but it was not successful in creating considerable revenue.

During this period, the export-based economy and small and medium-size businesses gained importance in the neoliberal competitive strategy. Export revenues increased as a share of total GDP to 8.6 percent. However, importing also increased tremendously. Moreover, agricultural investments ceased, and agricultural production was largely abandoned in many parts of the country. An income distribution problem emerged, as the gap between the rich and poor began to widen rapidly.

The second period of neoliberalization from 1991–2002 can be conceptualized as a time of roll-out neoliberalization. As many scholars indicate, the 1990s are also the years of democratic opening in Turkey (Boratav, 2014; Şenses, 2016). During this period, many political bans were lifted, and Turkey also attempted to become a member of the European Union by declaring that it would work towards fulfilling the criteria for full membership. While this long decade saw the continuation of neoliberal market-oriented policies (Öncü and Balkan, 2016: 30), two key developments transformed the ongoing neoliberalization process in Turkey and led to the rise of a new hegemony within the neoliberal framework of market fundamentalism: 1) the 1999 earthquake in the Marmara Region, and 2) the economic crisis in 2001.

On August 17, 1999, an earthquake with a magnitude of 7.4 hit the Marmara Region, which notably includes Istanbul and the neighboring cities of Kocaeli, Adapazarı, and Yalova. This earthquake caused the deaths of more than 17,000 people and the destruction of more than 285,000 buildings (TrtWorld, 2020). Businesses in Istanbul were severely affected. Hence in 1999, Turkey's economy shrank by 3.4 percent. This economic decline was followed by a liquidity and banking crisis in 2001, which is considered to be the greatest economic crisis in Turkey's history. In 2001, the economy shrank by 5.7 percent, and the interest rate rose to 34 percent (World Bank, Annual Growth Data, 2020).

This crisis had two key consequences. First, the then-coalition government, led by Bülent Ecevit (a social democrat), Devlet Bahçeli (a far-right nationalist), and Mesut Yılmaz (a right-wing liberal), had to establish a new standby agreement with the IMF. This agreement was mainly prepared in such a way as to pave the path to increased financialization in Turkey. Before this IMF program was implemented, the financialization of markets was very limited in Turkey. The standby agreement outlines a substantial agenda of reform:

> The Fund commends the depth and breadth of the new economic program. The emphasis on banking reform is appropriate, especially given the structural weaknesses in this area that were seen during the recent crises. The elimination of public sector banks' large overnight exposure, their full recapitalization, and the overhaul of their governance structure will go a long way to strengthen the financial sector. In addition, measures to privatize key companies and reform major domestic markets, including the telecommunications, electricity, natural gas, tobacco, and sugar markets, and to enhance governance and improve transparency, are essential elements of the program. (IMF, 2001)

This standby program instituted a new wave of roll-back neoliberalization in Turkey, in response to the crises that the country had experienced between 1999–2001. This new austerity program, and its large-scale privatization aims, led to a governmental change in November 2002, when the neoconservative AKP government came to power with a special agenda of Islamic hegemony building (Öncü and Balkan, 2016).

6.1.3. The AKP's growth model: Crony capitalism, the housing industry, and massive suburbanization

The AKP came to power in November 2002, with a new radical agenda of transforming the politics in Turkey, as well as transforming the cities. The AKP claimed that the political domain in Turkey had become intensely corrupted; in turn, the party promised that once it came to power, it would wipe this corrupted system out (The AKP's Party Programme, 2002). According to the AKP, one of the systems that needed to be changed was the housing model. Following the earthquake in 1999, citizens had lost their faith in the existing housing model, which had proven to be unsafe and unsustainable; the structural damage wrought by the earthquake had revealed deep corruption in the industry. The AKP thus began its rule by following three key policies: a new housing system, a new social aid system, and a new wealth distribution system. To serve all of these policy goals, the AKP began by transforming Istanbul and the housing system across the entire country.

Critical scholarship on the transformation of Istanbul under the AKP hegemony focuses on a few dimensions of how this hegemony perceives and utilizes urban space. A set of studies from the perspective of political sociology perceives the massive housing mobilization between 2002– 2019 as a strategy of consent manufacturing, as housing would yield large political support (Buğra and Savaşkan, 2014; Marschall et al. 2016, 2016; Üçoğlu, 2019). In the meantime, another set of similar studies argues that the AKP established an authoritarian regime for which it has received support from loyal business elites and potential homeowners. Although it is an authoritarian regime, it is able to obtain popular support by utilizing the housing market; as such, this hegemony has managed to form a social coalition, together with loyal business elites and grassroots community members (Arslanalp, 2019; Çavuşoğlu and Strutz, 2019; Esen and Gümüşçü, 2018). There is also a growing critical scholarship that focuses on the institutionalization of a housing market tied to global financial markets. Melih Yeşilbağ (2019) argues that the state currently orchestrates the financialization of housing in Turkey. Similarly, Havva Ezgi Doğru (2016) examines the transformation of housing from the perspective of social welfare and argues that a new institutionalization of the housing market is now occurring under the umbrella of the Housing Development Administration of Turkey (*Toplu Konut İdaresi Başkanlığı*, TOKI). Housing is thus presented as a benevolent act of the state, in order to manufacture consent for the authoritarian regime of the AKP. Finally, critical scholarship from the perspective of urban sociology also argues that the AKP has established its authoritarian regime by displacing *gecekondu* dwellers and forcefully binding them into a new debtfare regime. The AKP's aim is to get rid of *gecekondus* and send *gecekondu* dwellers to new large-scale housing projects built by TOKI on the periphery of Istanbul. This strategy is then followed by gentrification projects, such as those in Galata, Karaköy, Sulukule, and Tarlabasi (Aksoy, 2014; Kuyucu and Ünsal, 2010, Uzun, 2018; Ünsal, 2013).

All of these studies in one way or another examine the different dynamics of how the AKP hegemony perceives urban space and why Istanbul is very important for manufacturing the consent of the masses. However, most of these studies do not touch upon a critical point that the AKP has prioritized from the very beginning of its rule: the institutionalization of a new growth model based on crony capitalism and massive suburbanization. Although the AKP came to power by promising to eliminate corruption from the political system, it has in fact constructed its own corrupted system. As Ayse Buğra and Osman Savaşkan (2014) argue, the AKP hegemony has become the zenith point of business-politics relations in Turkey, as the AKP has sought to create its own business elites as a new wealth distribution mechanism.

When the AKP came into power, the business elites of Turkey were unionized under TÜSIAD. Although the AKP has many close allies from TÜSIAD, it has also established its own business circles, such as the Association for Detached Business Men (*Müstakil İş Adamları Derneği*, MÜSIAD; also known as *Müslüman İş Adamları,* the Association for Muslim Business Men) and a few other associations that have become close allies of the AKP regime. The only obstacle that the AKP regime faced to directing its own wealth distribution was that many business fields were already filled by members of TÜSIAD. That is why the hegemony had to find a profitable business domain to enable rapid rent-maximization and create its own business elites. It chose the corrupted housing system as the key business terrain to distribute urban fortunes to the newly rising Islamic bourgeoisie.

The rise of the housing market as the key driving force of the economy has been achieved mainly through a strategy of transforming suburban land in Istanbul. In other words, the formation of a suburban-financial nexus is the central strategy of the AKP for perpetuating its hegemony. Evidence of this strategy can be seen in the party program of the AKP. In its 2002 program, which was updated in 2007 and remains since then, the party claims that the best way to get rid of *gecekondus* is to build garden-cities (AKP Party Program, 2002, 2007). The party perceives the suburban mass-housing and garden-city model as the key panacea for fixing the problems of urbanization. Therefore, the AKP has established its hegemony on the transformation of suburban land by building large-scale suburban towns (or as they say, garden-cities) and by supporting these projects with large-scale mega infrastructure and shopping mall projects. The massive suburbanization process and its link to finance capital in Istanbul constitute key aspects of the urban transformation and economic growth model of this hegemony.

One of the scholarly discussion points on the establishment of this hegemony focuses on how to define the authoritarian regime. The AKP's housing model, based on large-scale mass housing projects built by TOKI and large gated communities built by private developers and REITS, constitutes a new economic growth model that is paired with crony capitalism and financialization. The AKP has established its hegemony by deepening crony capitalism in Turkey, while choosing the real estate/construction sectors as the main business coalitions for distributing wealth accumulation among cronies. Here, the key questions are: Who are those cronies? How they have become cronies under this hegemony? Or even, is it appropriate to identify the AKP hegemony as crony capitalism?

I use the definition of "crony capitalist" given by *The Economist*, which began to publish a crony capitalism index in 2014. For this index, the editors of *The Economist* state that in crony capitalism, business elites enhance their wealth accumulation by forging very strong connections to political authorities. In countries such as Russia, Singapore, and Turkey, the political authorities may even choose the businesspeople to which the wealth of the nation is channeled (The Economist, 2014, 2016). In other words, the only way of doing business and accumulating wealth in a crony capitalist system is to have close and strong relations with the political authorities. From this perspective, it is possible to argue that the AKP hegemony has established a lopsided crony capitalism in Turkey. This hegemony has fostered cronies from among Islamic business circles, as well as close friends and hometown associates of Tayyip Erdoğan, the head of the AKP and the current president of Turkey. The crony capitalists that have emerged during the AKP hegemony work mainly in the sectors of health (private hospitals), construction (including the real estate sector), mining, and tourism. Buğra and Savaşkan (2004) also note that these cronies have bought most of corporate media since 2005. Table 12 illustrates the names of individuals and corporations that that have become crony capitalists (hence tremendously rich) in the AKP hegemony.

As Fuat Ercan and Sebnem Oğuz underline, the AKP hegemony maintains itself “through the deployment of economic, ideological, and repressive apparatuses of the state” (2015: 118). This means that the AKP hegemony uses the repressive state apparatus to distribute urban fortunes and mining resources to its cronies; in the meantime, it uses a system of “charity distribution” in order to provide a new social aid system for the exploited working class. According to Ercan and Oğuz: “Charity distribution is the Turkish version of poverty reduction strategies suggested by the World Bank since the early 2000s, and one of the most important political tools of the AKP in recruiting support from the working class” (Ibid.). Therefore, the AKP hegemony produces consent for its new crony and corrupted regime by distributing charities to the working class, the conditions of which have gotten worse since the AKP came to power. As Savaşkan (2019) points out, the AKP regime conducts this charity distribution through local municipalities.

Name of person or corporation	**Link to the AKP**	**Key business interests and media ownership**	**Notes**
Ethem Sancak	One of the closest friends of Erdoğan	Owner of various companies in construction, mining, media, and military production sectors	Sancak develops partnerships with the Qatari allies of Erdoğan
Çalık Holding	Company head, Ahmet Çalık, is a very close friend of Erdoğan; Berat Albayrak, Erdoğan's son-in-law, also worked as the CEO for a long time	Owner of media, textile, construction, and mining corporations	Çalık is now one of the richest people in Turkey, with a net worth of 1.9 billion USD; he was a modest businessman before the AKP came to power
Rönesans Holding	Owner, Erman Ilıcak, is a close friend of Erdoğan	Contractor for large-scale infrastructural mega-projects and large city hospitals projects	Ilıcak is the richest person in Turkey, with a net worth of 3.8 billion USD; he was just a modest businessman before the AKP came to power
Fettah Tamince	Close friend of Erdoğan	Owner of a luxurious hotel chain and several tourism and construction projects	
Cengiz Holding	Company head, Mehmet Cengiz, is a very close friend of Erdoğan	One of the largest contractors of the mega-projects run by the AKP hegemony	Cengiz Holding was a small business two decades ago, but currently it has 4 billion TL in capital open to the public
Ali Ağaoğlu	Close friend of many AKP members	Owner of Ağaoğlu Construction Company, one of the largest contractors of TOKI	Ağaoğlu is currently one of the largest developers in the suburbs of Istanbul and a leading figure of urban transformation
Demirören Group	Became part of the AKP's crony circle after 2007	One of the largest energy providers in Turkey; an investor in real estate and the housing market; owner of largest gated community, Kemer Country, in Göktürk; owner of the country's largest media corporations, Hürriyet Newspaper and Kanal D	The chairman of the group worked as the chairman of Beşiktaş Football Club for a very long time; when the group bought Hürriyet Newspaper and Kanal D, it paved the path for the AKP hegemony to dominate the mainstream media
Limak Holding	Chairman is a close friend of Erdoğan	One of the largest contractors that builds large-scale housing projects	The chairman of the corporation is now the head of Turkey's Football Association and the owner of a large mainstream newspaper (Sabah)
Kolin Holding	Chairman is a close friend of Erdoğan	One of the contractors of the new airport of Istanbul and one of the largest mining corporations in Turkey	
Torunlar REIT	Owner is a close friend of Erdoğan, going back to high school	Currently the largest private REIT that constructs gated communities in Istanbul	

Table 13. The AKP's Crony Capitalists that dominate the wealth accumulation channels and urban growth machine in Turkey.

Apart from the list of cronies presented in Table 12, other large corporations have also developed good relations with the AKP. However, this list comprises the prominent loyal business members that have dominated economic life in Turkey through their political ties with the head of the AKP. Some of these businesspeople were seen as members of the so-called "Anatolian Tigers" in the 1980s, a new breed of entrepreneurs that sought to rival the already established industrial bourgeoisie in Istanbul[29]. Under the AKP hegemony, many of these businessmen and corporations have now become the new bourgeoisie of Istanbul, thanks to their ties with political authorities. Other small corporations and businessmen also have personal ties to the AKP regime, and many of them have become affluent through construction, real estate, and mining. Many of these corporations have increased their capitalization by receiving public bids and auctions from the government. They receive these contracts for mega-projects, or they work closely with TOKI and Emlak Konut REIT[30] in housing projects and other developments.

