

Grassroots Economies

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Living with Austerity in Southern Europe

Edited by Susana Narotzky

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Introduction: Grassroots Economics in Europe

Susana Narotzky

This book proposes a bottom-up approach to studying the impact of economic crises and structural adjustment policies on the livelihoods of working people across Europe. Over the past decade southern European countries—particularly Portugal, Italy, Greece and Spain—have been at the forefront of these economic dynamics. Named and shamed as the “PIGS”, and used as scapegoats for the disastrous effects of European Monetary Union by showing what befalls countries when they do not comply with the Maastricht Treaty, the PIGS’ alleged failures have fueled talk of replacing European “convergence” with a multi-speed Europe centered around a group of responsible “core” nations. Meanwhile, in southern Europe, prospects for well-being and upward social mobility, or even stable employment, have grown increasingly elusive since 2008. As a result of structural adjustment measures, a long recession, and continued unemployment and precarity, the middle-class horizons that once defined working class projects of social mobility have disappeared. For many, downward mobility for the next generation is experienced daily.

Not a few leaders in northern Europe have resorted to cultural stereotypes to describe the economic failings of their southern counterparts, ascribing negative traits to entire countries and their citizens, as part of a process aimed at producing national collective guilt. In so doing, they have naturalized the social and political economic relationships that produce inequality within and between regions, which many perceive to be unjust. Although economists and policymakers have furnished analyses and advised on political action to end the economic crisis, it has often resulted in greater precarity and inequality, producing social unrest including nationalistic and xenophobic reactions. In no small measure, this is because the “technical” models that inform these policies reveal little

grounded knowledge about how real people make economic decisions in everyday life—within particular social and cultural environments and locally specific, historically produced institutional frameworks, embedded in multiple regimes of value.

This volume proposes an anthropological perspective that considers real life possibilities and strategies for making a living as well as models of the economy used to frame and understand larger economic processes and to guide everyday action. We consider the logical connections that ordinary people make by reflecting on their own experiences, against the backdrop of state policies and expert discourses that saturate the social field. Observation of people's everyday practices and bottom-up understandings of economic constraints and opportunities will deepen our understanding of how ordinary people make economic decisions.

Through comparative ethnography in Portugal, Italy, Greece and Spain, we show how concrete and place-bound economic practices are articulated through meanings, values and ideologies tied to unequal processes of production and distribution, both locally and globally. Economic practices are relational: they build on different institutional frameworks and involve multiple scales of value, creating complex and often ambiguous or contradictory meaning-environments in which people cooperate or compete. In our analysis, we show how value conflicts develop in practice and how they produce tangible effects in the wider economy.

Findings from our southern European field sites reveal how official regulatory practices can produce or restrict livelihood opportunities, as well as affecting the relative power of authoritative discourses on the value of regulation and grassroots counter-arguments that oppose, reinterpret or create other channels of legitimacy. A word of caution is first needed here, as we understand “grassroots” in a slightly different way from much recent usage. One of Merriam-Webster's entries for “grassroots” describes “*the basic level of society or of an organization especially as viewed in relation to higher or more centralized positions of power.*” We adopt this broad definition rather than the more common focus on organized mobilization (“grassroots movements”) that tends to equate the grassroots with social movements to improve society. The aim of our work is not to pre-judge the practices and discourses of ordinary people, but to observe and analyze them. The distinction we intend to draw at the outset—as a heuristic tool—is between “grassroots economies” (the practices of ordinary people to make a living) and “grassroots economics”

(the logical connections developed by ordinary people to explain such economic processes).

Ultimately, our work addresses the widely experienced breakdown of social reproduction and struggles to overcome it, both at the immediate, everyday, personal level and on the wider scale of systemic understandings of continuity. The chapters articulate ethnographic cases embedded in historical, political and economic relationships with theoretical debates of various kinds. These include, among many others, the reappraisal of classical concepts such as “small commodity production” within the neoliberal push towards small and micro enterprises and self-entrepreneurship; the critique of “southern” welfare models that rely on institutionalized kinship support as they are challenged in contexts of austerity; and the conceptual value of the formal–informal distinction as opposed to its regulatory value regarding actual practices of labor devaluation and fiscal avoidance.

