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Reserve Urban Spaces: The Political Economy of the Housing Foreclosure Crisis in the United States

Espacios urbanos de reserva: la economía política de la crisis de embargo en Estados Unidos

NABIL KAMEL*

Abstract

Over the last ten years, cities in the United States have experienced a sequence of rapid growth in residential development and homeownership rates followed by a historic economic recession and housing crisis. This paper advances the proposition that urbanization processes in the United States are linked to and dependent on “reserve spaces” of development that function to: a) absorb fluctuations in housing market cycles, and b) to allocate risks and costs in ways that disproportionately and negatively affect areas with higher concentrations of socially and spatially marginalized groups. In such regard, the paper suggests that “reserve spaces” are not mere by-products of boom and bust cycles, nor are they agents that drive processes of urban expansion and contraction, but rather, that they are the spatial manifestation of the political economic order and necessary inputs for sustaining such order. The paper links the concept of reserve spaces of development to previous empirical and theoretical studies, and tests this proposition by showing that areas that incurred high foreclosure rates were those that absorbed high growth rates during the real estate boom years, experienced high housing costs, and were socially and spatially marginalized. Findings also indicate that the dynamics associated with reserve urban spaces —as exemplified in the housing foreclosure crisis— have distinct social dimensions that put low-income minority and new-buyers at further disadvantage.

KEYWORDS: urbanization, housing market, reserve urban space, housing crisis.

Resumen

En los últimos diez años, las ciudades de Estados Unidos han experimentado una secuencia rápida de crecimiento residencial y de propiedades, seguida de una recesión económica histórica y de una crisis de vivienda. Este trabajo parte de la propuesta de que los procesos de urbanización están relacionados con, y son dependientes de, los espacios de reserva para desarrollo que a) absorben las fluctuaciones en los ciclos de bienes raíces, y b) distribuyen riesgos y costos que afectan de manera desigual y negativa a las áreas con concentraciones altas de grupos que sufren marginación espacial y social. Al respecto, el artículo sugiere que los “espacios de reserva” no son simples productos de un ciclo de auge y depresión, ni son agentes que influyen en procesos de expansión y contracción urbana, más bien son la manifestación espacial del orden económico y son bases necesarias para mantenerlo. El artículo relaciona el concepto de “espacios de reserva” con estudios empíricos y teóricos. Pone a prueba esa postura al mostrar que las áreas con tasas hipotecarias altas son las que obtuvieron índices de crecimiento elevados durante el auge de las bienes raíces; tuvieron precios más altos y fueron social y espacialmente marginados. Los descubrimientos indican que la

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dinámica relacionada con espacios urbanos de reserva —como se explica en la crisis de embargo— tiene dimensiones sociales diferentes que ponen en desventaja a compradores nuevos o de bajos ingresos.

PALABRAS CLAVE: urbanización, bienes raíces, espacios urbanos de reserva, crisis hipotecaria.

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Introduction: The Problem

This paper advances the proposition that urbanization processes in the United States are linked to and dependent on “reserve spaces” of development that function to: a) absorb fluctuations in housing market cycles, and b) to allocate risks and costs such fluctuations in ways that disproportionately and negatively affect areas with higher concentrations of socially and spatially marginalized groups. In that respect, the paper suggests that “reserve spaces” are not mere by-products of boom and bust cycles, nor are they agents that drive processes of urban expansion and contraction, but rather, that they are the spatial manifestation of the political economic order and necessary inputs for sustaining such order. The paper links the concept of reserve spaces of development to previous empirical and theoretical studies and tests this proposition by showing that areas that incurred high foreclosure rates were those that absorbed high growth rates during the real estate boom years, experienced high housing costs, and were socially and spatially marginalized.