Since 2003, the AKP hegemony has begun to work with its close friends and cronies as part of a new wealth distribution strategy. This strategy is based on the displacement of the old housing

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[29] Anatolian Tigers is a symbolic nickname used by the rising Islamic bourgeoisie in Anatolia after the 1980s. The reference here is given to the rising economies of Asia as the economic development of South Korea, Taiwan, Hong Kong and Singapore was once pronounced as Asian Tigers. Here, the Islamic bourgeoisie which began to gain importance since the 1980s, started to identify themselves as Anatolian Tigers to convince people that they would be the locomotive of economic progress in Turkey. Even some members of the Anatolian Tigers (essentially in MÜSIAD) identify themselves as Islamic Calvinists and/or Protestant of Islamic economy to refer to the rise of capitalism as the extension of Protestantism into the economic life as Weber suggested (Ayhan ad Sağıroğlu, 2012). Essentially, the reports published by MÜSIAD give a great emphasis on the matter of creating a new Islamic homo economicus that is in pursuit of wealth accumulation. In the report called *Homo Islamicus*, the Anatolian Tigers mentality reveals itself as an ambitious Islamic capitalist that is inclined to a morality similar to Protestant ethics (Üçoğlu, 2012).

[30] Emlak Konut used to be the special bank (with the name of Emlak Bank) founded in the 1930s to distribute credits for housing projects. Emlak means real estate in Turkish, and this real estate bank gained a new status under the AKP regime. The bank had several problems of corruption and financial deficit in the late 1990s, the AKP transformed the bank into a REIT that would channel the public money into the housing projects hand in hand with TOKI.

model dominated by build-and-sell developers and *gecekondus*; in its place, the AKP hegemony seeks to create a new housing model and urbanization strategy dominated by its cronies, particularly in Istanbul. This has resulted in a construction boom led by a hybrid state capitalism, in which state agencies (TOKI, Emlak Konut REIT), ministries (the Ministry of Urban Affairs, the Ministry of Transportation, and the Ministry of Treasury and Finance), and crony capitalists form a hegemonic class alliance.

There have been two periods in this construction boom: the period between 2003–2009 and the period between 2009-2019. Between 2003–2009, Turkey’s economy saw the entry of large flows of global financial money, as Figure 27 illustrates. Between 2003– 2009, the selected strategy focused on fixing the problem of *gecekondus*. A few gentrification projects, urban renewal projects, and TOKI mass housing projects were completed during this period.[31] However, following the global financial crisis of 2008–2009, during which the economy shrank by 4.8 percent, a new strategy of construction began. In this new strategy, the idea was to enable the emergence of large REITs and developers close to the AKP government, in order to distribute urban fortunes (e.g., projects, land, and mega infrastructure projects) to these cronies and to build mega-projects in order to boost the land-rent value and volume of speculation.

[31] For the urban transformation projects, there is wide literature on the cases of Galata, Tarlabasi, Sulukule and Başıbüyük. This literature is fair enough to cover the urban transformation projects that were conducted and still being conducted in Istanbul. (Islam, 2005; Uzun, 2018)

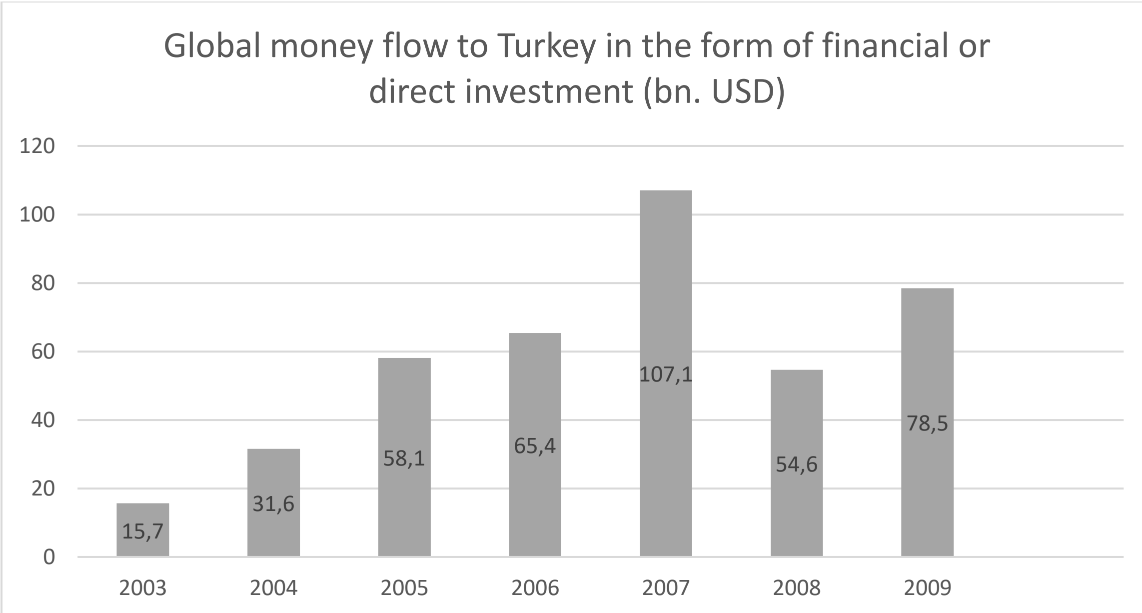

Figure 27. Global money flow to Turkey in the form of financial or direct investment (bn. USD). Source: The Central Bank of Turkey, quoted from Sönmez, 2010: 267

In this case, urban expropriation plays the key role in creating temporal economic volume through mega-projects. Mega infrastructure projects on the periphery of Istanbul have served as a key state-led developmentalist strategy (Güney, 2019). The production of peripheral space as a tool of real estate capitalism to prevent potential economic inertia has been undertaken as the main urban policy. For the purpose of boosting financialization through real estate, Istanbul has been chosen as the nodal point of investment, and a massive suburbanization process has been strategized. This massive suburbanization has been sold via a discourse of attracting global financial flows and a nationalist rhetoric of demonstrating the impetus of development and immediate control over nature. This state-led developmentalism has had severe consequences, from depleting the crucial forestry areas of Istanbul's northern greenbelt to contributing to work accidents that have led to the death of several workers (Üçoğlu, 2019).

AKP's regime of real estate financialization operates within an administrative framework that is highly centralized under the umbrella of the national government. The office of the presidency (formerly the office of the prime ministry, until Erdoğan appropriated this authority under the aegis of his presidency), the Ministry of Urban Affairs, the state agency TOKI, Emlak REIT, and local municipalities are the main actors of this process. Apart from these governmental bodies, there are also market actors involved—mainly private REITs, mining sectors, and home appliance sectors. These business elites are the rent-seekers that have close relations with the central government. Together with these rent-seekers, the AKP prioritizes the real estate market as the main driving force of wealth accumulation for its inner crony circle.

There are two overlapping strategies for centralizing the REFCOM model to extract land-rent value from Istanbul's peripheral expansion: (1) "Crazy" mega-projects are arbitrarily developed and promoted by the central government in Ankara. These projects are managed by the Ministry of Urban Affairs, while the Ministry of Treasury and Finance provides financial back-up. In certain cases, the projects may require approval from the metropolitan municipality of Istanbul; however, this approval may be easily bypassed, thanks to the ambiguity of legislation in Turkey (Kuyucu, 2014). In most cases, urgent expropriation is undertaken to hasten construction. (2) TOKI, together with Emlak REIT, functions to produce large-scale housing projects near those mega-projects. The central government thus plays a key role in implementing both of these overlapping strategies, including the mega-projects run by ministries and the large-scale housing projects run by TOKI and its subsidiaries.

Most of the mega-projects are huge in size and difficult to build without destroying environmental balances and creating a proper infrastructural foundation. These operations come at a great cost. That is why REITs and construction companies do not want to participate in this process, without a guarantee of long-term profit. Necessary credit is provided by three giant public banks; at the same time, the Ministry of Treasury and Finance provides a guarantee of long-term profit to those corporations. Tax money collected from Turkish citizens is thus allocated as a guarantee of profit for mega-projects. This guarantee provides an opportunity for public banks and project holders to obtain the enormous amounts of financial credit needed from global markets to launch the projects. The strategy here is to begin the projects as soon as possible at any cost, not only to provide temporary speculation but also to mute any opposition.

These mega-projects are identified as “crazy” projects by the central government itself. They serve to support a new hegemony, which has deep ties to the conservative authoritarianism that the AKP seeks to consolidate with its class alliances and nationalist rhetoric. Thus, “crazy” mega-projects serve as a Machiavellian political maneuver (see Flyvbjern, 2006). In his critical analysis, Mustafa Dikeç writes:

> Since the 2005 release of a best-selling semi-documentary novel on the Turkish War of Independence entitled *Şu Çılgın Türkler* (Those Crazy Turks), the term ‘crazy’ (çılgın) has become part of nationalist rhetoric and been appropriated by the government to legitimize projects facing public opposition. The 2012 publication of the book *Osmanlı’nın Çılgın Projeleri* (Crazy Projects of the Ottomans) by a conservative publisher reinforced this trend, and resonated equally well with the government’s nationalist rhetoric with an Ottoman and Islamic twist. The environmentally disastrous canal project (Kanal Istanbul) to join the Black Sea and the Sea of Marmara, constructing artificial islands in the latter are just some of this government’s ‘crazy projects,’ as Erdoğan himself refers to them. Turkey now is a country where government officials justify projects by their craziness rather than, say, their value for the public good, well-being of citizens or the environment. (Dikeç, 2017: 178)

The allocation of tax money in this REFCOM model is legitimized by the promotion of mega-projects in Istanbul and the presentation of those projects as "crazy," which invokes a nationalist right-wing populism that aims to silence all oppositional movements against these projects. These projects are entangled in a legitimizing discourse that asserts that "growth is good for everyone." Meanwhile, the "crazy" projects are promoted along a "time-speed" axis. In other words, they are often portrayed as a triumph over nature and time, with the AKP regime praising the relatively short amount of time akin to construct them.[32]

Examples of proposed and undertaken "crazy" projects include the canal project, the third bridge on the Bosporus strait, Istanbul's new airport, and new cities by the Black Sea shores on both sides of Istanbul. Among these projects, the proposed canal project seems to be totally unrealistic. That is why it has never actually been launched, since it was first proposed in 2011; however, it is still used as a tool for political maneuvering. Other projects are already complete or under construction. These projects aim to produce massive suburban development in the northern part of Istanbul, which used to be the greenbelt of the city; there, they create new opportunities to construct large-scale housing projects near mega-projects.

Such projects aim to valorize land-rent in Northern Istanbul by attracting global financial flows through the guarantee of the state. Murat Güney indicates that the explicit purpose of these projects is to boost the housing market in Istanbul:

[32] Essentially, this rhetoric serves as a form of comparative demagogy, in which the Turkish government presents the new airport of Istanbul, for example, as a triumph over Berlin's never-finished international airport. Here, the emphasis is placed on the time taken to build such mega-projects.

[T]he highest increase in housing prices was observed in suburban neighborhoods near Istanbul's ongoing mega-project areas. While in several neighborhoods of Catalca province house and land prices increased about 76 percent in only one year following the construction of the third bridge over the Bosporus, suburban neighbourhoods of Eyüp district that are close to the new airport construction site have seen property increase in value by about 30 percent… (Güney, 2019: 195)

These projects are used as a tool of hegemony consolidation. According to the WB, five Turkish firms that are very close to the AKP government are among the top ten corporations in the world, when it comes to obtaining public bid funds through public-private partnerships. Figure 27 illustrates the enormous amount of wealth accumulated by these corporations, which act as the ruling classes of Turkey. "Crazy" mega-projects are assembled as a regime of wealth accumulation for these elites; in the meantime, these projects open ground for further land-rent speculation in the form of large-scale housing projects. The suburban landscape of Istanbul is now full of large-scale mass housing projects built by TOKI, Emlak REIT, and other REITs and developers.

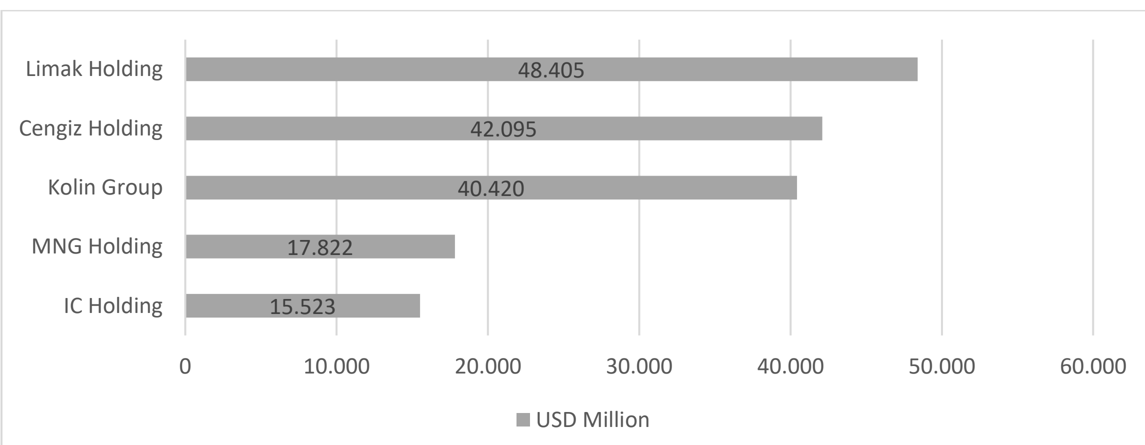

Figure 28. Top five corporations in Turkey that received public bids for mega-projects, 1990–2018. While this figure shows the money invested in these corporations from 1990–2018, most of the investments took place in the last decade. Source: https://ppi.worldbank.org/snapshots/country/turkey

If we examine the example of Istanbul's new airport, a prime case in point, we see that construction was allocated to a consortium of REITs and developers that are cronies of the AKP government. Limak-Cengiz-Kolin-Kalyon-Mapa Consortium won the bid, with support provided by three private banks (Finansbank, Garanti Bank, and Deniz Bank) and three public banks (Ziraat Bank, Halk Bank, and Vakıf Bank). According to Evinc Doğan and Aleksandra Stupar: "The state-owned banks committed a 70 percent share of the loan package, which means putting the majority of the burden on Turkish taxpayers" (2017: 284). According to a report from the WB, the cost of the project is 35,587 million USD, with a yearly profit guaranteed by the Ministry of Treasury and Finance for the consortium of five REITs. Such mega-projects open ground for further housing market speculation. However, they are constructed at great cost. In the case of Istanbul's airport, there is still ambiguity around the number of workers who died due to accidents during construction. Estimates range from 400–1000 (T24 News, 2018), although officials deny these claims.