We address the latest, uneven transformations of capitalism from the point of view of ordinary people’s everyday lives, models, priorities and personal or collective (in)capacities to act or stand still. We will see how industrial restructuring, globalization, financialization, and competitive and rent-seeking processes are co-determined at different scales by complex interactions between unequal agents, framed by moral arguments configured through valuation struggles. Rather than supporting a general theory of neoliberal capitalism, our ethnographic research in southern Europe points to the increasingly illiberal organization of capitalism.

This book is a creative combination of the edited collection and the monograph, and results from a collective process of developing, sharing, analyzing and theoretically engaging with our ethnographic material both during and after fieldwork. The authors have therefore become *co-authors* through continuous debate during the various phases of research and analysis. Most have visited each other’s field sites and gained first-hand, guided insight into the livelihood experiences, conflicts and logics that only long-term fieldwork can unveil. The book is an anthropological monograph of a collective kind. Unlike edited collections, the comparative method is inbuilt, enabling theoretical discussion without forgoing the concrete realities and processes we seek to explain. The authors attend to the “global sense of place” (Massey 1994) within everyday interactions; spatial diversities and similarities are considered from within historical processes of unequal and combined development at different scales—regional, national, European, global—that inflect local expressions of neoliberal practice.

Uneven Accumulation and Privilege

Unevenness has a history, one that describes the development of capitalism as a particular constellation of connections and disconnections (see Makki 2015 for a review of the literature). Ray Hudson (2016) in “Rising Powers and the Drivers of Uneven Global Development” traces the historico-spatial transformations captured by the literature on uneven development as follows. The “old industrial development literature” of the 1960s and early 1970s stressed center/periphery relations (Wallerstein 2004) and the development of underdevelopment (Frank 1967) in which the industrial center imported raw materials and labor and exported finished goods, thereby siphoning off surplus value and blocking development—a trend resisted by import substitution industrialization and tariffs often linked to post-colonial national development policies. This was followed in the late 1970s and 1980s by the “new industrial development literature” (Fröbel et al. 1980; Arrighi 1994; Silver 2003) which traced changing forms of unevenness linked to the deregulation of markets and the undermining of labor movements in core countries, most notably the movement of productive capital in search of lower labor costs (often aided by repressive political regimes and lax environmental regulations). As a result, deindustrialization and unemployment overwhelmed the traditional core countries (UK, US, western Europe) (Hudson and Sadler 1989) while extractive industries and land grabs in the “peripheries” expanded previous forms of dispossession (Li 2011; Borras et al. 2012). Although the global north/south metaphor came to replace that of the center/periphery, exports of raw materials and foreign investments became increasingly complex, including south/south and south/north flows of capital and resources.

The third shift in the uneven development literature, which Hudson locates in the late 1990s and 2000s, focused attention on multinational corporations moving from direct production to brand management and the capturing of monopoly rents (Harvey 1982, 1974) through intellectual property rights, virtual commercialization platforms (Amazon, Uber, Airbnb, etc.) and financial products (Henni 2012; Standing 2016). This move was accompanied by the financialization of corporate, state and ordinary people’s incomes, the greater role of tax breaks, offshore tax havens, enclaves and export processing zones and the blurring of legality and illegality in the everyday operations of worldwide capitalism at different scales (Gill and Kasmir 2016; Lapavistas 2009; Neveling 2014). In

terms of production, long supply chains, outsourcing and subcontracting often fed on unregulated or indentured forms of labor (Bremner and van der Linden 2014). In the financial and fiscal domains, corruption, generalized bribery, tax avoidance or evasion, tolerance of money laundering and transfer pricing became widespread. While research and development, information and communication technologies, value-added services, and designer and luxury goods would revitalize western economies, the growing absolute surplus population worldwide, including in the old core countries, was pushed towards illegal (criminal or fiscally opaque) forms of livelihood: drug dealing, prostitution, smuggling, counterfeit production, street vending, subsistence and petty production. These were often tied to the legal economy through money laundering (Duffield 1998) or financial instruments such as micro-credit (Guérin et al. 2014).

