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Milano 1997-2011: Una growth machine all'italiana ?

Abstract

Fin dagli anni '90 la letteratura di matrice europea ed italiana sulla governance urbana ha sottolineato, quale caratteristica distintiva del sistema europeo e, nello specifico di quello italiano, la assoluta rilevanza del governo locale, dei corpi intermedi e dei partiti politici, i quali erano in grado di mediare con investitori e developers ed assicurare cosi un'egemonia pubblica sui progetti di riqualificazione immobiliare. Nella letteratura più recente (Aalbers 2009, 2012, Memo 2006) ci sono, tuttavia, molti indizi che fanno pensare ad un capovolgimento di questa situazione: dati i contemporanei processi di ristrutturazione della divisione scalare del lavoro all'interno dello Stato, oltre che di finanziarizzazione e liquefazione (Fox Gotham 2009) del capitale immobiliare, è possibile che gli assets controllati dagli attori privati abbiano acquisito molto piu valore che in passato e che, quindi, i detentori di queste risorse chiave possano sovradeterminare i processi di riqualificazione immobiliare. In questo paper abbiamo l'intenzione di verificare questa ipotesi appoggiandoci all'ultima generazione di letteratura di urban political economy statunitense: alla “bargain context theory” di Kantor e Savitch (2002 , 2005 Kantor Savitch Vicari 1997), opportunamente integrata con le ultime riflessioni di Clarence Stone (2005) circa il potere negoziale degli attori. Per aumentare la generalizzabilità delle osservazioni abbiamo selezionato il caso di Milano in quanto, da una parte presenta caratteristiche strutturali che facilitano il compito delle elites pubbliche mentre, dall'altra parte, nella letteratura precedente (Kantor Savitch 2002, Vicari 1986, Vicari Molotch 1988) si è, a più riprese, evidenziata l'egemonia dei partiti politici locali nelle coalizioni di governance. per queste ragioni Milano rappresenta un caso “least likely” (Gerring 2006) e, quindi, un ottima piattaforma di partenza per indagare un trend che si immagina nazionale.

Introduction

Now, after two devastating and interlinked financial crises, it is widely acknowledged that real estate capital has, through many different trajectories, gone global. While in the past the shift from the real estate circuit to the financial circuit was somewhat downplayed in urban political economy (see Feagin, 1987 for a critique) nowadays we have a fledgling, but still very relevant, body of literature dealing with this topic. Some recent work focus on how national regulators have tried to reshape the real estate sector in order to boost its liquidity (Gotham, 2006, 2009, Wainwright, 2009). Others focus on the private sector (Lizieri, 2009 for an overview) by explaining how this re-regulation of the financial markets has created a plethora of new financial innovations, such as Mortgage Backed Securities (Aalbers, 2008, Immergluck, 2008) or credit scoring techniques (Straka, 2000, Burton et al, 2004) which have further boosted the liquidity of mortgage market and, as a consequence, have allowed the extraction of significant financial profit 'out of spatial fixity' (Gotham 2009).

Some authors also claim that these same innovations fueled a veritable process of predatory lending (Squires, 2004, Wyly, 2009, (Anselmi, 2013a). Authors also claim that these innovations, on one hand, are shaped by the globalization of real estate markets (Sassen, 2009), and have ultimately led, to the staggering growth of a truly global secondary mortgage market. On the other hand, some other scholars also claim that significant local peculiarities and path dependencies persist (Aalbers, 2009, 2011) especially in the primary mortgage market.

In a nutshell, the current situation is better described, as Manuel Aalbers recently proposed (Aalbers, 2012), as a manifestation of a financial-real estate complex (cf. Baran, Sweezy, 1968), namely a close coupling of state regulators and of large players in both the financial and the real estate sectors. The reasons for this intermingling are legion but are, ultimately, attributable to the monopolistic structure of financial capital (Foster, 2006). In a context of prolonged stagnation, the FIRE sector will offer higher rates of return vis-a-vis traditional sectors (Sweezy, Magdoff, 1987), moreover, the dramatic expansion of the FIRE sector and its role on the credit market, means that, since the 80s, the whole economy has been restructured around the financial revolution as businesses, households and eventually even nations have become dependent upon the issue of cheap credit. Given these conditions it is unsurprising that, at a national level a pro-FIRE re-regulation of financial and real estate markets has been enforced in all relevant national economies; besides (as the bailouts have shown) state spending and, in general, the role of the state as a 'buyer of last resort' have become invaluable for the wellbeing of the current economic setup.

So, while the power balance is somewhat clearer at the national level, the picture, at a local level is definitely murky, as we have next to nil empirical accounts and so, at this level, the financial-real estate complex operates as a black box of sorts .