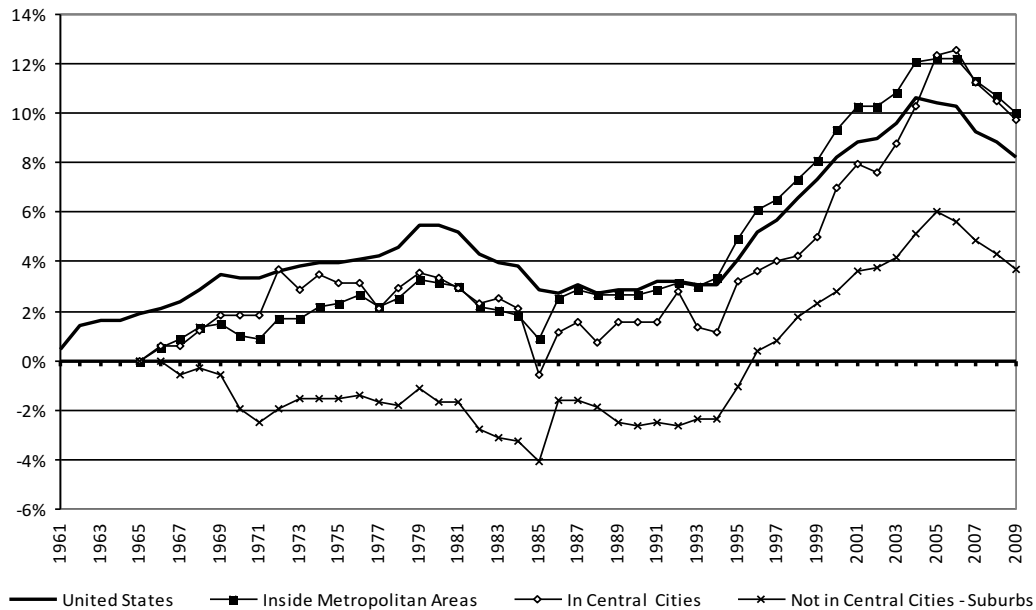
In fact, during the last four decades, and more precisely since the mid 1960's, urbanization of large metropolitan centers in the United States has been characterized by the intensification of development in urban margins (Beauregard, 2006; Harvey, 1990; Soja, 1989). The term urban margin is not intended here in relation to a geometric center. Rather, urban margins can take different spatial expressions depending on specific developmental trajectories. In some cases, urban margins can be located in urban fringes as the product of rapid and sprawling new development in the cheaper suburban and exurban areas. This is typically the case of newer metropolitan areas that experienced rapid growth in the postwar years (Short, 2006; Gober, 1984). In more established urban centers of the United States, urban margins can be located in their inner-cities as new development seeks opportunities for large-scale revitalization projects in mature suburbs and depressed urban cores areas (Short *et al.*,

2007; Rappaport, 2003; Smith 1996). This push for development in urban margins was paralleled by an increase in national homeownership rates from 62% in 1960 to a peak of 69% in 2009. During this period, the number of owner-occupied homes increased three times faster than the US population (US Census, 1960; ACS, 2009).

This historic real estate rally started in the mid-eighties (figure 1) and saw the largest growth in homeownership rates among minorities, especially Hispanics, Asians, African Americans, and Native Americans (US Census, 2010). Between 1994 and 2005, homeownership among Hispanics increased by 20%, Asians by 17%, Blacks by 14%, and Native Americans by 13%, whereas among Whites Not Hispanic increased only by 7%. This growth in homeownership was facilitated by rounds of deregulation of financial and lending institutions that were followed rapid real estate growth then by severe housing and financial crises. The Depository Institutions Deregulation and Monetary Control Act of 1980 produced the Savings and Loans debacle, and the Financial Services Modernization Act of 1999 contributed to the latest financial and housing crisis (Saulsbury and Curry, 1997; Seidman, 1997). Homeownership was also supported by an expanded availability of credit and loose, predatory, and fraudulent lending practices, especially among minorities (Wyly *et al.*, 2006). As the real estate sector heated, speculation from large and small investors further expanded demand for homes and created a self-reinforcing cycle of investment, appreciation, and speculation. In general, investments targeted almost everywhere and home prices increased significantly in most markets. Similarly, as the real estate market busted, home price declines and foreclosures were experienced throughout the country. However, these changes were not uniformly or evenly distributed as different areas reported wide variations in housing valuation and decline. This paper analyses the latest round of housing bubble and bust in the United States. We situate these dynamics in the context of a contemporary uneven geography of urbanization that is associated with a pattern of expansion and contraction in specific urban areas that we label “reserve urban spaces”. These reserve urban spaces serve to absorb excess real estate investments during periods of economic expansion and are the sites of disproportionate decline during periods of contraction. This paper focuses on the housing dimension of reserve spaces and shows that home prices increased the most in the lower and mid-range housing markets, especially in regions with new development and spatially marginalized from employment. These areas also incurred the greatest drop in housing price and highest foreclosure rates following the burst of the housing bubble. Findings also indicate that the dynamics associated

with reserve urban spaces —as exemplified in the housing foreclosure crisis— have distinct social dimensions that put low-income minority and new-buyers at further disadvantage.