The main idea behind the concept of “uneven and combined” capitalist development is that capitalist relations in their different forms are grounded, mutually constitutive and comprehensible only as wholes (Smith 2016; Makki 2015). Here, I wish to apply this insight to the concrete combinations of the main abstract forms of surplus extraction: monopoly and competition. Monopoly depends on the political power needed to enforce differences and carve out protected spaces, whilst competition relies on the political power needed to level the playing field for economic actors and enforce freedom of circulation.

Competition is the basic ideological argument of policies that reduce protective regulation and subsidies: the rolling back of the state should diminish costs and improve productivity, which are the keys to increasing global market share in an open, competitive environment. However, “competitive” policies mostly apply to the vulnerable, namely to labor, the self-employed and small firms. Although large firms also compete, their power allows them to lobby and corrupt policy-makers into regulating all sorts of privileges including “business friendly” environments (tax breaks, state contracts, land rezoning, bailouts) as well as the imposition of product “standards,” a form of regulation that erects barriers for potential competitors. The privileges of corporate firms include effective toleration of legal loopholes that enable siphoning off profits without paying taxes. This means that, on the one hand, small firms and labor are increasingly forced into a “despotic” market of unfettered competition. On the other hand, large corporations enter the market from positions of privilege that enable them to secure market share on grounds other than competition. Generally speaking, reaping monopoly rents is the aim of all capitalist

firms as they seek to control the market by pushing competitors aside and becoming price-makers by whatever means possible. Finally, the growth of the finance, insurance and real estate sectors in present-day capitalism, together with the exponential increase of e-commerce and internet service-providing platforms, is responsible for the rise of rent-profit (access) as opposed to surplus-value profit (productive) within practices of capital accumulation.

What we call capitalism has always combined the ideology and practice of competition with the objective of reaping monopoly rents and limiting competition through political leverage. As different kinds of actors struggle to set the rules of the game, we see the role of the state in co-producing the playing field. In general, actors with greater power will obtain more privileges and be less affected by competition. This is true for firms but also for labor, as powerful unions and professional guilds evidence through the creation of internal or protected labor markets.

Why is this relevant now? Neoliberal ideology espouses the idea of individual and corporate freedom from state interference as the objective of pure capitalism. But what we are witnessing today is a move towards an illiberal form of capitalism in which the state is a major player in the regulation of privilege. Rather than providing equal opportunities by redistributing assets through public services, governments and supra-national institutions are creating privileges for big corporations and wealthy individuals, thereby negating both the liberal ideology of equality and the postulate of freedom from state intervention. Indeed, austerity regimes encourage the creation of status groups and brokerage networks at different scales that promote inequality and dependency, often through the use of violence (Gill and Kasimir 2016). This is certainly the case on the fringes where the absolute surplus population tries to eke out a living.

Two consequences are crucial: (1) competitive global market frameworks are selectively enforced on powerless actors while monopoly privileges are instituted for the powerful; and (2) actors are shifting from struggles around exploitation—i.e. capital/labor (class) struggles—to struggles for or against privileges in attempts to redefine boundaries of inclusion and exclusion in accessing resources.

In Europe, less powerful actors experience this increasingly illiberal capitalism as a betrayal of the liberal promise of equal opportunity fostered through the prevention of privilege and public spending on basic services. In Portugal, Spain and Greece, such were the clear promises of the transition to democracy and integration into the European Economic

Community (EEC). As these promises have been broken, we have witnessed how laboring people make two contradictory claims to the state: (1) the elimination of the privileges of powerful economic actors (e.g. of the banks, “the rich” and corrupt politicians); and (2) the protection of “citizenship rents”—i.e. their own privilege as citizens—by excluding immigrants from entitlements and by closing national borders. While these demands are generally supported by different groups of social actors, they can overlap in particular conjunctures.