This paper aims at filling this gap in the literature by engaging in an in depth analysis of a single case, namely the Garibaldi-Porta nuova renewal scheme in central Milan. What this work claims is that, in Italy, at the local level, the advent of the financial-real estate complex has been followed by a shift towards a new 'entrepreneurial' policy aimed at the maximization of property values which, with relevant differences, closely mirrors the idealtype of pro growth urban regimes. As usually happens, with these kind of phenomena, reconstructing the actual causal chain in a painstakingly complex task, as multiple causal chains are operating simultaneously as both at the local level and in the wider context of neoliberal state restructuring (Anselmi 2013b, cfr Brenner, 2004). Eventually, what this paper is actually trying to achieve, is to reconstruct a small section of this 'great transformation' from an urban political economy point of view.

The next section will introduce both the actual theoretical framework and the reasons for case selection, which are ultimately grounded into a need for wider comparability and, hence generalization.

The following three sections will deal with the actual empirical research. The second section will account for the organization of the governance coalition, by explaining how it has evolved towards a clear hegemony of a public (but very 'private minded') actor and, in general, around the needs of private actors commanding critical assets. The comparison with pre-1992 configuration will not only account for the variation in the composition of the local elite but will focus on the shifting

importance of strategic assets and, through these, upon the changing internal power balance.
The third and fourth sections will focus upon the project, with the former accounting for the role of the dominant coalition in shaping the actual implementation of the project and the latter one accounting for our dependent variable, namely by attempting to measure how the implementation has enforced a rent redistribution model which has privileged private interests (i.e. monopoly rent capture and exploitation) vis-a-vis the distribution of public goods.

Methods and theoretical frame:

To unpack the 'financial real estate complex' some clarification is needed: in order to make sense of this concept at a local level it could be framed as the degree to which built environment politics are shaped by a desire to create a 'good business environment' (Harvey, 1989) eventually resulting in a proper growth-boosting regime. Given that this kind of reflection has been the hallmark of urban political economy throughout the years, we can, definitely, use some insights from there, in order to flesh out the nature of the financial real estate complex. Regime theory, in particular, has been invaluable in order to provide an analysis on how both the structural constrains and the political agency of local power elites define the political agenda and its implementation.
To prove the FIRE-induced shift towards a pro growth regime, we need a theoretical model which accounts for three things: first it needs to account for the changing structure of opportunities that stands before actors, then it needs a way to account for the agency and how multiple actors can organize for a single purpose, finally it needs some way to measure the extent to which a given regime is similar to a recognized type, namely, in our case, a growth boosting regime. We can manage to fulfill these tasks by drawing from the work of Clarence Stone (Stone, 1989, Stone, 2005) and from the work of Paul Kantor and Hank Savitch (2002, 2005, Kantor, Savitch, Vicari, 1997) as well as from a general understanding of the functioning of urban monopoly rent (Harvey, 1982, Evans, 1991).
For the first task we'll use a slightly modified version of Kantor and Savitch's bargain context scheme, moreover, the model will be also useful for case selection and generalization. The theoretical start point is that land, as a commodity, has a dual nature, so it works both as a prerequisite of private exploitation of rent and as a precondition for the provision of public goods. Given that, we can safely assume that, in the absence of a relevant external influence, public and private elites will have divergent goals, namely the second one, unlike the first, will try to boost public goods provisions, for consensus reasons. Structural conditions (i.e. policy support from central government and local land market vitality) will favor either one of the two fractions. In a nutshell, we'll assume that the advent of this new regulation of the financial-real estate sector has

worked as an exogenous variable, shifting the structure of opportunities towards a pro-private bargain context.
However, changing constraints don't automatically generate a growth-boosting regime, as proper growth focused regimes are as much a consequence of the agency of relevant actors as a consequence of a given actor's (or group) effort to organize a governance coalition. While the literature on local hegemony is endless, I'll stick, for clarity's sake, with the analytical frame provided by Clarence Stone (2005). In order to achieve proper implementation of a growth regime, the ruling coalition should have three features.

- There's the need for an overarching goal which can be recognized as a priority by every relevant actor.
- Each relevant actor should command specific resources that are relevant towards the completion of the policy goal. This is the 'chip' that every actor has to metaphorically 'put on the table' in order to be allowed to participate to the bargain rounds. As a corollary, strategic resources command more bargain power than others.
- Given the informal nature of a governance coalition and, hence the absence of a formal top-down command structure, the coalition need some reliable way to enforce discipline upon the coalition members and prospective coalition members. Namely, it needs a way to exclude irrelevant actors, to cope with the free rider problem and, generally, to discipline non-behaving actors. The best way to do this is to use both stick and carrot, meaning that successful coalition should have a way to distribute side payments to compensate lesser actors, as well as some retaliatory power in order to discipline and/or exclude rebellious members.