The new growth model in Turkey thus comprises the institutionalization of crony capitalism, which works through the financialization of housing. Financialization in this case does not necessarily occur directly by making households indebted; rather, it increases the total public debt, through the provision and finding of global credits for large projects and government guarantees of long-term profiting for REITs and developers that build mega-projects[33]. This institutionalization takes place by changing the form of public procurement. As Ayhan and Yılmaz

[33] Government guarantee for long-term profitting is a sophisticated model of public procurement in Turkey. The strategy here is that the government guarantees the crony corporations that they will never lose money when they participate in large-scale mega projects. Even if they fail to profit, the government will pay the funds necessary to offset their losses.

Üstüner (2015) point out the AKP regime transformed the public procurement system in Turkey in a way to institutionalize crony capitalism.

6.2. Istanbul's geographic and economic position in Turkey

To understand why the AKP hegemony uses Istanbul as its key site for manufacturing consent, it is important to consider the economic position of the city. As we can see in Table 13, Istanbul's share of Turkey's total population was 5.9 percent in 1927; however, by 2019 this share had grown to 18.6 percent. This huge rise in population runs hand in hand with the city's growing share of the national GDP. In 1927, Istanbul's population actually declined, due to the fact that the republican regime that was founded that year favoured Ankara as the new capital city because it had served as the command centre of the national independence movement from 1919–1922. However, the modernist project that was introduced by the Kemalist[34] regime initiated a new set of projects to transform Istanbul, in order to create a Western-type modern city. The rationale was that if the urban space was modernized, then the population would adapt to that modernization (Türkün, Şen and Aslan, 2014).

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[34] Kemalist regime is a term commonly used to describe the period between 1923 and 1950 when Kemal Atatürk, the founder of modern Turkey, was the President of Republic, and he created the new republican regime in Turkey by overthrowing the Sultanhood after the War of Independence between 1919 and 1922. During this time Ataturk's party (The Republican People's Party – Cumhuriyet Halk Partisi - CHP) was the single party (even though there was a period when opposition parties existed for a while) and transformed Turkey with a series of reforms in socio-economic life. After Ataturk passed away in November 1938, Ismet İnönü became the President of Republic as the leader of CHP and ruled until 1950 when he left his post after the triumph of Democratic Party in the democratic elections (see. Ahmad, 2002, Zürcher, 2004).

Year	Population of Turkey	Population of Istanbul
1927	13,648,270	806,863
1935	16,158,018	883,599
1940	17,820,950	991,237
1950	20,947,188	1,166,477
1960	27,754,820	1,882,092
1970	35,605,176	3,019,032
1980	44,736,957	4,741,890
1990	56,473,035	7,309,190
2000	67,803,927	10,018,735
2009	72,561,312	12,915,158
2019	83,154,997	15,519,267

Table 14. The populations of Turkey and Istanbul, 1927–2019. Source: TurkStat (TUIK, *Adrese dayalı nüfus kayıt sistemi*): http://www.tuik.gov.tr/PreHaberBultenleri.do?id=33705

The years following 1927 witnessed a rise of population in Istanbul, which increased rapidly from the 1960s onwards. These are the years in which the ISI growth model was implemented, with the effect of creating a national bourgeoisie based in Istanbul (as described above). In the 1960s, Istanbul was chosen as the key industrial hub of the country. It is located in the Marmara Region, one of seven geographical regions in Turkey. These regional divisions do not rely on any administrative status or borders; rather, they are based on physical geography and climatic conditions. The Marmara Region is located in the northwestern part of Turkey, where one finds the largest industrial cities of the country, including not only Istanbul but also Bursa, Kocaeli, Sakarya, and Balıkesir. The Marmara Region cities of Tekirdağ, Kırklareli, Edirne, and Çanakkale are also well known, in this case for agricultural production, distilleries, and tourism.

City	Population
Istanbul	15,519,267
Bursa	3,056,120
Kocaeli	1,953,035
Balıkesir	1,228,620
Tekirdağ	1,055,412
Sakarya	1,029,650
Çanakkale	542,157
Edirne	413,903
Kırklareli	361,836
Bilecik	219,427
Marmara Region total	*25,379,427*

Table 15. The population of cities in the Marmara Region, December 2019. Source: TurkStat

Figure 29. Cities in the Marmara Region. Source: The Marmara Municipalities Association

The Marmara Region now contains around 30 percent of Turkey's population, and Istanbul is home to about 65 percent of the Marmara Region population. This demographic distribution is quite important to consider, as Istanbul's economy also shapes and controls other cities in this region. Bursa, Sakarya, and Kocaeli are industrial cities that serve as prominent manufacturing sites for the automobile and home hardware industries. Huge employers such as Tofaş (Turkish partner of Italian FIAT) and Ford Otosan (Turkish partner of Ford Motor Company), as well as large textile producers (e.g., Özdilek in the towel industry in Bursa), are among the well-known industrial sites located here. Bursa is one of the centres of textile business in Turkey, and the textile enterprises in Bursa primarily produce for customers and exporters in Istanbul. Tekirdağ, Edirne, and Çanakkale are commonly known as the agricultural parts of Marmara Region, and they provide a necessary food supply for Istanbul. Istanbul has by far the largest business volume in the region: in the entire Marmara Region, there are 1,411,306 enterprises, of which 881,489 are located in Istanbul (TurkStat, 2018).

In addition to considering the position of Istanbul in the Marmara Region, it is also important to evaluate its position within the wider country. Istanbul produces 50 percent of Turkey's entire export (88.2 billion USD) and accounts for 54 percent of its entire import (125.17 billion USD). Turkey's national GDP was 718.12 billion USD in 2018, and Istanbul generated 210.8 billion USD—or 29.25 percent of Turkey's total GDP. (TurkStat, 2019). In Istanbul, the GDP per capita was 16,264 USD in 2018, whereas the national GDP per capita was 9,370 USD.[35] Istanbul then stands as the key economic centre within a terrain of colossal uneven geographical development.

Istanbul is also currently a tourism hub of the hinterlands, and converting Istanbul into a touristic attraction point was one of the key strategies of neoliberalization that began in the late 1980s. Converting Istanbul into a touristic hub started through a gentrification process, followed by the

[35] All of the numbers in this section were retrieved from TUIK (TurkStat). The city database provides all the data up to 2018.

enlargement of Ataturk Airport and construction of the second airport (Sabiha Gökçen Airport) in the Asian part of the city. The AKP regime continued this strategy through opening the large mega-project Istanbul Airport (supposedly the largest airport in the world) in late 2018.

Year	Number of foreign tourists that stay overnight in Istanbul	Number of tourists that come to Istanbul as a transit point
2016	14,409,188	9,217,644
2017	16,001,916	10,730,510
2018	20,132,109	13,432,990
2019	23,570,640	14,906,663

Table 16. Number of tourists that come to Istanbul as a transit point or to stay overnight. Source: TurkStat

These numbers also reflect the change in Istanbul's economy. As indicated before, Istanbul used to be an industrial production and working-class city in the 1960s and 1970s. However, by the 1980s, we witness the beginning of the decline of industrial production and the rise of service, financial, and construction/real estate sectors. During this time, the housing problem emerged as one of the key problems of the city as between 1960–1990, as the number of *gecekondus* skyrocketed not only on the periphery of the city but also around the industrial zones. I will focus on this issue in the coming sections.

The decentralization of industrial production that had begun by the 1980s was offset by the rise of the construction economy. I will return to that point later on, but if we check Turkey's GDP as of 2018, we see that Istanbul accounts for 210.8 billion USD, and 137.4 billion USD of that came from services sectors, which includes many construction-related activities.

Years	Total GDP of Istanbul (bn. USD)	Service sectors (bn. USD)	Industry (bn. USD)	Agriculture (mn. USD)	Taxes (bn. USD)
2004	130.08	77.8	35.3	398.8	16.5
2010	229.00	145.3	55.8	381.3	27.6
2018	210.8	137.4	57.9	225.5	22.8

Table 17. Sectoral break-down of Istanbul's GDP, 2004–2018. Source: TurkStat

Table 16 illustrates that service sectors now account for the dominant share of Istanbul's GDP. Service sectors accounted for 64.52 percent of Istanbul's GDP in 2004, 63.29 percent in 2010, and 65.36 percent in 2018. In the meantime, we witness a major decline in agricultural production in the city, even though the city needs more agricultural products to supply its growing population. One of the reasons for this decline is the conversion of agricultural land into construction sites, due to massive suburbanization. The fluctuation in GDP from 2010–2018 reflects the devaluation of Turkish Lira (TL) against USD. The stagnation of agricultural production and decline in foreign financial flows contributed to this devaluation..

There is one more datum point that I will highlight to emphasize the significance of real estate in Turkey's economy. In 2018, the share of construction in Turkey's GDP was 7.2 percent, and the share of real estate activities was 6.8 percent—representing a combined share of 15 percent in total. This constitutes a significant share, particularly since other manufacturing and service sectors are dependent on its growth. In 2002, the combined share of these sectors was 12.5 percent. At that point in time, construction was not positioned as the locomotive of the economy; instead, manufacturing and agriculture still played leading roles. Since then, the construction and real estate sectors have taken crucial roles in driving economic growth. Istanbul in particular accounts for the largest share of the real estate and construction economy in Turkey. On average 17.6 percent of new houses that are built each year in Turkey are built in Istanbul.

Year	Annual GDP growth rate (percent)	Share of construction in total GDP	Share of real estate in total GDP
1999	-3.4	5.6	6.9
2001	-6.0	4.6	8.5
2002	6.4	4.5	8.0
2003	5.6	4.6	7.9
2004	9.6	5.3	8.1
2005	9.0	5.6	8.5
2006	7.1	6.3	8.9
2007	5.0	6.8	9.6
2008	0.8	6.8	9.7
2009	-4.8	5.6	10.5
2010	8.5	6.1	9.9
2011	11.1	7.2	9.0
2012	4.8	7.5	8.6
2013	8.5	8.1	8.2
2014	5.2	8.1	8.0
2015	6.1	8.2	7.7
2016	3.2	8.6	7.7
2017	7.5	8.6	7.1
2018	2.8	7.2	6.8

Table 18. Share of construction and real estate in the GDP of Turkey, I have deliberately omitted data from the year 2000, in order to show two recession years back to back. Source: TUIK (TurkStat, Economic Outlook, Sectoral Percentages and Annual GDP).

As the numbers in Table 17 illustrate, when the annual growth rate has increased during the past two decades, so has the share of construction and real estate in the total GDP. The difference between construction and real estate as a sector is that the real estate sector includes second-hand housing sales, office resales, and land acquisitions and resales. Since 2003, the share of these two sectors in Turkey's GDP has vacillated between 13.5 percent and 17 percent. Again, the majority of construction and real estate transactions take place in Istanbul.

There is also one more point that I need to highlight in order to illustrate the rise of the housing industry and its role in reshaping public administration. In Turkey, if a city has a population of more than 750,000 people, that city gains the status of a metropolitan municipality. For instance, Istanbul is part of a metropolitan municipality that is called Istanbul Metropolitan Municipality (IBB), which oversees 39 district-level municipalities.

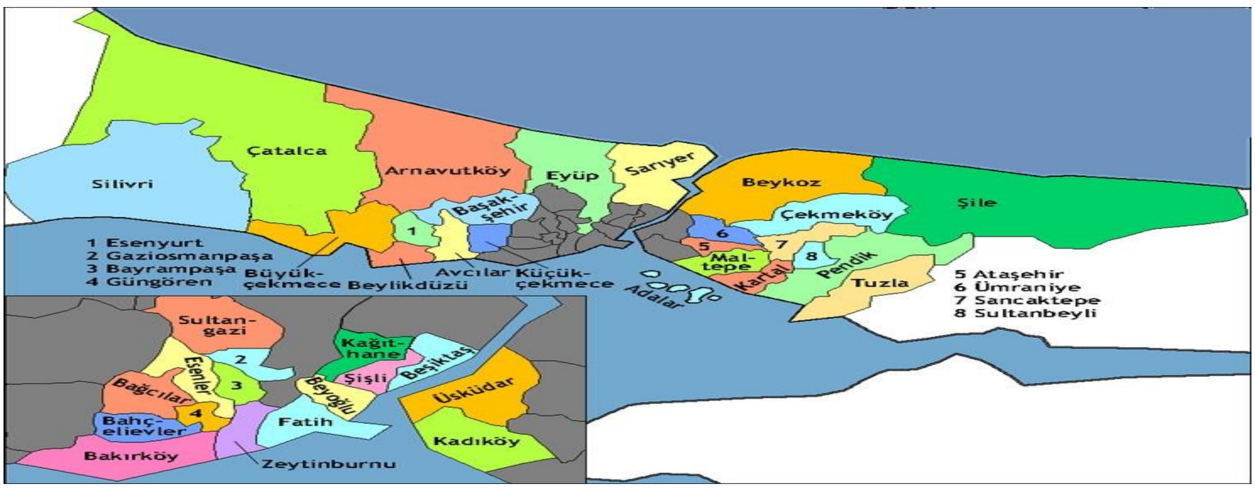

Figure 30. A map of Istanbul's district-level municipalities. Source: Istanbul Metropolitan Municipality

This was a strategy that came into being in the 1980s, in order to create a regional governance structure.[36] Within the context of neoliberalization, this strategy was implemented to serve a twofold plan: First, it aimed to create competitive urban governance. All of the district-level municipalities within the IBB have their own mayors, all of whom are democratically elected. Hence, in theory, each candidate must work hard to win their elections; therefore, at a local level, citizens will receive competitive service with quality. However, in reality, this strategy has also

[36] This was a plan developed by the military government in the early 1980s. The idea was to strengthen local governance.

increased nepotism and corruption at the district level (Savaşkan, 2019). Second, this structuring of local government served to facilitate land commodification. These district-level municipalities were given the authority to distribute land tenure, provide neighbourhood-level planning, and make decisions on certain housing projects. Hence, short-cut governance might be used to commodify land, unless that land has a complicated status (i.e., if land is owned by the Ministry of Treasury and Finance or another ministry, then other bureaucratic processes are necessary).