Many other forms of “micro-privilege” are also sought to make a living. For example, personal networks (mostly family and friends) provide resources analogous to rents as their access is protected; petty tax avoidance expresses resistance to the rent (often perceived as a form of tribute) captured by the state, likening it to a tax break; and political leverage through local brokers helps enable access to various kinds of public (information, preference of access to subsidies or advice) and private (illegal markets) resources. These practices—which often signal a retreat from collective mobilization although they occasionally develop into mutual aid associations—are simultaneously forms of re-embedding the economy and of using non-contractual obligations to access resources premised on personal status and social position rather than universal rights. The ambiguity and tension between “taking advantage” of kinship or friendship relations and developing reciprocal forms of support in a context of decreasing market opportunities is ubiquitous. As the trend towards monopoly increases within present-day capitalism, resistance appears to be shifting away from collective mobilization for the expansion of equal rights towards individual or segmented attempts to capture micro-privilege pools to get by. This is also a form of depoliticization, as such struggles become both fragmented and personalized. Against this inward-looking strategy, activists who oppose privilege and stress the recuperation of “the commons” focus on equal access to public services as a struggle to maintain the rights of citizenship (Collins 2017) or as the core of future systemic change (de Angelis 2007).

Scales of Regulation

Portugal, Italy, Greece and Spain share relatively recent pasts of prolonged dictatorship. They also suffered civil wars that highlighted the internal divisions of the nation-state’s citizens, mostly on the grounds of class and political project (Pavone 2014). In contrast to Italy, which became and

remained a democracy following the Second World War, Portugal, Greece and Spain experienced “transitions” in the mid-1970s to become liberal democracies integrated into the European project. Joining the European Economic Community meant different things to different constituencies. For policymakers in these countries, the EEC offered an enlarged market and the possibility to further pursue industrial restructuring targeting productivity increases while obtaining funds to retrain and relocate redundant workers, develop infrastructure and a functioning welfare state. For workers, many of whom had been labor migrants to the industrial and urban centers of France and Germany, joining the EEC promised the consolidation of democratic and labor rights and better livelihoods. For all, it meant convergence with northern Europe.

Industrial restructuring in the 1980s resulted in massive unemployment which was only tempered by European structural funds. While the structural transformations of this period witnessed growing labor conflicts, governments argued that liberalization and enhanced productivity and competitiveness would deliver widespread well-being through access to a larger pool of consumer goods. While some of these promises materialized through the disbursement of EEC structural cohesion funds, in the minds of many workers and firm owners, the 1980s remain the “crisis years”—a prominent structure of feeling in all four countries under study. In regions where the development of “industrial districts” absorbed the impact of the closure of large industries, such as the Italian Veneto, the “crisis years” came later—in the 1990s—when competition from central-eastern Europe and pressure from globalization became overwhelming following the GATT Uruguay rounds and China’s entry into the World Trade Organization in 2001. To date, however, the use of anti-dumping provisions targeting raw materials and labor intensive manufactures such as textiles and footwear, as well as the imposition of standards on imports, have directly or indirectly resulted in the re-imposition of barriers to imports into the EU from mostly Asian economies (Davis 2009; Prevost et al. 2011).

In any case, scales of regulation increasingly overlap as tariffs and standards are designed by supra-national entities but are left to be translated into norms and enforced at the national and local levels. Shalini Randeria (2007) speaks of the “cunning state” that operates in this kind of legal plurality, one in which the state presents itself as unaccountable towards its citizens but also upstream towards international institutions. Cunning states “are in a position to negotiate the terms on which they share sovereignty in certain fields of policy-making while retaining control over

others. They deny power only to deploy it in order to evade responsibility” (Randeria 2007: 6). This is an important reminder that sovereignty is distributed at multiple scales and among different instantiations of the state (Abrams 1988; Gupta 1995) but is also acted upon by agents at multiple scales (Das and Poole 2004). The European variant of the 2008 financial crisis has often been seen as an attack on national sovereignty by undemocratic supra-national institutions such as the EU (Hadjimichalis 2017) or the imposition of a particular national economic project such as German ordoliberalism (Matthijs 2016; Blyth 2013). While such analyses underline both regional unevenness and scales of power, they tend to essentialize the locus of the state in its active or passive regulatory role as well as its agents’ positions in the complex geometries of rulemaking and enforcement.