Figure 1. Annual Cumulative Change in Homeownership Rates in the United States by Relation to Central City (base year = 1960 for the U.S. and 1965 for other areas)



Review of Previous Studies and Literature

Two sets of literatures are particularly relevant to our study. The first consists of research focusing on the latest housing foreclosure crisis as it relates to its social, spatial, and economic dimensions. We extract key methodological and empirical insights from this body of work to guide and validate our research. While this proliferous line of inquiry has generated valuable documentation of various dimensions of the housing foreclosure crisis, the majority of studies of the latest crisis focused on particular regions and cities and has yet to congeal into a coherent theoretical narrative. We complement this literature with insights from research on the contemporary political economy of urbanization.

We focus in particular on the intersection between spatial fixes, creative destruction, and the repeated cycles of valuation and devaluation in contemporary urban development. This study merges insights from both literatures to develop and test a theoretical proposition regarding reserve urban spaces that illustrates the socio-spatial dimensions of urban growth

and decline, as well as the effects of the housing foreclosure crisis on contemporary urban geography in the United States.

Socio-Spatial Dimensions of the Housing Foreclosure Crisis

A great deal of research has been published since the onslaught of the housing foreclosure crisis in 2007. This literature covers mostly two aspects of the foreclosure crisis: a) its spatial and housing characteristics of foreclosures and b) the socio-economic characteristics associated with high foreclosure rates and high-risk loans. There is a general consensus in national and regional studies of the housing crisis in the U.S. that areas with higher concentrations of socially disadvantaged groups were more likely to incur higher loan costs and foreclosure rates than other areas (Hall, Crowder, and Spring, 2015).

For example, studies of housing foreclosures in Minnesota (Grover *et al.*, 2007), New Jersey (Newman and Wyly, 2004), Texas (Mueller, 2006), Utah (Pedersen and Delgadillo, 2007), Washington, DC (Anacker and Carr, 2011), and others show that higher concentrations of minorities were associated with higher rates of foreclosures than their counterparts. While race was consistently a significant factor, studies suggest that income and economic conditions were also strong determinants of foreclosure rates. Lower-income households were also more likely to pay higher interests and have less favorable loans compared to other households. In fact, loan type and loan cost were among the strongest predictors of foreclosure rates (Immergluck, 2008; Immergluck and Smith, 2005; Kaplan and Sommers, 2009). Similarly, housing type provides another set of predictors for foreclosures.

In East Coast cities, areas with older homes were more likely to have higher foreclosure rates (Bostic and Kwan, 2008; Immergluck, 2009; Garcia, 2003). In newer Western regions, such as in the Los Angeles and Phoenix metropolitan areas, the opposite was true. Foreclosure rates were positively associated with newer homes, especially in exurban areas (Ong and Pfeiffer, 2008; Hollander 2011). This suggests that it is not a specific spatial geometry of inner-city versus suburb that influences foreclosure rates, but rather, that a socially constructed space of marginalization can provide a better framework for understanding risk and exposure to market fluctuations.

In fact, whether in inner-cities or suburbs, the spatial dimension of foreclosure was a function of a development pattern characterized by rapid and unsustainable increases in

home values (Bruecker *et al.*, 2012). This development had among its main targets a specific segment of the housing market: low-cost development for moderate- and low-income first-time buyers and renters (Newman, 2009; Newman and Wyly, 2004). Spatially, this new development was more likely to coincide with areas of high unemployment, lacking stable employment, and quality jobs, limited access to services, retail, employment centers, and longer commute times. While some scholars have positioned the foreclosure crisis within the context of global capital surplus, political economy, and uneven geography of urbanization (Immergluck, 2009a; Langley, 2009; Ong and Pfeiffer, 2008), the theoretical horizon of these studies remained within the confines of housing and the foreclosure crisis rather than situated within larger urbanization processes and its systemic crises. This paper complements these studies by developing and testing a framework that integrates the embeddedness of economic crises and the socio-spatial unevenness of urban development.