In fact, Istanbul previously had fewer district-level municipalities; however, during the AKP regime, the number increased to 39 after the enactment of a new metropolitan law in 2012. The IBB is responsible for major planning and major infrastructural services, such as the transit systems (e.g., subway, bus lines, maritime transportation), as well as for creating master plans for the boundaries of urban areas and for infrastructural investments (e.g., water systems, pipelines, sewage systems), whereas district-level municipalities are responsible for administering permits for business openings and neighbourhood-level services (e.g., pavement and sidewalk repair, beautification of local parks, housing tenure). District-level municipalities also play a key role in gentrification projects and in developing plans for further suburban projects. As some of them are suburban localities, they play a key role in grabbing land for further development. As such, they can develop close relations with TOKI, REITs, and developers (Tekeli, 2013). In Istanbul, district-level governments are among the key actors of urban development; sometimes they play a more crucial role than TOKI and ministries.

6.3. Branded housing, gated communities, and a new socio-spatial reality

Within the context of massive suburbanization in Turkey, it is important to identify the role of financialization. As one of my interviewees told me:

> For a very long time in Turkey, financialization did not work in the form of household debt, as we see in mature economies. One of the reasons for that, the banks were very hesitant to lend money after the crisis of 2001. Additionally, the legislation for REITs, TOKI, and other housing developers created an alternative model of financing. Instead of going to the banks for mortgage credits, the dwellers could pay to REITs and TOKI their monthly rent. After 20 or 25 years, they can get their tenures from these corporations. This is why household indebtedness to the banks can be seen lower in Turkey, but this does not mean that they are not paying a kind of mortgage debt. (Interviewee 22)

She then continued:

> Much of the financialization in Istanbul goes through REITs and developers; in many mature capitalist economies, the banks usually play the key role in distributing credits and boosting the housing market. In fact, in Turkey, REITs play the key role by their financing models, and also sometimes public banks distribute cheap credits as they act for spatio-temporal fix. REITs and developers find the credits, and they undergo a financial debt process. They then reflect this debt to the prices. (Interviewee 22)

Thus, REITs are acting as the key "financializers" of the system in Turkey. Many banks, developers, and former industrial corporations in the country have founded REITs. Currently there are 34 REITs operating in large-scale housing projects, branded-gated community projects, and shopping mall projects across the country. In Turkey, REITs generally exist in the form of developer REITs; however, some of them may also operate together with other developers to subcontract their construction operations. These 34 REITs have their shares issued in the Istanbul Stock Exchange, and they have wide portfolios of construction, mining, shopping mall projects, housing financing, and more. REITs in Turkey hold a total value of assets and shares of 86.227 billion TL. The largest, Emlak REIT, holds 23.411 billion TL. The second largest is Torunlar REIT, a builder of branded gated communities that has close ties to the AKP government. Figure 26 below illustrates the shares of different REITs in the total market value of REIT capitalization—and shows how crony capitalism dominates the real estate and construction industries in Turkey.

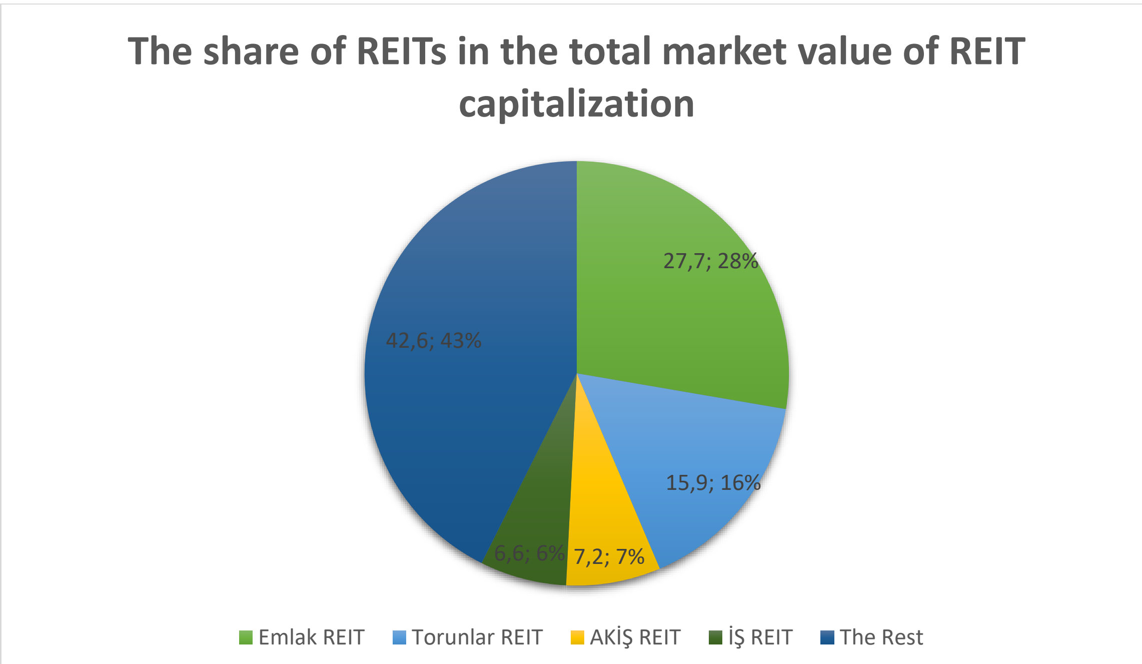

Figure 31. The share of REITs in the total market value of REIT capitalization. Source: Turkish Capital Board Annual Report, 2019

The rise of REITs as the one of the key actors of the REFCOM model has had severe impacts on the socio-economic reorganization of Turkish society. Wealth accumulation for certain members of society has grown. REITs in Turkey, and particularly Emlak REIT, work with an accumulation model based on revenue-sharing:

> The model is based on sharing profits generated by the projects among the public and private partners. While the public partner provides land for the project, the private developer develops and realizes the project, and the institutions share the generated

> revenue. Emlak Konut REIT defines this model as a way to ensure high profitability and fund flows. (Serin et al. 2020: 9).

Hence, these REITs work mainly as a growth coalition according to the guidelines of the state, and the accumulated wealth is distributed among the partnering developers and contractors. The state provides the land for large-scale suburban housing projects, and this land is usually transferred to REITs by TOKI, the state treasury, and sometimes directly by the office of the president.

Development projects that have been built since 2003 in Turkey usually take the form of a gated community, exclusive community, or branded housing project. They are promoted as the latest form of modern life, often with an enclosed green space, a playground for children, parking lots, and security patrols. Often, these developments are promoted through a narrative of "time," as we saw in the case of mega-projects. These large-scale housing projects are typically constructed in 2–4 years and are often presented as models of the latest construction technology and the worldwide success of Turkish construction firms and REITs.

> Gated communities began to spread in Istanbul after people saw the example of branded projects in the Kemerburgaz-Göktürk area. Also, the earthquake in 1999 spread a fear of dwelling in the central parts of the city. That is why Istanbulites, particularly middle classes, made the choice of living in gated mass housing projects. As time has passed, branded projects have become the new normal; even in inner-city areas, people are looking for residence projects with security units, concierges, and special amenities. This is based on an American model, and in Istanbul, security units have become a must in many projects. In suburban expansion, this is now the norm; even projects made for low-income

families have security units now. Emlak REIT and other developers are presenting this model as the new normal and the latest form of modern urban life (Interviewee 22).

Figure 32. Kent Plus Project in Ataşehir. This suburban town has been growing since the 1990s. The project was completed according to the revenue-sharing model of Emlak Bank. It is now a gated community with a special security unit at the entrance. Photo credit: Murat Üçoğlu, 2018

Figure 33. Bahçekent Project in the suburban town of Bahçeşehir. This was another project completed by Emlak REIT, through a revenue-sharing model. Source: Google Maps

These REITs and the revenue-sharing model in which they work with large developers and constructors have created a new housing model in Turkey, particularly in the suburbs. These REITs are the key players that commodify land and housing in the financial markets (Candan and Kolluoğlu, 2008). In Turkey's case, these REITs are financializing space through the spread of gated communities; almost all the housing projects in the new suburbs of Istanbul are either branded large projects or have strict security units and patrols. They also act with their special financing models to boost the sales of housing. That is why housing sale numbers have increased tremendously in Istanbul in the last decade. Hence, suburbanization works through a logic of spatial segregation, which is often determined by the socio-economic conditions of the dwellers. Financing models also differ from one project to another, depending on the project's socio-economic scale. For projects built for low-income families, the down payments and conditions of homeownership are higher than expected; for certain projects targeting middle-class buyers, down payments and flexible monthly options make it easier for middle-class citizens to exercise their right to own a home.

This new suburban reality works as a large crony capitalist and financialized system, in which the rent-seeking drive of state-led land developers, REITs, and construction firms converges with the middle-class competition to own a home in a prestigious project in order to be close to elites and live an American Dream of a suburban lifestyle on the periphery of Istanbul. This competition, and the wider class war, can be seen clearly in the suburban town example of Göktürk. In the next section, I focus on this case.

6.4. The Göktürk-Kemerburgaz split: The rise of suburban gated communities as the ultimate development model

Gated communities, as mentioned in Chapter 3, are seemingly universal housing models that began to shape suburban reality in many developing countries in the 1990s. As gated communities began to spread in other parts of the world, there were a few small attempts made to build gated communities with fences and walls in Istanbul (Esen and Rieniets, 2007). However, it was not until the late 1990s that the example of Göktürk started to garner attention as a prominent model of gated communities in Istanbul. The gated community housing model in this suburban town has become a dominant reference point for the new housing strategy of the AKP hegemony. As indicated above, the AKP hegemony proceeds on the basis of three dynamics to create its housing model:

1) The housing projects must be in the form of a large-scale garden-city. New towns or suburban centralities must be constructed, and people must be sent to these projects through an abiding financial mechanism. As such, this model entails a strategy of financial inclusion.
2) The housing projects in the suburbs must be supported by a large-scale mega-project nearby, so that the housing prices become attractive and open to speculation. Thus, large highways, hospitals, shopping malls, financial centres, and airport projects are being constructed around new towns.
3) The projects must be open to global financial flows. In particular, wealth from Gulf countries plays a crucial role in this housing model.

Within this context, Göktürk has emerged as a model for other garden-city towns developed by the AKP hegemony.

The AKP has planned and constructed multiple large-scale garden-city towns in Istanbul, with special security units or surrounding walls. Examples include Kayaşehir, Altınşehir, Kasaba, Ispartakule, and Bahçekent. Some of these projects were built by TOKI and Emlak REIT with the help of crony contractors, while others were built by crony developers. Göktürk is where the model of gated communities in a suburban town emerged for the first time in Istanbul. This helps to account for its significance in studies on sub/urbanization in Turkey. There is a set of critical studies on the emergence and proliferation of gated communities in Göktürk (Geniş, 2007), which largely focuses on how these gated communities have created a segregated elite and high-middle class lifestyle emulating the North American suburban dream. There is also some discussion in the literature of the role that informal development has played in the creation of Göktürk—as gated communities in Göktürk began to be built illegally on erstwhile forest and greenbelt land. The informal dimension of Göktürk's gated community developments is an important point for consideration.

In Turkey, informality has been ascribed to the phenomenon of *gecekondu*, and suburbanization has often been associated with gecekondufication. However, a suburban expansion process has also taken place without gecekondufication. The French concept of *banlieue*, transcribed in Turkish as *banliyö*, has also entered the Turkish lexicon of urbanization, particularly in reference to districts outside of the city centre. It has been associated with commuter trains (*banliyö* trains) that run to the suburban neighbourhoods of Istanbul. That is why *banliyö* has acquired a relatively neutral connotation: it may refer to poor suburban neighbourhoods, but it may also be used to describe middle-class and high middle-class districts, such as Yeşilköy and Florya around the Atatürk Airport area.

However, *gecekondu* neighbourhoods have historically existed as the main descriptive form of suburbanization in Istanbul. The word *varoş* has also been used to describe *gecekondu* neighbourhoods and their dwellers. It is a pejorative word, used to describe the underdeveloped, illiterate, and poor lifestyle associated with the *gecekondu* areas (Demirtaş and Şen, 2007). This pejorative conceptualization has contributed to the segregation between working-class and middle-class suburbs. *Gecekondu* dwellers, particularly women, have historically worked for middle-class suburban households as housekeepers and cleaning ladies. In fact, many historical middle-class suburbs have existed in Turkey for a long time. They have mainly been considered as small centres in a poly-centric urban matrix, rather than American-style suburban towns (Üçoğlu and Güney, 2021). That is why suburbanization (or the phenomenon of sprawl) has been conventionally associated with the spread of *gecekondus* or *varoş* neighbourhoods in Turkey.

In the 1980s, mobilization against gecekondufication began, as part of an effort to transform Istanbul into a tourism and mobility hub. In 2000, 52 percent of the housing stock in Istanbul still took the form of *gecekondu* (Gyoder, 2015). Here, the key point of differentiation is between being illegal and informal. That is not to say that all illegal or informal houses built in Istanbul after the 1980s are *gecekondus*. In fact, in many elite and high middle-class neighbourhoods, it is possible to find illegal housing. Therefore, the equation of illegal housing with *gecekondu* no longer applies in Istanbul, particularly since the 1980s. Many *gecekondu* neighbourhoods have received land amnesty, and some of them have received their tenures.

The rise of the construction and real estate industry in Istanbul since the early 2000s has brought up the problem of land again. Istanbul has a limited ratio of land to population, due to its increasing population. As note before, there has been a tremendous population boom from 19802019. There have been two other crucial developments since the late 1990s, as well: new suburbanization has begun to encompass the periphery of the city, while at the same time, greed for wealth accumulation has led to the rise of large project construction on erstwhile agricultural and forest lands. For this reason, the illegal destruction of forest areas for the sake of construction projects has become widespread, and some projects have been completed despite the issuing of court decisions to stop the development. This shows the changing patterns of acceptance for informality. In the 1960s and 1970s, gecekondus were tolerated due to their ability to provide accommodation for the industrial reserve army. However, since the late 1990s and early 2000s, informality in the housing market has shifted orbits. Many large gated community projects and elite housing sites have now been built illegally in forests areas or on public land. This represents a new suburban governance strategy to bypass legal processes for rapid land commodification. Usually in this strategy, district-level municipal governments play a more important role than TOKI or the Ministry of Urban Affairs.