Inspired in the German *ordo-liberal* tradition, the Maastricht Treaty (Council of the European Communities 1992) consolidated a policy based on fiscal stability, controlling inflation, the deregulation of labor and export-led growth for the European Union. European Monetary Union was followed by the introduction of the single currency, and the barring of the European Central Bank (ECB) from becoming a lender of last resort, produced a series of imbalances that escaped the control of both the European Commission and the ECB as well as of national states and regions (Blyth 2013; Hadjimichalis 2017; Lapavitsas et al. 2010). In the short-term, monetary union lowered the traditionally high costs of borrowing in the southern peripheries for treasury bonds as well as for inter-bank credit. Easy credit from financial institutions fueled housing bubbles (Alexandri and Janoschka 2017; López and Rodríguez 2011) and consumption, all of which led to high levels of private debt. The boom years of the turn of the century were also due to the deregulation of capital markets, land re-zoning and immigration providing pools of cheap, often unregulated labor mostly in construction, agriculture and domestic services. Financial derivatives and securities added fuel to the fire (Li Puma and Lee 2004). Following the collapse of Lehman Brothers in the USA, the inter-bank credit market dried up. The domino effect of non-performing loans left financial institutions undercapitalized, leading to bailouts or nationalizations that created or increased public deficits (Blyth 2013). Only Greece (and to a lesser extent Italy) had significant public debt at the time, mostly due to pre-crisis welfare expenditure, budget mismanagement and a weak taxation system (Nikiforos et al. 2015; Lapavitsas et al. 2010).

All of this is well known, as are the austerity measures imposed by the “Troika”—the International Monetary Fund, the European Commission

and the European Central Bank—in the Memorandums of Understanding that accompanied the bailout loans. They can be summed up as an injunction to governments to cut spending and raise taxes, strengthen competitiveness through labor devaluation and raise income through the privatization of public goods. The moralization of the financial crisis produced a nationalization of responsibility that tended to create a corporate understanding of guilt, amplified by the media and national and northern European policymakers (Schaüble, Merkel, Dijsselbloem) (Streek 2013; Fourcade 2013; Matthijs and McNamara 2015).

Citizens, households, working people and small entrepreneurs, however, did not passively accept regulatory orders imposed from above. Their non-compliance with legal regulations and their alternative understandings of what constitutes legitimate activity amounted to an everyday kind of struggle. What enables the “viability” of petty businesses in the tourist service industry, for example—the avoidance of taxation and non-payment of social security contributions—has fiscal consequences at the larger political economic scale of the national budget’s redistributive capacities. At the same time, non-compliance can be seen as a form of popular resistance to the mandated transfer of financial institutions’ private debt into public debt subsequently converted into household debt through increased (especially indirect and housing) taxation. Ordinary people have also made cunning use of the new regulatory opportunities (for example tax breaks on purchasing homes, low interest rates, housing developments in re-zoned land) following calculations of well-being often related to the social reproduction, security and well-being of the family. We can think of these frameworks for decision-making as alternative regulatory orders that are nevertheless intimately connected to policy regulation.

This book explores such entanglements by focusing on the everyday practices and understandings of ordinary people in Portugal, Italy, Greece and Spain during the years of austerity that followed the 2008 financial crisis. The scales of regulation include households, personal networks, and local, national and supra-national institutions as we observe how different social actors have navigated the ambiguities of legal frameworks and legitimate practices. The book thus pursues the bottom-up study of grassroots economies (i.e. how people make a living) and grassroots economics (i.e. how they explain the logics of the economic processes of which they are part). The abstract explanatory frameworks invoked by ordinary people, which often incorporate elements from the media and from activists of

different persuasions, are always inflected by their own experiences and by particular accounts of the past. The chapters in this book present numerous instances where expert explanations come into conflict with people's own experiences, something that we interpret as struggles over evidence (Narotzky 2019).