All of this is useless if we don't manage to have some way to measure the extent to which the actually existing political arrangements conform to a growth regime idealtype. While this kind of question has been around since the inception of urban political economy, and is still a very much open one, we can manage to achieve some clarity by' following the money', i.e by analyzing who bore the costs of the development and how (and by who) profits and rent increases stemming from the development were cashed in. In order to have a functioning growth regime we should witness a private exploitation of monopoly rent, as opposed to a social redistribution trough taxes and/or infrastructural improvements paid by the developer.
As the goal of this work is to achieve a conclusion that could be generalizable towards other social and political contexts, the selection of a 'least likely' (Gerring, 2006) case allow us to do so. Because we considered the rise of the financial-real estate complex as an exogenous variable for a previous model, we can appreciate its effect upon previous arrangements. In order to maximize this

effect we selected a context that, by previous standards, was characterized by a definitely pro-public bargaining context (Kantor savitch Vicari 1997, Kantor Savitch 2002). The methodological ratio behind this kind of strategy being that, if we witness a pro-private shift in a context in which, by all previous definitions, the public sector would have hold of some very relevant bargain chips, this will likely be a strong trend, hence generalizable to other contexts, where the strength of the public sector vis-a-vis economic elites is feebler.

The selection of Milan and the Garibaldi-porta nuova scheme make up for a least likely case in at least two regards. Firstly, as already pointed out by Kantor and Savitch, Milan is in a pretty good market position, as the local land market is lively and interesting for trans-local investors, as tab 1 shows.

Understandably, without taking into account external variables (i.e. the birth of the financial real estate complex), this situation translates into very powerful and reliable assets controlled by city council. In a nutshell, given that the complacency of local regulators is the core asset for exploiting monopoly rent and given that Milan is home to the most valuable plots of land in the entire country (namely the one on which the Garibaldi-Porta Nuova scheme is being built) in principle city council should be able to squeeze some serious money out of private developers. Secondly, as we shall see, in the past the local public elite, has been the leading coalition party. And, finally, (cf. Kantor Savitch Vicari 1997) Milan city council is pretty well integrated with regional and national authorities.

Tab 1 Market position of Milan

	workforce			demography		accessibility			economy	Residential RE	office market
	% manufacturing	%white collar	% with a degree	density	pop change	car	plane	multimodal	local gdp	rent m2/€	prime rent
Milan	15.7	39.1	20.7	7136.9	-0.07	147	166	161	149,250.0	2,715.00	540
Barcelona	24.1	13.4	25.3	16,453.6	0.98	65	135	127	146,468.9	3,207.00	216
Madrid	18.2	19.1	28.1	5304.4	1.49	54	122	115	186,799.7	2,778.00	294
Naples	19.9	26.9	12.3	8296.1	-0.27	74	126	121	49,674.6	2,007.00	170
Turin	23.6	31.6	13.7	6 699,4	-0.50	126	119	122	65,166.9	1,785.00	150
Rome	16.6	29.1	17.4	2079	-1,7	87	128	123	133,989.8	2,647.00	486
birmingham	14	21.6	22.7	3806	0.21	129	144	141	33,357.6	2,935.00	378
manchester	6.2	30	26.5	4091.7	2.29	113	143	139	52,384.5	3,137.00	364
copenhagen	7.9	25.3	35.8	5629.7	0.43	55	156	144	38,278.3	2,770.00	270
frakfurt	10.6	40	31	2677.5	0.09	199	187	190	51,109.0	2,300.00	408
munich	18.6	31.3	34.8	4274	0.99	159	140	141	73,487.6	2,500.00	444
amsterdam	7.4	32.7	37.7	4439	0.33	152	175	171	64,121.2	1,921.00	423
rotterdam	13.3	24.7	23.1	2912.5	0.21	164	140	143	51,956.1	971.00	211
stocholm	11.3	33.1	38.7	4307.8	0.69	20	97	89	93,818.3	3,102.00	536

Source :Urban audit 2007 (workforce, demography accessibility and local gdp) Cushman wakefield 2013a 2013b (property market data)

This paper is based upon 20 elite interviews of stakeholders and knowledgeable individuals as well as on documentary analysis.

Towards a coherent growth engine: the rise of CL-backed governance coalition.

In the 80s and early 90s all scholarly accounts of contemporary milanese built environment politics (Fareri, 1990 Vicari, 1986) stressed the strong role of local politicians. In 'three ways to build' Vicari (Molotch Vicari, 1988) found out that the configuration of the local political context was utterly inhospitable for us-style growth coalitions, as the control exerted by local politicians and the level (and type) of corruption were so high to actually work as a barrier for any kind of growth politics whatsoever.

However, there was more than simple mismanagement and corruption, as the local governance arrangements rested upon structural constraints that reinforced the strength of the public elite (especially political parties) vis-a-vis capital. First, local revenues were mainly backed by national grants (Anselmi 2013b) dramatically reducing the need for capturing footloose capital. Secondly, while there are no empirical accounts at the local level, at a national level, conditions in the property market were not ideal: while in late 80s and earliest 90s the trend in the sector was of moderate growth, the amount of new investments in the construction sector during the 'fifth real estate cycle' was incomparable with what happened after 1995 (Bellicini 2012, Girardi, 2012); moreover due to a series of causes[1] banks and real estate trusts were not able - or interested - to fuel the property sector with the tremendous amount of money they pumped into the market before 2007-8.

However the single most important factor was to be found in the architecture of the local power elite as these structural constraints, on one hand, discouraged the activism of the traditional growth elite, and, on the other hand, promoted both the self interested agency of political parties as well as a constant state of 'cold war' among the same.