Manufacturing the consent of the urban poor has been an important aspect of the strategy employed by the AKP from the very outset of its regime. Along with TOKI and REIT, the district-level municipalities serve as key actors in the manufacturing of this consent:

> Local district municipalities are still a key player in manufacturing the consent for AKP's authoritarian regime. These municipalities have a lot of authority in the case of housing, perhaps more than people think. Many people believe that in the case of housing, TOKI is the key player, but they often disregard the role of district municipalities, as these municipalities have direct contact with dwellers. They actually play an intermediary role between the large developers and the urban poor. Large developers donate a considerable amount of money [we can say bribery] to these municipalities; later on, these municipalities distribute some portion of this money to those in need. It is usually in the form of food bank. They do not want to change people's economic condition, they just want to donate them to keep this chain going on. (Interviewee 28)

Similar to what this interviewee told me, Savaşkan (2019) also argues that the most important strategy for the AKP has been to keep local district municipalities operating in the form of social aid institutions. This social aid policy manufactures consent for large projects and urban transformation projects in local districts, while developers provide a cash flow for maintaining the urban poor in conditions of poverty. That is why land grabbing has paramount importance for district-level municipalities. However, it is important to recognize that manufacturing the consent of the middle classes and elites is much more important for this regime. Many of the projects carried out by REITs and developers are for the middle classes, rather than low-income households (Perouse, 2014). This reorganization also includes the real estate market, through which new branded housing projects are promoted for foreign investors. Anyone who is able to bring 250,00 USD to Turkey for investment in real estate may obtain citizenship.

Figure 34. The promotion of Turkish citizenship through real estate investment.

The prioritization of real estate investment over all other sectors has been supported by the regional transportation plan (i.e., the Marmara Regional Transportation Plan), as well as a state plan to create a financial hub in Istanbul. While the AKP regime is now building a large complex called the “financial centre” in Ataşehir in the Asian part of the city, the Levent-Maslak Split in the European part of the city is currently known as the financial centre of Istanbul. The Middle Eastern or Eastern European headquarters of multiple global corporations are located in this area because they want to use Istanbul as their regional command centre. Many other large corporations have offices there, the largest banks of Turkey have their headquarters there, and the Istanbul Stock Exchange is also located there. Branded shopping malls, luxury hotels, and housing projects are also found in this part of the city. The area is linked to Ataturk Airport via a special highway called the Trans-European Motorway (TEM), which enables accelerated mobility between the airport and this financial centre.

In fact, efforts to position Istanbul as a financial centre at the scale of global cities have not worked well, as the city is not considered to be an important financial hub. However, investment in mobility has been a key strategy for expanding the construction economy. Özbay (2014) argues that as the construction economy has expanded in the city, investment in mobility has also expanded. However, a key point to note here is that this investment in mobility has primarily served the purposes of land-rent speculation, rather than bringing services to resident populations. In fact, it is normal for infrastructure to expand as a city expands; however, when infrastructural investments are made within the confines of a growth machine, then such projects are carried out to transfer wealth from the tax money collected from the public to developers and construction companies.

Massive suburbanization has been accelerated by mega-projects and large-scale mobility projects in Istanbul. Several suburban towns, usually taking the form of gated communities, high-rise mass housing projects (still with security units), and branded projects, have proliferated near large-scale mobility projects through the occupation of vacant forest or public land. Among these suburban towns, Göktürk holds a special place. It began to develop in the late 1990s, when the middle classes began to move to this area because of its proximity to mobility networks that connect people to financial centres. This was the first time that suburban housing projects began to be sold through a marketing strategy that accentuated the American suburban dream. Now, newly constructed gated communities often emphasize such points in their advertisements: "a safe life with your family," "a modern life nearby to nature," "a privileged community that awaits you." They often have Americanized names, such Kemer Country, Koru Life, and Country Life. In the meantime, these projects are also promoted for their vicinity to key highways and connection roads that lead to business areas. Göktürk was the first of these suburban towns to shift the mentality of suburbanization in Istanbul through the promotion of gated community projects, advertisement of an Americanized suburban lifestyle, and informal land grabbing for speculative land commodification.

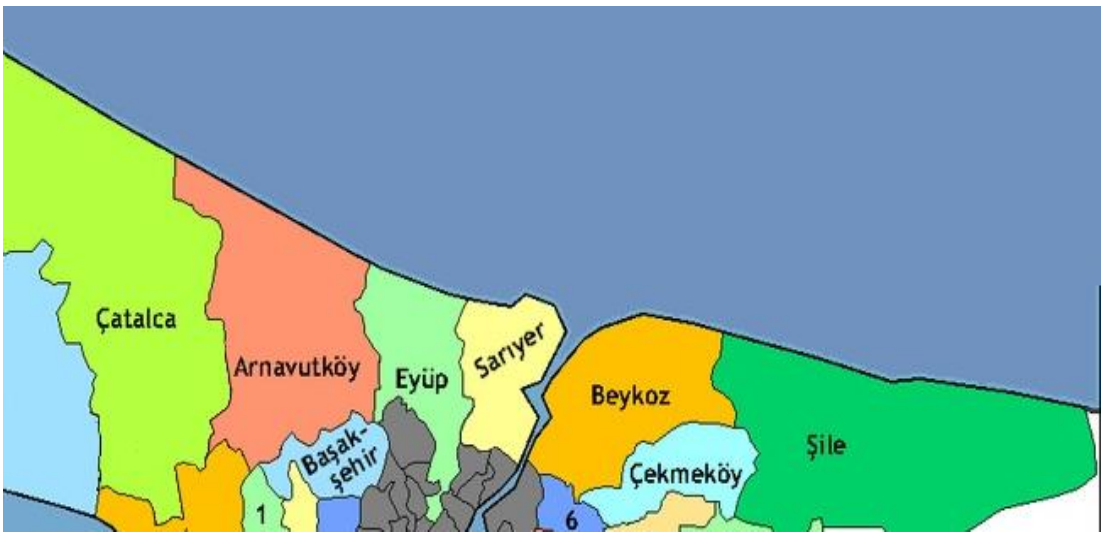

Figure 35. Map of Eyüp Disrict, along with neighbouring Arnavutköy, where the new airport is located, and Beşiktaş and Sarıyer, where the Levent-Maslak Split is located.

Göktürk is located on the boundaries of Eyüp District. While Eyüp's central region is a conservative area on the north shores of the Golden Horn River, the northern part of Eyüp includes the greenbelt and popular Belgrade Forest of Istanbul. As of 2019, the population of Eyüp was 400,513 (TurkStat, 2019), while the population of Göktürk was 37,853. There are three dynamics that make Göktürk a significant location for understanding the ongoing construction boom, mobility-based mega-projects, informality, and changing form of urban life based on gated communites: 1) The greed to create an elite club in the Belgrade Forest, the largest and most popular greenbelt forest of Istanbul, was followed by competition among REITs and developers in Göktürk, as the land-rent in the area is very valuable. The result was a total attack on the old historical town through the informal and illegal expansion of its boundaries into the surrounding forests. 2) Göktürk stands in the middle of a transit network between the Levent-Maslak Split and western parts of Instanbul. This positioning of the town, amid a network of highway, gained even greater importance after the new airport project was launched in 2013. The completion of the new Istanbul Airport, which is supposedly the largest airport in the world, has made Göktürk even more important. It is now located in the midst of a large transit project, which consists of a new highway network that conects the third bridge on Bosporus to the new airport area, connects the new airport with the Levent-Maslak financial district, and also holds the potential to link the new city to be built around the airport with the rest of Istanbul's European site. The location of Göktürk now makes it a crucial point of mobility; in the meantime, it is also a special spot for further land commodification.

Figure 36. The aerial view of Göktürk. This suburban town was built informally in the middle of the greenbelt Belgrade Forest. It is connected to the nearby financial centre by highways and connection roads, and it is now located between the financial core of the city and the new airport. Source: Google Earth

The problem with this new Americanized suburban dream town is that Göktürk used to be a small forest village, located between the town of Kemerburgaz and the Belgrade Forest. The village was at that time a small settlement, surrounded by a city dump, mining areas (mostly marble), and forests. However, in the 1990s, a group of elite people decided to build high-scale gated communities in the village of Göktürk. In 1991, the Kemer Golf Resort was founded as an elite business club by an entrepreneurial family that was able to rent a parcel of land in the Belgrade Forest. Later on, in the late 1990s, this family decided to expand the facility into an elite gated community, with the name of Kemer Country. This decision was illegal, as it violated the land tenure given to the development (Sözcü, 2013). Due to the development's informal status, the AKP hegemony appropriated Kemer Country in 2013; later on, it transferred property management to Demirören Group, one of the key cronies of the AKP regime.

When construction on Kemer Country started, the development looked to be in the middle of nowhere, surrounded by greenfield without adequate infrastructure (Geniş, 2007). However, the area is now full of gated communities, luxurious shops, bars, and branches of luxury food chains. There are even two new privately funded universities nearby. Kemer Country was initially designed as an elite club, with the idea of offering a lifestyle in nature close to a small village and the Belgrade Forest. The project now comprises a golf resort, a small downtown village in the middle of the gated community, and several stages of housing, from large wood manors to 3–4 storey luxurious condominiums. In Kemer Country's promotional materials, the developers represent the project as "the gate to the global world," implying that those who live behind its gates will become part of a global network of elites. They reinforce this image by referring to the elite distinction acquired with membership to the golf club. The project developers had spent considerable time in the US and were influenced by Orange County in Los Angeles. The gated community that they developed in Göktürk became a point of attraction for the rich in the 1990s, not only because of its global network promise, but also because it seemed to offer a safe refuge following the 1999 earthquake in the Marmara Region. The houses in the project are believed to be safe and durable against an earthquake with a magnitude of more than 7.5.

Figure 37. The first flyer published by the developers of Kemer Country in 1999. The flyer outlines the stages of the gated community, which comprises a huge area with a pond, forested tracts, golf pitches, and more.

The gated community of Kemer Country is highly protected by special security units. I was granted permission to enter with the help of a former resident, with whom I had conducted an interview, who still works as a real estate agent in the area. However, even as her guest, I was unable to access certain parts of the community.


Figure 38. The golf pitch and pond in Kemer Country. Photo credit: Murat Üçoğlu

When Kemer Country began to be built, there was nothing around the village of Göktürk. It had been established as a small Greek village in the late 1870s. The Greek population later decreased, but it continued as a small forest village until the 1990s. Nowadays, the small village still exists in the middle of the town, but it is now surrounded by large gated community projects:

> Once we came here, there was nothing. There was a city dump nearby: many district municipalities in the vicinity, essentially Eyüp, Şişli, and Fatih municipalities, they were putting their dump nearby this area. Kemer Country [the housing component] began to be constructed in 1997, and we began to reside here in 1999 in the year of the earthquake. The roads were full of dump trucks, and the area was smelling terribly. Then later on, they moved the dump area into another part of Eyüp municipality. They somehow worked with Eyüp municipality to eliminate the dump. The Edin family—Mekpare Edin and Esat

> Edin—created this project. They lived in the United States for a while, and probably they were affected by the large housing systems, particularly in California. Esat Edin graduated from Yale University many decades ago; hence, he knew very well the suburban housing system in the US. They were influenced by large cottage-style houses and golf resorts of the elites. The area is around 2,000 acres, and they built the gated community step by step. Year by year, the area of construction expanded; however, this expansion came with a lot of problem (Interviewee 25).

I heard similar stories from the first inhabitants of the first gated communities in the area. At the beginning, it was a small town standing in the middle of nowhere. The people who lived in the small historic village worked primarily in forestry and agriculture. However, with the rise of the real estate economy, the labour relations and socio-economic conditions of the area have changed. The town has lost its quality as a forest village, and the forested areas have been illegally violated by the construction boom. As the construction boom continues, the town has become an elite- and high middle-class-dominated district that attracts luxury-brand food and restaurant chains:

> There were some problems pertaining to legally residing and land registration, but step by step they have been resolved. When we moved to this area in 2004, there were only three major gated communities plus ours. Year by year, the number has proliferated, and the land use changed. At that time, there was no grocery store, no branch of a bank, and no restaurants. There was only a small market in a gas station. But nowadays, it is full of new gated communities. We have Starbucks, nice restaurants, Le Pain Quotidien, branches of all banks, and everyday life is circulating around the main street [Istanbul Avnue] that is full of cafés, shops, and luxurious restaurants (Interviewee 24).

This description illustrates the inclination of the town towards an American lifestyle. Generally, young professionals in Istanbul have undergraduate or master's degrees from universities in New York, or they are trying to do business in companies that have connections to New York-based companies. They often believe that their tastes are akin to those of New Yorkers. Thus, the consumption habits of people in Göktürk reflect a global style, led by an Americanized approach to everyday life.

As indicated above, the area has had land tenure problems, and it has not been easy for people to receive land tenure, even after buying their homes. Instead of land tenure, they have been given long-term rental permission (usually for a span of 49 years); i.e., their housing documentation indicates that they have not bought their houses but rather rented them for 49 years:

> What you are getting is actually a 49-year contract, which means that you are renting the house that you own for 49 years. After 49 years, nobody knows what will happen, but probably they would extend these contracts for a price. In the beginning, it was supposed to be a tourism place, but later on it was turned into a residential area. Of course, people who started to live here, they did not know it; they all thought that this would be a legal and proper project, as it was in the form of a rich and elite housing. The existence of this area for the rich encouraged other projects that occupied the forest (Interviewee 25)

The initial occupation of the forest areas has been followed by a construction boom, after the earthquake in 1999. Göktürk is normally registered as a neighbourhood within the district-municipality borders of Eyüp. The mayor of Eyüp municipality is affiliated with the AKP, and many AKP bureaucrats, deputies, and even the former prime minister currently own residences in Göktürk. The gated projects have proliferated around the small village since 2004, and this proliferation has been carried out with increasing interest of REITs in the area. Many REITs have begun to build gated community projects in the area, including Yapı Kredi Koray REIT (affiliated with Yapı Kredi Bank, one of the largest banks in Turkey), Özak REIT, and several developers such as Metal Structure Construction, NEF Holding, and Doğa Real Estate. There are currently 92 gated communities in and around Göktürk. Most of them have been built by REITs or developers that are selling branded projects.