Uneven Development, Spatial Fixes, and Creative Destruction

The concept of creative destruction acquired renewed notoriety when Schumpeter outlined that creative destruction is the essence of capitalism in that it allows capital to overcome business-cycle-induced crises (1975). This is achieved through innovations in products, in production processes, and in market regulations that help remove legacy goods, investments, and systems of production and creatively open new venues for products and capital. The concept of creative destruction has been addressed earlier by Marx and Engels in *The Communist Manifesto* where they proposed that capitalist societies create environments and conditions that are too narrow to absorb the wealth created by them. The resulting crises destroy “a great part not only of the existing products, but also of the previously created productive forces” (1969: 17). The resolution of these crises comes through “enforced destruction of mass productive forces” and by the “conquest of new markets”.

The process of creative destruction usually also entails a significant spatial reorganization to redeploy investments, production, and markets (Smith 1986, Harvey 1982; 2001). The incorporation of new spaces into the system of accumulation through geographic shifts in investments provides a “spatial fix” for capital to deal with “the chronic tendency of capital to accumulate over and above what can be reinvested profitably in the production and exchange

of commodities” (Arrighi, 2006: 202). Both spatial fixes and the associated creative destruction are highly uneven processes —geographically and socially.

As Luxemburg (2003) and later on Harvey (2005; 2010) and others pointed out, these processes rely on primitive forms of accumulation, such as corporate fraud, Ponzi schemes, promotion of debt, and, when needed, outright plundering and violence. They also rely on the creation of reserve and latent pools of resources that can be drawn upon and incorporated into capitalist economy (Harvey, 2006). In that respect, the concept of “spatial fix” provides an explanation of how capital deals with problems of overaccumulation and economic stagnation, and for how capital extricates itself from spaces of decline to recover its expansionary character and restore its profitability in new spaces.

While the “spatial fix” has also been initially framed in terms of international or inter-regional shifts, it also informs analyses of intra-urban changes. Investment shifts, deployment of infrastructure, deregulation of rental markets, and lending practices are among the ways investments are reallocated in response to stagnation in one real estate market and to pursue more profitable ones. As with other forms of spatial restructuring, these processes also entail social disruptions, especially for marginalized social groups as they are subjected to losses in employment opportunities, desertion of businesses and services, and the ghettoization of their neighborhoods (Wacquant, 2008; Smith, 1996). They see their home values plummet and neighborhoods destroyed, thereby losing both the use value and exchange value of their homes (Logan and Molotch, 1987; Molotch, 1976).

The corollary of this line of inquiry is another form of spatial restructuring at the urban scale that deals with the gentrification of urban spaces. In this case the focus is on the processes and outcomes associated with real estate investments as they shift *into* previously marginal spaces, transfigure them to attract new consumers and displace existing residents. Here too marginalized social groups are subjected to disruptions in their livelihoods with being priced-out of their communities, cut-off from their networks of support, and displaced into other marginal spaces of the city. It is in this context that the concept of “reserve spaces of development” provides a useful framework for connecting processes of urban growth with those of decline as well as with their spatial and social dimension.

In conclusion, the proposition of “reserve spaces of development” integrates and complements two important concepts associated with contemporary urbanization process, namely the concepts of “spatial fix” and of “creative destruction”. The spatial fix provides an explana-

tion for a) the geographic reallocation of investments when primary spaces become saturated and/or stagnant and b) the associated decline of areas that lose investments. This is also the case with real estate development. However, as seen above, real estate markets in the United States go through periodic cycles of growth and decline and —unlike manufacturing and some types of services— housing and real estate development cannot be off-shored because they are constitutive elements of the urban fabric.¹ In that respect, the spatial fix provides a valid but partial explanation of urban development dynamics that does not take into account the spatial ebb and flow aspect of urban development. By integrating the concepts of “spatial fix” with that of “creative destruction”, the proposition of reserve spaces of development address both the cyclical nature of urban expansion and contraction.

Reserve Spaces of Development and the Foreclosure Crisis

The marked unevenness of the foreclosure crisis, the recent historic expansion of the housing market that preceded it, and previous rounds of expansion and contraction, reflect an oscillating pattern of development with distinct social, spatial, and temporal dimensions. In that respect, reserve spaces of development provide meaningful insights into the ways that real estate development, and housing in particular, are tied to sustaining the social and economic order under capitalism. At one level, reserve spaces provide an outlet for the absorption of capital investments when other sectors become saturated or unstable, such as in times of stagflation (stagnant economy accompanied by high inflation) or over-accumulation (Harvey, 1982; Smith, 1996). More importantly, and in order to weather the cyclical nature of real estate development with its periodic booms and busts, the cost of inputs has to remain under control and new markets have to be made available. Also, risks need to be minimized and existing assets have to be devalued through a process of creative destruction so that profitability of investments is maximized. Depending on development policies, infrastructure layout, and existing patterns of development, real estate investments in reserve spaces may be in inner-cities and older suburbs, or in fringe and exurban areas. In the case of inner-cities, reserve spaces are primed for development through state and municipal interventions to remove older structures, slum clearance projects, the designation of areas as blighted, and land