From the end of WWII until 1992 Milan was controlled by left-leaning administrations, especially in the last twenty years of the period, local power was in the hands of the PSI (Partito Socialista Italiano). While, formally, the PSI could singlehandedly run the city, in practice, things were much more complex. As a matter of fact, socialist administrations were anything but cohesive, for two main reasons. Firstly the PSI, at a national level was fragmented into a host of different fractions, this arrangement was reflected in the local organization of the party, which was further fragmented into micro-fractions, sometimes accounting just for one or two party members controlling a sizable

1 The main three causes being : the recent, and somewhat incomplete financialization of Italian real estate market which means lower transparency and liquidity (cf Fox Gotham 2009),way higher interest rates -before 2001- which resulted into less demand for mortgages and, eventually, the fact that there were more profitable investment opportunities in the stock market (Bellicini 2012)

amount of votes (see Travaglio, Gomez, Barbacetto, 2012). The relations between these fractions was anything but cordial, and sometimes downright hostile. Secondly it's worth mentioning that the local balance of power was very heavily influenced by national political arrangements. Through all the 80s and in the earliest 90s a coalition government was in power, PSI was one of the partners (along with Christian Democrats and minor parties). These arrangements had a huge influence on the local level as, basically, local PSI was unable to govern all by itself and had to share power with other parties, sometimes by allowing them to control key offices in municipal government, to do otherwise would have meant endangering the survival of the national coalition.

Up until 1992 the bargain context was definitely unfavorable to private elites, as all the 'movers and shakers' of the real estate market were to be found in local parties. However, local politicians were definitely unconcerned about growth boosting policies, because of the aforementioned structural constraints – i.e. the relevance of grants vis a vis local taxation- and because , at the time, the main asset in the bargain process were the control of the planning process and the ability to generate demand for the construction sector -both controlled by parties-, with access to capital being much less important than these two.

While the political arrangements of the pre-1992 period never delivered an actual pro-public coalition, because of the imbalance in the endowment of critical assets, the construction sector elite was, in some way, kept in check by the hegemony of local politicians. Unfortunately this was not the result of an actual political strategy but the side effect of a rampant 'bribe economy' (Della Seta, Salzano, Novelli, 1993) as, basically, every political party was using his hegemonic position in order to pressure developers for bribes. The system was so well-organized (Rhodes, 1997) and widespread to be one of the backbones of party financing across the whole nation. Understandably, this widespread corruption acted as a barrier towards non-local investors, as the construction market in Milan was an insider-only system: to build without having protection from some prominent politician was an exercise in masochism and self-defeat as bribe requests, delays, and general unreliability of the regulatory system would have bled dry the prospective developer.

This same system even kept each party from accumulating too much power this, in the context of built environment politics meant that, even if each party -or each fraction- would be allowed to push its own developers, no party was allowed to seize complete hegemony over the city, as the political arrangements backing local equilibrium were embedded in a nation-wide spoil system.

After 1992 everything changed: the old local political system was beheaded by corruption trials. As a consequence, Italy witnessed both the demise of PSI and the collapse of the national coalition-backed power bloc. Furthermore, in the same period, a host of reforms were enacted by the national government, as a consequence of these, considerably more power was devolved to regional government and local finance was switched over to a local taxation based system.

The void left by the demise of the PSI was filled by Comunione e Liberazione a new political movement, first developed as a fraction of local Christian Democrats, then affiliated with Silvio Berlusconi's political coalition, as a small but powerful fraction in each of Mr. Berlusconi's parties. Being born out -in the 60s- of a somewhat leftish religious and social movement, then turned a proper -and conservative- political lobby, CL was a completely different kind of 'animal' than the previous public actors. First of all it is highly disciplined: at the present moment there are no sub-fractions -at least not ones we are aware of- or internal squabbles. Secondly because of Mr. Berlusconi's status as a political outsider in the early 90s, they were not hindered by nationwide political arrangements, still, they were able to call upon national government when they needed support. Furthermore their political priorities are very different from those of the groups that preceded them, as their lobby-turned-political-party structure is mainly concerned about creating business opportunities for their associates.

In 1995 Mr. Roberto Formigoni, then the leader of CL, won regional elections. After that, the movement managed to singlehandedly control regional government and some key offices in municipal administration such as planning and budget. CL managed to stay in power for almost 20 years.

In terms of critical assets, after 1992, the situation changed radically. Firstly planning law was basically emasculated by national and regional government (Tocci, 2009), secondly the new local-taxation framework meant that city -read property- boosting was far more useful than in the past, especially in the context of a latent fiscal crisis of local administration (Corte dei Conti, 2011). Moreover all these changes are embedded into a framework where political goals have shifted dramatically, from bribe collection towards creating business opportunities for insiders. Understandably, given the rise of new financialized developers (Haila, 2006, Fainstein, 2001) which gained some ground in Milan (Memo 2007), the role of capital and specialized knowhow gained some serious ground vis-a-vis control on planning and the creation of demand.