Figure 39. Göktürk's aerial view. Source: Google Earth

Figure 40. Istanbul Istanbul Gated Community, with its securitized gate, in Göktürk. Photo credit: Murat Üçoğlu

The question of who live in Göktürk is also important since the demand for these housing projects also constitutes the legitimacy point of suburban expansion on illegally colonized land:

> People who wanted to be seen prestigious began to buy houses in Kemer Country; later on, people from the middle-classes and high-middle classes, mainly financiers, bankers, popular lawyers, managers of international corporations, and some politicians, began to live here in order to be close to the business elites of Istanbul. After the increase in the number of 4-storey condominium buildings, young professionals and some academic people also began to live here. Nowadays, young professionals working in the Levent-Maslak Split are dominating the neighborhood (Interviewee 26).

One study suggests that the average age of people currently living in Göktürk ranges from 35–40 years old (Tanulku, 2016). In the meantime, the opening of the new airport Istanbul has also shaped the social profile of Göktürk:

> A considerable amount of people from the sectors of logistics began to live here, and after the opening of new airport, now we have many pilots, flight attendants, professionals of airlines, and logistical companies. Particularly for pilots, it is easy to buy a house with a good down payment in Göktürk. After the opening of new airport, the prices increased in this area (Interviewee 26).

Moreover, even with the ongoing social profile changes that have resulted from the construction of nearby mega-projects and infrastructural investments, people are still drawn to Göktürk due to their concerns about earthquakes:

> We began to live here because we have a fear of earthquake. I was a teenager in 1999, and still have fears, as the experts and academics say that Istanbul will be hit by a stronger earthquake in two decades. We checked a few options around the Levent area, but we decided on living in Göktürk as we believe that we share the same social values as people living here: usually middle-class people working in the financial sectors, like myself and my partner, are living here. Many of our neighbors are working in the financial sector, and there are many businesspeople around this area (Interviewee 27).

The fear of earthquake constitutes one of the consent points of people living in this area. They are drawn there by the sense of safety and prestige that the town offers, even though they know that it was constructed through the destruction of forests.

REITs and certain small developers are dominating Göktürk, and they are literally imposing a new lifestyle with new property relations based on the violation of the greenbelt and the offer of a safe investment that can never be devaluated, even in the case of a future earthquake (after the 1999 earthquake, the value of houses in Istanbul declined by 50 percent). Eyüp municipality and crony

REITs and developers work together on the projects, forming a hegemonic alliance. These REITs and developers know that every year, the land-rent has gotten more valuable in Göktürk, and the average housing price has increased in the area tremendously; that is why they have initiated several projects. In Istanbul, the average price per square meter was 4,800 TL as of 2019 (IGD, 2020). In comparison, the average price per square meter in Göktürk was 7,359 TL, while in the rest of Eyüp municipality, it was 4,220 TL (Zingat, 2020). This high average price makes Göktürk one of the leading luxury neighbourhoods in Istanbul. This value is subject to ongoing increase, as indicators show that the average yearly price increase in Göktürk over the last 3 years has been 15.4 percent; in the last 5 years, housing prices have increased by 42.2 percent (Ibid.). This valorization of land-rent and high demand for the area leads to more investment of REITs in Göktürk:

> There are three types of projects here in Göktürk: boutique gated communities, condominium gated communities, and large-scale manor style detached gated communities. There is a main street called Istanbul Avenue in the middle of Göktürk. If the gated community is on that avenue, the average price of a house (3-bedroom in average) is 2.5 million TL, but if the gated community is a bit far behind the main street, the average price would be 1.4 million TL. Also, being close to Kemer Country plays an initial role in price measurement (Interviewee 23).

The increase in prices leads people, particularly middle-class citizens that want to live in Göktürk, to seek mortgage credits.

As I indicated at the beginning of this case study, this suburban expansion has become a key model of urban life in Istanbul. Following the example set by Göktürk, many projects have been built based on a suburban gated community plan. Similar kinds of gated communities now constitute the socio-spatial order. In this socio-spatial order, living in a gated community or branded housing project is promoted, and people are mobilized into this construction boom through the necessary means of financial credits. REITs and developers in the field are working closely with municipalities, TOKI, and Emlak REIT, in order to get their share from the new rent-seeking crony capitalist social order. As a result, gated and authoritarian housing systems have become a norm in Istanbul, and this norm has helped to manufacture consent for the conservative and rent-seeker hegemony of the AKP (until June 2019). The result is the total commodification of land, with massive housing construction combined with mega-projects and large shopping malls. Istanbul has become the ultimate centre of this state-led construction economy: 17.6 percent of housing sales in Turkey are taking place in Istanbul.

Figure 41. Kasaba Gated Community in Ömerli. Located on the Asian side of Istanbul, this gated community was designed to be similar to Kemer Country.

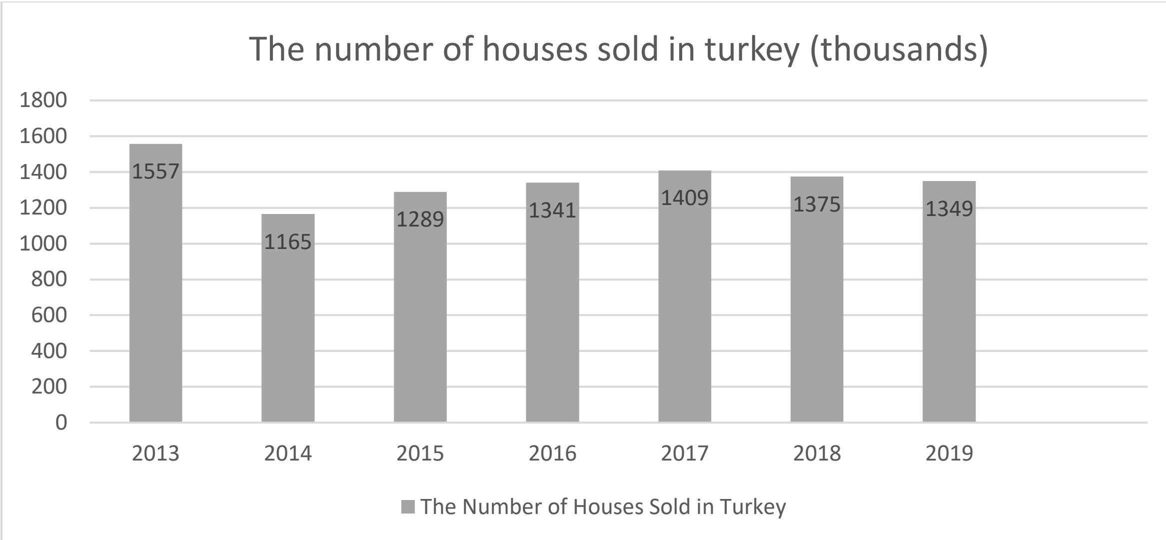

Figure 42. The number of houses sold in Turkey (thousands). Source: IGD Report, 2020: https://www.igd.com.tr/wp-content/uploads/2020/06/2020-gayrimenkul-piyasasi-raporu-igd.pdf

In 2010, the average selling price of a house in Istanbul was 1,415 TL/m2. In 2019, this average hit 4,938 TL/m2. This represents a 300-percent increase in housing prices over just 10 years. The number of people that began to use mortgage credits to obtain housing also increased from 947,104 in 2009 to 2,283,846 in 2019—and the 2019 rate is similar to that reported for the last 5 years (Turkish Banks Association Report, 2019). Most of these credits are also Istanbul-based. Speculation is encouraged through the attraction of foreign investors into Istanbul's real estate market. Massive suburbanization has thus been used as the key growth model, through the boosting of land commodification. However, after a while, this economic model can only continue with more speculative investments in suburban land, and these investments come with increasing indebtedness, unaffordability, and socio-spatial segregation.

6.5. Conclusion

In Turkey, the financialization of housing market leads to a deep social segregation. As I indicated before, 76 percent of all wealth in Turkey is invested in real estate. This percentage signals that there is an ongoing and changing pattern of property relations that was never seen in the history of

Turkey. In Turkey, the top 10 percent owns 81.2 percent all total wealth in the country (World Inequality Report, 2020), this also means that the top decile of the society dominates the real estate market as the majority of wealth is in the form of real estate investment. This new socio-economic transformation occurs within the matrix of new housing market structure, suburban land transformation and mega-projects. In Istanbul, particularly, the social segregation takes place in the form of gated communities and the key indicator of segregation is income disparity. In recent years, however, social segregation also has the dimension of ethnic exclusion essentially against Kurds and Syrians, the main component of social segregation is still the wealth inequality.

Since the early 2000s, Turkey has chosen the economic growth model based on the financialization of the housing market. This model leads to the consolidation of social segregation as the key spatial indicator of this policy is the rise of gated communities where people from different income groups began to reside gated communities in the form of social enclaves. The AKP regime has built all its consent and coercion strategy on this strategy of social segregation and land-rent speculation. Coercion has taken place in the form of police brutality (as it was seen at Gezi Park in 2013), social exclusion (poor infrastructure around Mass-Housing nearby TOKI projects) and ethnic segregation (essentially the ongoing discourse of hatred against Syrians is still a problem that the AKP never wants to solve). Consent has taken place in the form of providing mass housing and distributing charities as social aid. The crony capitalism and the hegemony created by the AKP are severely dependent on dominating the suburban land in Istanbul, and this domination has created a divided society in which a small group continues to appropriate properties whereas the rest is struggling to own a property.

On March 29, 2019, Ekrem İmamoğlu—the social democratic candidate of the opposition Republican People's Party (*Cumhuriyet Halk Partisi* , CHP)—won the local elections and became the new mayor of Istanbul. This was a turning point in Turkey’s history, as the mentality of the AKP had been ruling Istanbul since 1994. However, the AKP regime did not recognize the election results, as land-rent speculation is very crucial to their hegemonic existence. On June 23, 2019, İmamoğlu won the renewed Istanbul mayoral elections again, this time with a much higher margin than the March elections. This time, the AKP regime did not overturn the results.

This electoral triumph of the opposition in Istanbul does not mean that the AKP regime will stop its land commodification in Istanbul. Most of the recent district-level municipal elections were in fact won by the AKP, and the party that wins the majority of district municipalities obtains the most seats in Istanbul’s City Council. Thus, even though the mayor is from the opposition party, AKP council members can easily block or change municipal decisions using their seat majority. Also, most land commodification decisions, operations, and planning have either been centralized, under TOKI, or decentralized, to the district-level municipalities. This also provides a maneuver point to the AKP regime, enabling it to continue its agenda of land commodification by bypassing the IBB mayor.

All these maneuvers for perpetuating land commodification and the housing industry are essential for the AKP regime, since this regime is built upon a speculative construction economy. Studies on the financialization of housing often focus on the increasing mortgage debt of households and the ration of household debt to GDP in mature economies. In Canada, for instance, the ratio of household debt to GDP is 102 percent, and more than 70 percent of household debt takes the form of mortgage credits. In Turkey, however, the ratio of mortgage debt to GDP is only 5.7 percent (Yeşilbağ, 2019). One might ask in this case, how does financialization takes place in Turkey? Or even, is it really possible to talk about the financialization of housing in Turkey?

Financialization in Turkey takes place through massive suburbanization, primarily by new developers and REITs that have ties to AKP party politics. In its efforts to form a new political society with Islamic patterns, the AKP regime has invested in the creation of a new Islamic bourgeoisie (Balkan and Öncü, 2016). They need to keep financial flow circulating through real estate investments, so they can keep their new bourgeoisie in their new rich status; they also keep the urban poor in their low-income status, by distributing limited social aid through local district-level municipalities. Thus, the financialization process proceeds through the agency of REITs, mega-projects, and the attraction of financial money for real estate investment in Turkey. One of the consequences of this state-led financialization process is a tax burden that Turkish citizens must pay.

This hegemonic growth model can only continue as long as the actors are able to sell commodified land in Istanbul. Losing any share of governance in Istanbul, as occurred in the local elections in March 2019, is intolerable to the AKP regime because the regime relies on land-rent speculation in the city to manufactures consent for its hegemonic rule. The crony capitalism that this regime seeks to perpetuate cannot operate without dominating suburban space in Istanbul. Due to this reason, more mega-projects, more branded gated communities, more suburbanization, and more destruction of ecological balances await the city and its residents.

Chapter 7. Conclusion: The growth models, comparison, and further questions

In capitalist societies, property relations have always been at the core of social relations and a starting point of Marx's critique of capitalism: capitalism constantly transforms itself to increase capital accumulation for the benefit of the bourgeoisie, while the working class has only labour power to sell (1977). In fact, capitalist property relations in capitalism cannot be reduced to ownership of the means of production. As Mason (2015) explains, the success of capitalism is not a matter of fixing the problems that stem from its internal contradictions and crises; rather, it depends on the capacity of capitalism to mutate into new hegemonic forms.

Mutations in capitalism also change the scope and extent of property relations. In fact, these mutations are related to the key defining phenomenon of capitalism: growth (Harari 2014). Growth is often portrayed through numeric analyses of GDP, national income, and per capita income. These measurements are intrinsic to neoclassical economics. Growth is measured as the expansion of supply and demand, in order to find the optimum equilibrium in the market. From this perspective, we can say that, similar to what Hirsch (2005 [1980]: 16) argues, economics is often based on the aggregation of statistical measurements of national income and production.

Throughout the history of capitalism, various growth models have served as guiding itineraries for development and economic prosperity. The classical growth model that we know through the writings of Smith (2004 [1776]), Ricardo (1996 [1817]), and Malthus (2015 [1820]), as well as through the critique of Marx (1867), relies on the phenomenon of productivity. The division of labour, the boosting of productivity through technological advancement, and international trade are all key factors of economic growth. In fact, the labour process remains central to this framework because as Malthus and Ricardo point out, there is a natural limit for the factors of production. Land and natural resources are limited; that is why labour is important for creating value and transforming the world. Marx, in *The Grundrisse* (1993), indicates that everything around us is a product of human labour that shapes nature. He refers to a metabolic relationship between human labour and nature: human labour, as part of nature, is the driving force of production and shapes the world in a way to produce commodities. Capitalism is a system of commodity production, and it exists through a set of social relations.