Reinventing Oneself

The 2008 financial crisis accelerated the shift towards “new” forms of labor. Unemployment rates above 20 percent—topping 40 percent for younger cohorts—have had lasting effects on the labor market and on people's aspirations, projects and identities. Paid and unpaid work, workfare schemes, temporary jobs, small entrepreneurship, and social and solidarity cooperatives overlap with kinship obligations, citizenship entitlements to subsidies and benefits, ideological projects and contractual relations. While the kinds of social recognition entailed by these different forms of earning a living vary widely, they are not clearly bounded categories as the chapters in this book will show.

Especially in industrial and agricultural settings, the loss of an economy based on production is seen as a material and moral loss—of stability, of citizenship entitlements attached to employment, and of an ethos of hard work and reward attached to effort. Precarious livelihoods often hinder deriving identity from work, as toil is divorced from valued positions in society. Where they do constitute a mode of identification, they are devalued and often problematic. The material devaluation of workers through instability and wage reductions thus results in moral devaluation, in feelings of inadequacy (in terms of skills and the fulfilment of family obligations) and shame. But the opposite is also true as mostly workers in the private sector (often themselves unemployed) see the austerity-driven wage cuts and redundancies for public sector workers as largely justified on the grounds that civil servants' wages are responsible for the public deficit, a discourse disseminated through the media.

Across our cases, we find the injunction to “re-invent” oneself as an entrepreneur—a classic neoliberal trope—either welcomed as an opportunity or accepted as a necessity. Entrepreneurial programs proposed by the neoliberal state are at times attuned to the ethos of hard work and the achievement of autonomy through the market—as opposed to depending on state benefits or on wage employment—echoing the small commodity production imaginary (in agriculture, manufacturing and commerce) of

“being my own boss” and accessing “freedom.” We find its translation in the entrepreneurial imaginary of small and medium enterprise family firm owners, small farmers, the self-employed and members of social cooperatives, even when many are part of sub-contracting chains and dependent on credit and labor from family members, subsidies from local, national or EU funds and loans from commercial banks (Narotzky 2016). For young people targeted by EU start-up funding, becoming an entrepreneur is often embraced as a creative form of self-valorization where talent and imagination will provide a meaningful way to earn a living. Others feel that they are pushed by stringent fiscal regulations and surveillance to become entrepreneurs—businesspeople—against their will, when they only want to make a living. Such is the case for many self-employed workers at the end of manufacturing subcontracting chains, who are at pains to think of themselves as entrepreneurs (Leidereiter in this volume).

In the austerity environment of unemployment, precarity and the credit crunch, many entrepreneurial ventures are either in deep crisis (Loperfido in this volume) or in fact involve volatile and often illegal forms of seeking rent as a livelihood income. People use their family homes as assets when they rent rooms to tourists or students, or when young adults return to the parental home so they can rent out their own. People also use their homes as collateral to obtain credit for their entrepreneurial projects (Palomera this volume; Vetta and Palomera 2020 forthcoming).

But there is another way in which rents are becoming pervasive in the austerity environment: privileged access to resources that can be described as “micro-rents” linked to personal networks of family, friends, state agents or to residential hierarchies. These micro-rents can take the form of privileged access to employment, housing, income, care, seed capital and benefits. What they have in common with ordinary “rents” is that they are based on a “privilege” that marks boundaries of exclusion and inclusion, and that the resources they channel often appear as “unearned” rather than the result of “hard work.” Often the state is perceived as having produced privileged groups of working people, for example civil servants and pensioners who can reap rents from their access to this category (Vetta this volume; Narotzky and Pusceddu this volume). Resourcefulness takes many forms and, often, far from realizing the entrepreneurial imaginary of freedom and autonomy, re-inventing oneself reconfigures existing forms of dependence.