Basically, after CL took power the local governance coalition was organized as such. Firstly, while CL had still to deal with other fractions of the local public elite (i.e. Other fractions of Berlusconi's party, the Northern league or the Democratic Party) there was definitely an uncontested hegemony of CL, this meant a clear chain of command in the political elite, organized around a single guiding principle. Secondly while CL, by controlling regional government, controlled the most relevant asset, in no way this was a reprise of what happened earlier as, for its own goals, CL had to bargain with other actors controlling other relevant assets.

In brief internal discipline and widespread control over regional legislative and executive power acted as an organizing principle allowing CL to discipline what previously has been a governance coalition torn apart by internal conflict. That's because, unlike the PSI, CL, as we shall see in the

next section, had very relevant retaliatory power.
In a nutshell, structural conditions meant that: in the first period, all relevant assets were controlled by the public elite, moreover, there was no single purpose to engage in growth politics, as each and every faction was more concerned about seizing power, or at least critical assets, at a national level, because of that, city boosting was somewhat residual, meaning that development was just a consequence of a rampant 'bribe economy' that was meant to gather resources for the eventual seizure of power at a national level. After mid 90s structural conditions changed dramatically, as private-held assets, namely footloose capital and private demand, gained importance and this transformation contributed to kickstart a real revolution in local governance, with the new 'private minded public elite' actually being a living testimony of this paradigm shift, however, CL managed to achieve uncontested hegemony and used this newfound power to fuel a proper growth regime. As a quick peek at the Garibaldi-porta nuova renewal scheme will prove.

No more friction in the growth machine

The renewal of the Garibaldi-Repubblica-Isola area, has always been a flagship project for both Municipal and regional administrations, as public elites wanted badly to associate their names to the unlocking of a project that, since its inception, has been swamped in an hellish quagmire of delays and conflicts with the local population.
The first attempt to renew the urban fabric of the area is dated 1953 as the PRG stated that the area southwest to Central Station and east of Garibaldi Station should become the new Business district (Centro Direzionale). Already at the time the area was highly valuable and accessible, since it was served by railway and two high capacity roads. Later on the area will be served by two metro lines, MM2 (1971) and MM4 (2012) and a light urban railway (Passante, 1984).

In the late 50s and early 60s the renewal project that was envisaged with the PRG actually started, but the completion of the project was painfully slow and, eventually doomed to fail, as the municipality was unable to muster the cash needed to finance for the eminent domain acquisition of public space areas. Furthermore it was, unable to manage the protests, coming from the working class neighborhoods of Isola and Garibaldi. As of late 60s, all development was halted and, while the renewal project featured the completion of MM2, the failure to complete the project had left behind a huge undeveloped area known as Varesine. In 1978 a variation to the PRG, finally, puts the project on an indefinite hold. However, in 1980, the municipal authority tried to unstuck the project without success, as the new renewal plan was successfully challenged by local residents who managed to swamp it with lawsuits. Then the 1980 plan was followed by the 1991 one which, at least, managed to muster some support from the local business community and to complete a proper masterplan. However, the new project failed as municipal administration couldn't manage to resolve squabbles among property owners, moreover local residents, exploiting the weak position of city council, once more, managed to block it.

However the main problem that managed to kill each and every renewal attempt until late 90s was the infighting in the governance coalitions, as interest collided and no actor was strong enough to impose an organizing principle over the unruly coalition. First, regarding the planning process there was no way to squelch the opposition of local citizens as the Italian Communist Party, which had a huge electoral base in the neighborhood (Boffi et al, 1972) and, at the time, was acting as a self-styled anti growth entrepreneur (Vicari molotch 1988) was interested in halting the development for consensus reasons[2].

Regarding relations with the private elite the situation was even worse: the ownership of the area was fragmented and, even if some heavy hitters were involved after the 80s (Mr. Salvatore Ligresti and Mr. Bruno De Mico), no one was strong enough to buy off other property owners. At the same time the public elite was both unwilling and unable to force a reasonable compromise on property owners.

The project finally came unstuck in the early 2000s as CL and Hines Italia Spa became involved in it, these two actors managed to muster widespread support for their renewal plan, because each of them controlled a very relevant asset and both were committed to a single goal -i.e. property driven renewal-. As we saw, CL had managed to become hegemonic in local politics. Hines Italia had access, through two very large institutional investors (TIAA-CREF and Hines Europe Development Fund) to a huge amount of footlose capital. Moreover, through Salvatore Ligresti -which had become somewhat of a mentor for the young CEO of Hines Italia, Manfredi Catella- Hines had managed to secure a very important buyer such as Unicredit, which would let the flagship building -designed by Argentinian starchitect Cesar Pelli- in the Garibaldi Repubblica section of the project. Furthermore, Hines Italia, being a branch of Texan real estate giant Hines Ltd. Could benefit from an international standing no other Italian developer or contractor could enjoy.