Thus, productivity is the source of enrichment and economic growth in classical economics. Marx (1867) also indicates that even though resources are limited, capitalism advances by commodifying natural resources and life necessities; moreover, labour has also become commodified under capitalism. His theory of surplus value holds that the purpose of production is to extract surplus value by exploiting labour power. However, neoclassical economics, together with its advocates from the school of marginal utility (Jevons, 2003 [1871]), challenge the labour value theory and surplus value theory. Neoclassical economists assert that growth comes from consumption, rather than production. Neoclassical economics, as I have indicated before, goes through the aggregation of economic activities, which often comprise the expectations, policies, and models for perpetuating growth and eschewing potential recession. The growth models of neoclassical economics are multi-faceted; they can take the form of public choice, business choice, or strict governmental choice models. In each case, growth is considered as a development towards an economic expansion.

The neoclassical model deals with the demand-side of growth. Economic development and investments are based on consumer preferences; hence, according to this model, it is consumer sovereignty that boosts economic growth (Mohun, 1977). As Hirsch puts forward, consumer demand must be transmitted to the market in order to find the best choice of investments:

> If both consumer preferences and full social costs could be correctly passed on to producers, fulfillment of these preferences of individual consumers would be the accepted goal of the system. The general view remains that consumption, whether in the form of private goods individually purchased or in the form of individual participation in collective provision, provides the ultimate drive and purpose of the economic system. Economic growth, then, is interpreted as growth in the capacity of the economy to meet these individual and collective consumption demands. (2005 [1980]: 17–8).

Therefore, the mainstream neoclassical approach prioritizes individual choices and consumer demand. We can say that neoclassical economists are mainly concerned with aggregate demand and aggregate output; however, as Acemoglu indicates: "economic growth, or development, is also about the fundamental transformation of an economy, ranging from its sectoral structure, to its demographic and geographic makeup, perhaps most importantly to its entire social and institutional fabric" (2012: 546). That is to say, the changes or trajectory shifts in an economic growth model refer to the structural changes in social, spatial, and business patterns. Economic growth is therefore is not only about aggregate demand and output; rather, it has a set of socio-political and spatial relations behind market activities.

In the meantime, economic growth is also a matter of developmentalism. Developmentalist ideologies may see economic growth as the ultimate way of eschewing mass unemployment and stagnation. According to developmentalist ideologies, rapid development and high numeric economic growth is necessary to impede potential inertia in the market (Güney, 2019). The gap between rich and poor countries has widened since the 19^{th} century, and developmentalism is seen as a way of fostering rapid growth in order to enable poor countries to catch up with wealthy countries. The authoritarian developmentalism in countries such as Turkey, Singapore, and

Malaysia can be evaluated along this axis. “Growth is good for everyone” is capitalism’s mantra; however, growth has become an obsession of capitalism, as Noah Harari (2014) indicates, and growth at any cost silences concerns over resources—hence, growth at any cost is also the prominent cause of the Anthropocene.

Here, I need to return to the assumptions of neoclassical economics. One of the neoclassical assumptions, which is presented as the mainstream economic theory in many schools in the English-speaking world, is that growth will continue as demand continues to increase. As Blair Fix (2015: 3) points out, there are many variants of neoclassical growth theory. The most well-known, however, is the Solow-Swan model that was published in the 1950s. This growth model indicates that the capital/output ratio is reliant on the growth of exogenous factors, such as population growth, technological advancements, and the savings of households. The assumption here is that the number of households will increase as the population goes up, that this increase will boost the savings of households, and that these savings will be returned to the market in the form of investments. These investments may also accelerate technological advancement. Hence, growth will be achieved through the demand of a growing population; the capital/output ratio will go up due to growing demand. There will also be more investments from households and firms, which will help to increase this ratio.

This entire set of assumptions are problematic. It provides no clues on how capitalism operates at a social level, and it has nothing to do with the sophisticated composition of households. Moreover, it does not provide any concrete explanation of how households will accumulate savings. As Fix puts forward:

> The Solow-Swan model assumes an economy populated by homogenous households and firms, such that each can be presented in aggregate by a single household and a single firm. Households own the factor of production (labour and capital) and rent them to firms for use in production. Investment (and thus capital accumulation) is a function of the household savings rate which is assumed to be constant. The single sector economy produces one unique good that is both consumed and used as capital for further production. (2015: 4)

In fact, the neoliberal interpretation of this neoclassical approach also rests on the assumption of homogenous households and firms in the market. Milton and Rose Friedman, in *Free to Choose* (1991), for instance, construct their entire theory on the demand-side of the economy, and they begin with the assumption that consumer choices are the key reference point of the economy. Households are free to choose their preferences in the economy, as the economy provides them the freedom of choosing. This is of course an assumption based on an aggregated and stereotyped household model.

In fact, Pierre Bourdieu repeatedly criticizes these neoclassical assumptions. In *Distinction* (1984) and the *Social Structures of the Economy* (2005), Bourdieu asserts that neoclassical economists develop their theories by disregarding the social relations behind economic choice-making in the market. According to Bourdieu, we cannot talk about a homogenous household structure in the market; rather, consumption patterns are determined by the cumulative practices and cultural capital of people from different classes. Hence, what determines consumption is habitus—the reproduction of social relations through educational, social, and cultural capital that people possess as a result of the social class practices in which they participate.

Despite these criticisms of the neoclassical growth model's aggregated assumptions, GDP measurements and the capital/output ratio are still widely viewed as the key indicators of growth and development. While in recent years the Gini coefficient has become an increasingly important indicator to measure development, this model of measurement has not yet gained enough popularity. Neoliberalism has been constructed around the goals of boosting demand and enhancing GDP. The neoliberal growth model is built on the neoclassical growth model, as a counterattack against the Keynesian growth model. Unlike the neoclassical and classical approaches, the Keynesian growth model is based on stabilization. According to this model, demand must be boosted, but supply must be boosted as well. The supply-side is also important and must be expanded to drive effective demand. The supply-side must be expanded so that more people may be employed and full employment may be provided. In the long run, these two sides of the economy will ideally continue in a stabilized condition, so that the inflation rate does not go through the roof (Hirsch, 1980).

However, neoliberalism aims to deconstruct this stabilization model by establishing the demand-side economy and commodifying all of the social necessities and provisions of life. To justify this approach, neoliberal economists argue that if everything is commodified in a market with perfect competition, then people will be able to choose whatever they like (Hayek, 1971). Hence, Hayek and his followers embrace the idea of perfect competition as the locomotive of the economy, and according to them, perfect competition can only be achieved by providing freedom of choice and rejecting state intervention in the market. They contend that the market is the key domain where everyone can enjoy the freedom of choice and perfect competition will provide necessary welfare to everyone in the long run. Existing instabilities and inequalities will eventually be fixed by the market.

This neoliberal growth model has been accompanied by a new hegemonic strategy that has literally mutated capitalism into a new form. In the neoclassical growth model, there are two key factors that are taken for granted: finance capital and natural resources. Natural resources are treated as limitless in the neoclassical model. While this does not in fact reflect reality, neoclassical economists, unlike classical economists, rarely mention scarcity or the limits of natural resources. Finance capital is also taken for granted under the neoclassical model. As Marx indicates in the third volume of *Capital* (1991), finance capital operates as the engine of the capitalist mode of production by providing the capital needed for the perpetuation and expansion of capitalism. Finance capital also changes the exploitation of labour power for the extraction of more surplus value.

For the purpose of this study, I have focused on the financialization of housing. I have argued that financialization refers to a new socio-economic reorganization of social order, which occurs through the transformation of property relations. Moreover, neoliberalism introduces financialization as the locomotive of economic growth. According to neoliberal assumptions, as finance capital expands, people will be able to access the funds needed for more consumption and investment. Therefore, the rise of financialization refers to a new growth model and a socio-economic transformation that boosts demand and enables the economy to grow while restricting the supply-side of industrial production. In many countries, this new growth model has morphed into a new engine that works together with new property relations and assetization.

This paradigm shift also accelerates with the transformation of welfare systems. As Piketty (2019) suggests, each ideology in inegalitarian regimes promises to provide welfare and prosperity to society and individuals. Neoliberalism, for example, claims that prosperity will be achieved through two means: perfect competition and the deregulation of financial markets, which will allow people to obtain the necessary credits to acquire their dreamed-of assets. In fact, with the rise of neoliberal policies of austerity, financial deregulation, and privatization, we have been witnessing the emergence of a sophisticated growth model based on the permeation of finance capital in every part of social life, whereby almost everything is converted into a financial commodity. On the one hand, in mature capitalist economies, we see a slow annual growth rate but sharp escalation of wealth accumulation; on the other hand, in developing economies, we see a very high average growth rate but stark inequalities in wealth accumulation (Alverado et al. 2018; Milanovic; 2016; Piketty, 2013, 2019).

One of the key drivers of these ongoing economic transformations is the accumulation of more and more wealth through financial speculation and real estate investment. The financialization of housing stands as the most crucial growth model for many countries, as the process involves in the circulation of financial flows and increased assetization. Asset ownership is not only a matter of modest households owning a house; rather, many investors, big funds, and investment trusts are investing in asset ownership in order to increase the value of their investments or shareholder values. In this framework, financialization does not only refer to the crescendo of financial activities; it is rather a hegemonic process that goes hand in hand with the transformation of property relations and the geographical fabric.

Assetization is inevitably related to housing because for most people, the most important asset to own is a house (or sometime more than one). The financialization of housing is a multi-faceted process or strategy of business elites and/or governments. It is a dominant way of creating value by investing in urban land and speculating on that investment through the development and use of a sophisticated financial system, via which the market provides a variety of options. More specifically, the financialization of housing occurs within a sophisticated financial system in which creditor-debtor relations have been complicated by the securitization of mortgage credits (Soederberg, 2014). This financial system entails many variegated forms of financial leveraging at each step of the credit distribution process, which produces a sophisticated global system that Sassen (2017) identifies as “high finance.” High finance is a twofold phenomenon: on the one hand, it exists in a sophisticated technical matrix, which is produced and reproduced by financiers; on the other hand, it commodifies all life necessities, by spreading the tools of finance capital into every corner of social life. Housing is the best example of this process.

Another point of consideration in this dissertation is how governments: (a) allow the dominance of finance capital through their own regulations, as well as through international regulations and agreements; or (b) initially act as the promoters of financialization, under the belief that distributing more credits, particularly for housing, will boost the economy. On this point, I have described four main approaches to the financialization of housing: financialization of housing as a state strategy (Aalbers, 2019; Schwartz, 2019; Serin et al. 2020), financialization of housing as a business strategy of real estate and financial growth coalitions, financialization of rental housing (August; 2019; Fields, 2015), and financialization of housing as part of urban governance (Aalbers, 2019). All of these types may exist together in a single country, or one or more of them may exist together at the same time. In Germany, for instance, financialization proceeds through rental markets. In the US, the financialization of housing is a strategy of both state and business circles. In China, it is seen as an infrastructural and spatio-temporal fix. In Spain, it is a governmental strategy that articulates many people into the mortgage pool.

Studies on these different approaches to financialization often interpret the power of finance as a detached movement of capital to instigate a neoliberal society in which the urban poor are excluded and the wealthy continue to prosper. Although I agree with many of these approaches, I argue that the financialization of housing also represents a new growth model; as such, it refers to a socio-economic transformation and socio-spatial reorganization, at least in certain countries. For the purposes of this study, I have analyzed the examples of Toronto/Brampton in the Greater Toronto Area (GTA) of Ontario, Canada, and Istanbul/Göktürk in the Marmara Region of Turkey. These two regional examples show how the financialization of housing has become an economic growth model, associated with the real estate financial complex (REFCOM). In fact, this growth model becomes a dominant way of producing urban space and transforming the social order through massive suburbanization. That is why I define the growth model of REFCOM as a new hegemony that predominantly operates by bringing about a suburban-financial nexus.

In the Toronto/Brampton case, we see a twofold process at work: the financialization of the housing market is carried out by market actors (developers, REITS, banks, shadow banking institutions, secondary mortgage lenders, private lenders, and all other people and sectors that benefit from the financialization of housing); at the same time, the state features as a multi-level political structure that facilitates and promotes this market-actor-led growth model. The market actors act as hegemonic growth coalitions that aim to extract value from the urbanization process, while also connecting people to financial debt mechanisms. This growth model is led by business elites, but it operates with the help of policies pursued by the government at federal, provincial, and municipal levels.

In Canada, one of the key factors in the transition to this model was the withdrawal of the Federal Government from the domain of social housing in the 1990s. This moved served to encourage market actors in real estate sectors and related industries, as the decline of social housing necessarily entailed an increase in the commodification of housing. In the case of Ontario, the conservative provincial government in the 1990s relegated responsibility for building social and affordable housing to local municipalities. Again, this move served to encourage and enable market actors. It was left to local municipalities to build affordable social housing; however, as I emphasize, neither the municipalities of Toronto nor Brampton nor Peel Region have shown enthusiasm for building affordable rental housing. Afterall, that investment in social welfare would slow the growth of market prices; given that property tax is the key revenue source for municipalities, they appear more keen to expand the number of properties in their cities than provide proper housing for those who need it.

At the federal level, the financialization of housing has been also supported by the Canada Housing and Mortgage Corporation (CMHC). According to Walks (2016), since the 1980s, the CMHC has served as an agency that facilities the securitization of mortgage credits in order to ease the credit lending of banks. The CMHC aims to provide a guarantee of mortgage credits to the banks, so the banks may continue lending credits without taking their necessary deposits into consideration. This has served as a key federal policy for stimulating the commodification of housing, so that real estate actors may continue to expand their portfolios by building more housing projects and expanding the housing market into suburban subdivisions.

There is also a regional and municipal aspect of the financialization of housing in the GTA. Regional and municipal governments support the prevailing growth model by facilitating suburban land development, as well as massive suburban investments in the form of both housing and infrastructure. Regional governance has gained importance in recent years, particularly after the dispersal of industrial production from city centres to the suburbs. The decline of manufacturing industries, and the move of some industries from cities to suburbs, has instigated the rise of service and transportation sectors. The circulation of commodities, logistics, warehousing, and supply networks are now crucial to the regional economies that are popularly known as part of the global-city region. In the GTA, the global-city region of Toronto, the transportation and circulation of commodities and people are planned in such a way as to boost the economy; the real estate market is also intricately connected to these investments, which provide employment as well as infrastructure for further suburban development.