Through a conjoint action, and CL and Hines managed to organize the variegated governance coalition into a proper growth machine, resolving both the infighting among land owners and the problem with local citizen's opposition. First of all Hines, with the crucial intermediation of city planning office managed to buy off, or include into the project, into ancillary positions, other smaller owners. As multiple interviewees told me, the amount of capital controlled by Hines, its international standing, acted as a sort of reassurance that 'this time was different, the project was

2 Even if PCI was not officially included in the national political pact still, it was a moderate player in the local bribe economy (cf. Travaglio Barbacetto Gomez 2012) so, waging war over the project was unwise, as it would have meant inviting retaliation in other contexts.

going to be completed with or without them'. Basically what everyone thought was that Hines' involvement, in a leadership position, was, by far, the best alternative, or, to be honest, the only one who had some chance to get things done.

The backing of the project by CL also meant that the regional and municipal administration were able and willing to enforce Hines project and were not afraid to resort to very harsh retaliatory actions to punish uncooperative actors. First regional government moved the vast majority of offices and even the seat of regional parliament into the Garibaldi Repubblica area. The message that this decision sent to investors was, definitely, of a huge commitment to kickstarting the project with public monies. In the first stages of the project even city council showed the intention to follow on the same footsteps by moving seat and offices in the same area but, when the first telltale signs of fiscal crisis showed up, the project was re-dimensioned.

However what managed to give cohesion and credibility to the project was the retaliatory power of local administrations. Small landowners who were unwilling to comply with the new 'set of rules' found their land forcefully bought under eminent domain clause. However there was still one actor who was unwilling to comply and, moreover was in all respects a 'persona non grata' both in the eyes of local administrations and in the eyes of prospective investors, Mr. Bruno De Mico.

Mr. De Mico was a really powerful real estate entrepreneur in the 80s, well connected with the left-leaning fraction of PSI, he had had managed to become a really powerful 'insider' in an 'insider only system'. By virtue of these connections he managed to buy, for a very low price, the Varesine -now part of the Garibaldi-Varesine branch of the project- area in 1985 from 'Ferrovie dello Stato', the national railway company. After being involved in the same corruption scandal that behaded PSI Mr. De Mico withdraw from business, only to make a spectacular comeback in 1998 by announcing his intention to build over the Varesine area . In the eyes of the CL-backed coalition the problem with Mr. De Mico was twofold: on one hand he was a relic of the past, a man without relevant connection to the current political establishment that, moreover, was bound to be perceived, by international investors, as the stereotypical Italian crooked developer. On the other hand, as per previous agreements, he had accumulated a lot of building rights , and this meant that, given restrictions were in place on the general area as enforced by planning regulations, there was a very serious risk that, Mr. De Mico project would have a dramatic impact on the building rights available for other developers in the area. As Mr. De Mico was unwilling to sell, the Cl-backed coalition engaged into a political war with the developer. First municipal government tried to appeal to court claiming that the project by Mr. De Mico violated planning law, at the time Mr Marcello Lupi now a very prominent CL member, then head of municipal planning office, claimed that 'we will resort to all lawful initiatives to block [De Mico's] plan' (Pagni, 2000). However, when judges declared in favor of the developer. City hall switched over to an unorthodox but more efficient strategy, as they engaged into a bureaucratic guerrilla warfare with the developer. Eventually Mr. De Mico sold to Hines and withdrew from the project in 2005.

The other problem the coalition had to solve is how to overcome the opposition of local citizens, this was no irrelevant feat as, as happened in the past, the risk of the project getting swamped with appeals was very relevant. In the past, as shown above, protests were backed by PCI in 2007 the Isola neighborhood was controlled by the Democratic Party (PD). Moreover part of the project -namely the Garibaldi-Isola branch - resides in an area controlled by the one and only left-leaning of the nine devolved municipalities (Consigli di zona). What the coalition did, was to co-opt the democratic party into the coalition in exchange for a squelching of local protests. The devolved administration basically withdrew all support from protests that died off when the first appeals to court were won by Hines. The Democratic Party, in turn, did get a quite sizable share of the pie as Boeri Studio -the design company of Stefano Boeri, prominent figure of local PD- was selected to design the flagship buildings of Garibaldi-Isola, moreover CMC -construction company very close to the Democratic Party- was selected as the general contractor for the Garibaldi-Varesine area and Monte dei Paschi di Siena -third Italian bank by asset volume and very closely controlled by the Democratic Party- was selected as an arranger for the Garibaldi Repubblica area.

The other way the coalition managed to squelch protest was as to pressure local judges to scrap appeals made by community activists, their unchallenged position of power at a regional level, the connection with both national government and the agreement with the Democratic party meant, as multiple interviewees claimed, that the judges were more inclined to acknowledge 'suggestions' from the ruling coalition.

CL's rise to power marks a completely different period: structural conditions meant that private-held asset gained some serious importance, with footloose capital being of premier importance, especially in the context of a vicious fiscal crisis of local finance (Anselmi 2013b). While the rise of CL to power is only partially explained by this shift in asset relevance, inevitably this whole process has influenced the priorities and the governance style of the ruling party: Its single minded pursuit of private interests has shaped policy outcomes in the area, while the capture of very relevant institutional assets has become the foundation of a (local) state-driven growth machine, backed by serious retaliatory power. However, focusing on the project in greater detail, we can manage to prove this claim, while assessing the impact of this power configuration upon the provision of public goods.

It's all about monopoly rent-boosting

The area of Garibaldi Porta Nuova is actually divided into three sub-projects: Garibaldi Repubblica, Garibaldi Isola and Garibaldi Varesine. While each has been disciplined by a particular planning instrument (PII Garibaldi Repubblica, AdP Garibaldi Repubblica, PII Garibaldi Varesine, PII Garibaldi Isola) Garibaldi Repubblica is the most valuable area, hosting the Cesar Pelli Tower -currently pre-let By Unicredit- as the flagship building, the development there is mainly oriented towards office space. Garibaldi Isola and Garibaldi Varesine will feature premium residential space, as well as office and commercial space.

Even if each of these sub-projects and has been built, designed and financed by different companies, in each and everyone of them Hines and local government have had a crucial role. CL provided public-backed demand and enforced discipline while Hines provided much needed footloose capital from different real estate funds - TIAA-CREF and Hines European Development Fund – moreover the high international standing of Hines and the 'control' over premium investors and buyers meant that Hines' standing and retaliatory power added to those of CL, in a private minded but public led growth machine. Actually if we focus on money flows we can understand how this same pro-growth policy has been fueled by government spending, pro-private planning and tax regulations, enforced by local government, and, in general a drive to further the private exploitation of monopoly rent.

The government has been active both as an infrastructure provider as well as a developer and a 'buyer of last resort'. Regarding infrastructure provision, one of the premium features of the project is the inclusion- near the ground floor of Cesar Pelli tower- of a stop from the new metro line (MM5). While this is a significant public gain, which, in theory, should be financed by private money -as it is, formally, under project-financing regime- , its worthwhile to mention that the construction was heavily funded by central government and city council (Faccini 2013), and that disbursement over infrastructures needed to capture monopoly rent is significantly adding to an already precarious city council balance.

On the other hand, public spending has backed the project until the early days: both the Regional and the municipal administration have been involved in the project as full fledged developers. The regional government built its new seat in the area (Palazzo Lombardia) and the project costed 570 mln Euros (+48% of what was originally envisaged (Carlucci,2012). The municipality tried to do the same, by building another skyscraper, literally at the other side of the road, but the project was scrapped in 2011, due to excessive costs and due to the opposition of the then minister of Finance Mr. Giulio Tremonti (PDL) which refused to earmark national funds for the project (Monestiroli 2012). Nowadays the developing activity undertook by the municipality is more low-key as it features a re-qualification of an existing office complex.

Planning law has been especially lax in this context, as the project featured unheard-of-before densities. According to PRG 'indice volumetrico' (development density index) should have been

0,65 across the three projects but real measures -as reported by PIIs- turned out to be 1,65 for Garibaldi Repubblica, 2 for Garibaldi Isola and 2.56 for Garibaldi Varesine.

While the planning provisions haven't been able to contain densities, regarding taxation and planning gains the situation was slightly better but in the end still pretty unfavorable towards public goods provision. On the bright side, city council managed to sell some plots of land- with the most valuable one being bought by regional government-, earning roughly 100 mln euros.

However, on the other side, when it came to planning charges the pro-private position of city council were evident, as each and every dime of taxes owed by the developer was earmarked, beforehand, to be eventually reinvested in the project through amenities provision. On the other hand, regarding in-kind payments, the public sector managed to have the developer pay for some transport infrastructures – part of the new metro station was private funded- as well as some green areas and community centers. However, while still valuable for local neighborhoods, the kind of amenities being built are even more useful for private developers as each of them allow for a better exploitation of monopoly rent: undeniably, green spaces are a premium feature for these kind of mixed use developments, furthermore, social spaces, by tapping in into the rich cultural life of Isola, allow the developer to 'cash in' social and cultural positive externalities, essentially by 're-purposing' the cultural life of the neighborhood in order to add to the value of the development.

When it came to welfare provisions, the situation was much worse indeed. In earlier drafts of the project a kindergarten and some social housing were planned, however rent-boosting amenities ended up sucking away all in-kind payments; so the kindergarten was scrapped, though local activist groups, such as SICET, underscored its importance for the neighborhood. Social housing was twisted into a way of subsidizing middle class young professional into a working class neighborhood, probably in the hope that they will further boost the, already fast, gentrificaiton process (Semi, 2011, Diappi, 2009). The events connected with the re purposing of social housing are particularly relevant. There is still some social housing planned in the Garibaldi Isola project -even if nothing has been yet completed in late 2013- however the 'subsidized' rents are definitely unfordable for an average Italian working class family. While residential units within the project were sold for as much as 11.000 €/m2, with the minimum price being 7.500 €/m2 (Bronzo, 2011), social housing has been quoted at around 3000 €/m2 . This kind of arrangement is almost unheard of because, even if city council and regional government have never protected the right to housing in any meaningful way, almost all previous development contained some small quota of subsidized housing which sold for much less than these figures (Memo, 2007).