In Canada, the majority of the population lives in the suburbs. That is why suburban regional governance has become a crucial element of urban development, as well as the real estate market in the GTA. That is why regional and suburban municipalities, such as Peel Region and Brampton, are operating in such a way as to boost demand for real estate—as the housing market and land-rent speculation are key locomotives of economic growth. In Canada, and more particularly in the GTA, we can say that the real estate and construction sectors— together with the expansion of service sectors, including financial services (e.g., banking and other financial tools), technological services (e.g., software development and techno-scientific sectors), and logistics (e.g., warehousing, shipping, and transportation)—have become the engines of a new growth model. In order to maintain the new economic growth model, financialization is proceeding on a massive scale in the suburbs. For the growth model in Canada and more particularly Ontario, the financialization of housing takes place mainly in the suburbs, and it is carried out mainly by market actors from private sectors that are acting together as hegemonic growth coalitions that influence governmental decision-making and even judicial processes. Governmental regulations and policies come later, or they exist to facilitate the financialization of housing.

In the case of Istanbul, we also see that the financialization of housing has become a growth model that is mainly carried out through massive suburbanization. This type of suburbanization has similarities and differences, compared with the GTA case. One similar point is that transportation and service sector-reliant infrastructure investments are playing an important role in the massive suburbanization of the Istanbul Metropolitan Area (IMA). The key difference is that the financialization of housing began in Turkey as a strategy of the state, rather than a process led primarily by private market actors. The Turkish strategy has aimed to create a new hegemony over urban space and a new developmentalist discourse based on the expansion of the construction and real estate economy. The AKP government emphasizes the importance of real estate and construction for generating ongoing economic growth, and the process in Turkey has proceeded through the authority of the central government, which shares the accumulated wealth with members of its inner political society and crony capitalists. Thus, in Turkey, the hegemony that is constructed through the financialization of housing comprises the institutionalization of crony capitalism through land commodification and housing market speculation.

In the case of Istanbul, the institutionalization of crony capitalism has occurred through the construction of mega infrastructure projects (e.g., an airport, highways, bridges, shopping malls) in the suburbs and erstwhile greenbelt areas. Such mega-projects have been used to fuel further land-rent speculation; new large-scale housing projects and massive gated communities have been constructed in the suburbs in order to extract the highest possible land-rent, leveraging the economic potential and impacts of mega-projects. Again, this growth model has been initiated by the state. The Housing Development Administration of Turkey (TOKI) has been reformed to manage land commodification and provide mass housing for low- to middle-income families. After the transformation of Emlak Bank into Emlak REIT, financialization has also begun to take place through REITs (Erol, 2019).

Unlike the example of the GTA, financialization is only a supplementary part of the process in Istanbul. In the GTA, market actors and financial institutions have served as the key drivers of the REFCOM growth model; the state has come later, as a supporter or regulator of the process. In

Istanbul, the state is the key driving actor, along with its cronies; financialization comes as a supporter of the system. Following a program of neoliberal reforms, the Turkish state has attracted global financial flows by privatizing large-scale public institutions and industrial complexes, as well as by following a strict policy of low interest rates in order to increase financial investments in the country. These financial flows have been used as loans for mega-projects and land commodification. REITs and developers, with the help of TOKI, have begun to dominate urban land markets, and they have begun to widely distribute mortgage credits. The banks remained reluctant to do so for a while; however, in the 2010s, public banks began to distribute mortgage credits to almost everyone. The Ministry of Treasury and Finance, along with the Ministry of Transportation, provides treasury guarantees for the profitability of mega-projects built by cronies. Thus, the entire process has increased the tax burden of citizens and indebtedness at a public level. The result has been massive suburbanization in Istanbul, which is now full of gated communities.

The cases of Brampton and Göktürk stand as two distinct examples of massive suburbanization, with similarities and differences between them. Brampton is a suburban town in the Peel Region of the GTA that aims to attract new immigrants, eager to own their own homes; to serve this goal, Peel Region and the City of Brampton follow the policies that attract jobs and construction into the suburban area. Brampton's 2040 Vision Plan and the Peel Region's Goods Movement Plans have been designed for the purpose of boosting the local economy, through a strategy that increases the profitability of land commodification in the area. Brampton's 2040 Vision Plan relies on a strategy to build new suburban subdivisions, filled with high-rise condominium projects. The idea is to provide necessary land and infrastructure for the further financialization of housing. Investors, developers, and REITs would come to Brampton and bring with them financial flows. In short, Brampton's City Hall envisages massive suburban investment, through which it believes that all of the problems of the city will be fixed. In fact, the plan would first and foremost help the actors of REFCOM to accumulate more wealth. It would do little to address the myriad problems facing residents of Brampton, including the lack of affordable housing, insufficient integrational policies for immigrants, inadequate healthcare and school systems, and increasing crime rates.

Göktürk, a suburban town in Istanbul, now stands in the midst of the government's new logistical plans. As an elite and middle-class district full of gated communities, Göktürk has become a nodal point of land-rent speculation—thanks in large part to the informal commodification of forest lands. Currently, it is located at the centre of expanding transportation, logistics, warehousing, and financial districts. It continues to expand through the provision of mortgage credits to aspiring middle-classes residents, as well as the investments of business elites; now, thanks to its strategic location, it occupies a position of growing importance in the ongoing transportation and logistical plans of the government.

In Istanbul, TOKI and REITs are able to grab land for further commodification, and we see that suburbanization has become more and more reliant on the construction of gated communities. TOKI mass housing projects for low-income families, high-quality projects for middle-income families, and luxury projects built by developers and REITs in the suburbs now commonly take the form of gated communities built in segregated subdivisions. Göktürk provides the first and primary example of the rise of gated communities in Istanbul, and it has served as a model for the entire massive suburbanization process, not only in Istanbul but across all of Turkey.

These two models of massive suburbanization in the GTA and Istanbul are driving growth models based on the financialization of housing. Suburban expansion is not only a mere and simple development for providing housing to growing populations; rather, in a neoliberal matrix, it serves as a crucial source of economic growth. In certain countries or regions, it becomes the ultimate model of economic growth—boosted by government policies, immigration streams, and financial flows, and in some cases directly orchestrated by the state (Yeşilbağ, 2019).

The consequences and impacts of these growth models are multifaceted:

1) In both cases, the financialization of housing does not fix the housing crisis that people experience. The difference is that in Canada, we see the proliferation of financial options and the decline of housing options. In other words, people are left to meet their welfare needs by accessing credit on the financial market. For many, financialization remains the only choice. In Turkey, the housing options proliferate through the processes of financialization initiated by state-led REITs, state-led banks, and to some extent private banks and financial institutions. However, while housing options proliferate, they largely take the form of gated communities, including manor-style, high-rise mass housing for low-income families; large-scale, high-rise gated communities for middle-income residents; and luxury condominiums and manor-style gated communities for the rich. In the GTA, gated communities also exist in the form of condominiums; however, in the suburbs, we do not see the mass proliferation of truly gated communities, but rather find the construction of new subdivisions as segregated areas.
2) In both cases, we see a tremendous increase in housing prices, a widening gap between the top deciles and bottom deciles of society, and the concentration of wealth in real estate. In Turkey, 75 percent of all wealth is concentrated in real estate (Güney, 2019). In Canada, 76.1 percent of total wealth is concentrated in real estate (Statistics Canada, 2019). In contrast, financial investments dominate the economy in the US, where 72 percent of all wealth is invested in financial assets (Brookings, 2018). In Canada and Turkey, the

concentration of wealth in real estate also shapes trends of assetization. The key questions here are: How is wealth acquired through assetization? Who are able to own assets? And how do those people come to own assets?

These are questions that must be addressed in both cases. Data on wealth and income inequalities in both countries can provide us with the necessary information for a comparative analysis. In Turkey, the top 10 percent owns 81.2 percent all total wealth in the country, whereas in Canada, the top 10 percent owns 56.4 percent of total wealth. The concentration of wealth in the upper decile is increasing in Canada; however, the middle class remains stronger in Canada than in Turkey, which is why there is greater concentration of wealth in the hands of the top 10 percent in Turkey. In Canada, the top 20 percent owns 73.5 percent of total wealth; in other words, the high-middle class accounts for a prominent share of total wealth in society. The bottom 80 percent owns only 26.5 percent of wealth in Canada. In Turkey, the bottom 90 percent own only 18.8 percent of total wealth.

A similar comparison can also be made for income inequality: In Turkey, the top 10 percent own 53.9 percent of all income in the country, whereas the bottom 50 percent receives only 14.6 percent of the income (World Inequality Database, 2020). In Canada, the top 10 percent owns 41.4 percent of all income in the country (Ibid.). Therefore, as we can see, income inequality and wealth gaps affect both countries. These data are important for understanding the prevailing economic growth models in both contexts, as well as the wealth that is generated in these countries, mainly in real estate.

3) The key difference between the growth models in these two cases is that household debt is much higher in Canada than in Turkey. In fact, there are many reasons for that. Canada is considered to be a developed country, and Canadian households have higher average savings and incomes compared with Turkish households; that is why financial tools are easier to access for Canadians. Turkey, as a developing country, distributes loans usually in the form of consumer credits. Housing loans were not very common in Turkey until the early 2000s. Credits for housing were only taken from banks to top up household savings to buy a house; these credits usually took the form of consumer credits, constituting only 10–20 percent of the total payment for buying a home. In the early 2000s, under the new strategy of the AKP, the mortgage markets began to develop in Turkey. The total volume of mortgage credits reached a total of 188 billion TL in 2018 (Yeşilbağ, 2019: 548). However, efforts to evaluate indebtedness in Turkey are complicated by the lack of clear distinctions drawn between consumer credits and housing credits, as well as alternative financing mechanisms. As indicated above, REITs may offer their own financing for ownership; however, there is no reliable data on this matter in Turkey. That is why in Turkey, mortgage credits and consumer credits must be evaluated as harmonized debt: the total household debt is currently 700 billion TL. In comparison, in Canada, the ratio of disposable income to household debt was 177 percent as of 2017. That means that Canadians owed 1.77 CAD for every 1.00 CAD. The total debt of households is 2.33 trillion CAD, and 1.53 trillion CAD of this household debt is in the form of mortgage credits (CBC, 2020).

4) Another aspect of the process is massive suburbanization. Massive suburbanization is the key driving force of the growth model in both cases. However, there are three main differences between the two cases:

    i. Massive suburbanization in Istanbul is carried out by the central government, and sometimes municipal governments are either bypassed or integrated into the process. In the GTA, local municipalities play more active roles in attracting real estate investments.

    ii. In the case of Brampton and the wider GTA, massive suburbanization takes two dominant forms: detached houses and condominium projects. In Brampton, we see the creation of new subdivisions full of detached houses and townhouses. The condominium market is also expanding, and the planner at Brampton City Hall has constructed a vision of the city based on further condofication. In the case of Istanbul, massive suburbanization mainly takes the form of gated communities. These gated communities have emerged as a model of housing and construction in Göktürk, which now hosts diverse types of gated communities. Thus, in Brampton, the housing model is predominately restricted to detached housing and condominiums, while in Göktürk, the model it is predominantly restricted to gated communities. Both models are segregative.

    iii. In both cases, suburbs have become the terrains of land-rent speculation. Prices are increasing tremendously, and suburban land has now become one of the primary sites of investment.

5) Finally, in both cases we witness the rise of a housing crisis. In the GTA, the housing crisis takes the form of increasing prices and difficulty finding proper housing. The vacancy rate

> in Toronto is 0.7 percent, and in Brampton it is 1 percent. The immigration stream to the region increases the population, which maintains high demand. In turn, limited supply of housing increases prices. In the GTA, 30 percent of the housing stock is now owned by investors. In Istanbul, prices have gone through the roof, and due to declining affordability, the rate of homeownership is also decreasing. The homeownership rate in Istanbul has decreased from 63 to 59 percent over the last decade. Thus, in both cases, the number of investors has increased; however, people are unable to obtain proper shelters without accessing colossal mortgage credits.

This comparison illustrates that when the financialization of housing becomes the economic growth model in a region, it leads to the rise of wealth and income inequality, as well as the development of a housing crisis. Furthermore, this comparison demonstrates that the financialization of housing is not merely a matter of the rise of financial markets over housing markets; rather, financialization as an economic growth model transforms the socio-economic order. Norms of property ownership, limited housing options, and increasing indebtedness are all components of this new socio-economic order. The comparative approach taken here is also important for showing how countries with different geographical and social structures may take similar paths. There are of course many differences that emerge in the comparison of these cases; it is after all normal for countries to have different institutional and economic traditions, as well as different compositions of urban policies and economic affairs. However, in both cases, instituting the financialization of housing as a growth model has yielded similar results: massive suburban development, increasing indebtedness, and increasing socio-economic inequalities.

From the perspective of urban studies, we can say that such comparative research provides a wide range of insights for understanding ongoing urbanization in different parts of the world. The GTA and IBB are both arrival points for immigration. The difference is that the GTA is more reliant on foreign immigrants, whereas the IBB attracts more internal migrants. Of course, foreign immigrants travel to Istanbul as well; however, the number is not as high there as in the GTA. The comparison of these arrival points is important for understanding how they may serve as inter-referencing points (remember Roy, 2011) for further urban research.

This dissertation leaves some lines of questioning open: Is it possible to reverse the financialization of housing? How we can create more affordable cities? And do we really need economic growth to create affordable housing systems—or should we find formulas for degrowth? These questions await answers. Many scholars have embarked on finding answers to address them, but in the meantime, what we see right now is the rising discontent of populations in many parts of the world. Tensions between investors and tenants continues to escalate, and we will most likely see conflicts in the future between investors-owners and tenants-mortgage debt payers. These represent two sides of the financialization of housing process throughout the world. Urban movements such as Berlin's tenant movement, the Parkdale tenant movement in Toronto, the Gezi Park uprising of 2013 in Istanbul all kindle hope for those would claim the right to the city and demand proper affordable housing. We also see that after 25 years, the municipality of Istanbul is now ruled by the social democrat opposition party, with a mayor that invests in affordable housing projects without including any financial burden. Thus, the future of urbanization may rely on the proliferation of affordable housing options—not the proliferation of financial options.

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