This kind of impact is even more dramatic if we consider that's happening right at the doorstep of a working class neighborhood that is already is experiencing some serious negative externalities from the project.

Tab 2 – Variation of property values 2002-2012

Type	Variation 2002-2012 €/mq
Milan-other neighborhoods[3]	
residential: middle class housing	+ 21,5 %
residential: working class housing	+11,3 %
office space	+ 7,2 %
Isola	
residential: middle class housing	+36,4%
residential: working class housing	+29.7%
office space	+33.3%

According to the data from the Agenzia del Territorio, prices in the area have grown significantly, especially for working-class level housing. While the causes for this are legion its beyond doubt that there has been some serious 'spillover effect' due to the development.

In a nutshell the hegemony of the public sector has to be accounted for in a very specific political context, created by the relevance of private held assets and by private-influenced priorities, that means that the might of the new CL-backed coalition has been spent to further monopoly rent capture by private investors as the project implementation shows.

Conclusions

The political history of Garibaldi-Porta Nuova, because of its size, importance and 'least likely' configuration, turns out to be a good vantage point to analyze the changes that have swept all across local government and, in general, property sector regulators. Findings emphasize how the rise of financialized developers has been followed by a reorganization of the local governance coalition. In a nutshell: the 80s and early 90s had seen an overpowering hegemony of political parties, a situation in which these actors were so individually strong to force private actors into ancillary roles. This had to do with structural constraints in the property market, as it was, by comparison, not so lively, and with the setup of local, grant based, finance. Paradoxically, this power imbalance was what kept the local governance coalition from coalescing into a proper regime as each party would play 'their own game', though there was indeed an institutionalized way to mediate among actors, the lack of a common purpose, of a clear leadership and the embeddedness of the local coalition

3 Given that in Milan property prices decrease with distance from the center. I have compared Isola with others neighborhoods which are at the same distance from city center.

into nationwide-power arrangements, kept the coalition from achieving a significant degree of cohesion.

The switchover towards local taxation, followed by an increasing importance of the property sector, at a global and at a national level have been the two 'triggers' which rebalanced asset endowment. Conversely, the sudden demise of local political coalition and nationwide political arrangements, followed by a huge devolution of power towards regional governments, has been the spark that ignited a through reorganization of local power elite. What the analysis of citywide political arrangements and project-bound power relations show is that the CL-backed coalition had both the will and the means to enforce a growth based political agenda.

The claims advanced in this paper allow for significant contributions, both in the study of the financial-real estate complex and in the analysis of urban regime formation. What historical data upon the shifts into the local balance of power allow us to do is to understand local state restructuring as a consequence of the newfound importance of private-held assets. Namely how the monopolistic nature of the financialized property sector has affected priorities and hence the chances of organizing the local elite around a single overarching principle. The empirical context allow us a peek into the dynamics of regime formation and this is relevant in at least two ways. On one hand witnessing the rise of a new configuration in the property sector, by using the theoretical lens forged by Kantor and Savitch, allow us to identify what may be a very relevant exogenous variable, potentially able to singlehandedly overturn a set of, decades long, power relations. While it is still early to make broad claims about the relative relevance of this variable vis-a-vis others, in the actual causal chain, the relevance and existence of such a variable in the Italian context is definitely established.

On a side note, the lessons that can be learned from Garibaldi Porta Nuova also have a definite relevance for the wider topic of growth machine politics. Given that geographic taxonomy and national bias has always been the two main weak points of Molotch's analyitical framework (Molotch, 1993, 1999), and given that the best attempt to cope with this – i.e. Kantor and Savitch's work- has, definitely, some difficulties in accounting for the rise of the financial-real estate complex, what the analysis show is that: on one hand we can witness the rise of a very peculiar public-driven growth machine -where, judging 'by the books', a 'planner regime' should be-; on the other hand, this means that there is room for an expanded geographical taxonomy, one that can account for the shift in asset relevance generated by the conjoined phenomena of global real estate bubble and contemporary neoliberal state restructuring as well as the interlinked fiscal crisis.

However this work has significant shortcomings, mainly consequences of the early stage of reflections upon the nature of the financial- real estate complex. First of all, while we confidently (cfr. Aalbers 2012) take for granted the shift towards a new neoliberal – read private-interests driven- consensus on urban policy at a national and global level and concentrate on a local level there are huge hints that this kind of arrangement is backed by nationwide arrangements, connected to the reorganization of the financialized property sector and to an, implied, institutional capture of nationwide political bodies (Tocci 2009). So, there is definitely a need to check if these arrangements are relevant at a local level and, if so what kind of scalar power relations they enforce. Eventually, appropriate methodological tools will be needed to back the claim that, nationwide, the financialized property industry has risen to monopolistic status. However, looking at both the articulation of the governance coalition as well as the results of the planning process, its undeniable that the newfound centrality of real estate finance has, indeed, had an huge impact on built environment.

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