¹ National and regional shifts do occur, and while they account for long-term trends in population growth or decline, they are not a function of urbanization processes per se.

assembly (Angotti, 2008; Smith, 2002; Weber, 2002; Marcuse, 1997). For reserve spaces of development in fringe and exurban areas, investment risk is reduced and profitability is increased in other ways. Public expenditures in infrastructure projects are channeled to open cheap land for new development. Environmental, social, and health costs associated with sprawling development are externalized to consumers and the general public. The leapfrogging pattern typical of development in urban fringes undermines existing agricultural systems as a result of pollution, disruption to water supplies, and the loss of production competitiveness due to the erosion of economies of scale for markets and labor (Ackerman, 2010). Also, leapfrogging and skipping over properties adjacent to new development allows developers to manage speculation and to keep land values under control during the process of rural-urban conversion (Heim, 2001).

In both inner-city and suburban cases, reserve spaces provide venues to absorb real estate investments during periods of expansion. As spaces that are at the same time transitional and rapidly growing, they tend to target middle-income buyers and first-time buyers. In the case of the real estate boom that peaked in 2006-2007, real estate investments sought to further expand the housing market through questionable lending practices that targeted minorities. This resulted in a record increase of 32% in homeownership rates among minorities, especially Hispanic and Blacks during the period from 2000 to 2010 (AHS, 2011; Department of Housing and Urban Development, 2011).

Reserve spaces also perform a critical function during periods of market contraction. When the real estate market starts to show signs of hypersupply and contraction, reserve spaces experience disproportionate decline in land value, investment, and population. This contraction presents limited friction to withdrawal for investors and developers, as they simply hold on to their entitlements and stop new construction. Municipalities and families that invested during the period of expansion tend to experience much higher costs with loss of expected revenues, infrastructure maintenance costs, incomplete development, and devalued real estate and properties. As the devaluation cycle reaches its trough, and the real estate sector shows signs of recovery —depending on a number of factors (location, housing type, extent of development, etc.)— some of the devalued properties in reserve spaces present new opportunities for profit and become attractive for investment again, while others can remain stagnant for longer periods of time.

Spatial Fix, Urban Decline, and Reserve Urban Spaces: A Nexus

In this paper, we argue that urban change is associated with the production of reserve urban spaces that provide ancillary spaces for capital to invest in and withdraw from during periods of economic expansion and contraction. During periods of capital expansion, reserve spaces absorb excess capital without devaluing core areas by targeting different demographics, providing different housing types, building in previously less desirable or accessible locations, and lower construction costs. Similarly, during periods of capital contraction, capital withdraws first, faster, and in larger amounts from reserve urban spaces than from prime investment areas, which in turn helps minimize the downturn impacts on such prime areas. Reserve urban spaces, therefore, represent core-periphery dynamics *within* advanced capitalist economies and are articulated through urbanization processes. The geography of these core-periphery relations does not conform to Euclidian geometries of distance between centers and margins. As mentioned above, reserve spaces can be in new development in urban fringes as well as in revitalized inner cities. They function as spaces where real estate investments can be channeled through expanded homeownership, financial incentives, and innovative credit products.

These reserve urban spaces also play an important role in periods of contraction through the uneven distribution of devaluation. In a sense, reserve spaces shield the fundamentals of the “urban growth machine” from cyclical and systemic shocks. As reviewed above, the spatial dimension of capital fluctuations has its parallels in the socio-demographic characteristics of the populations affected. Therefore, reserve urban spaces are also characterized by limited investments in services, poor access to stable and quality employment, higher than average concentrations of minorities, unemployed, and low-income households. As seen above, these were also the characteristics of high areas with foreclosure rates. In the following section, we describe the research questions that operationalize the concept of reserve spaces and the methodology for testing them.

Research Questions and Methods

This study examines the relationship between foreclosure rates and specific socio-spatial characteristics that define reserve urban spaces as discussed above. We compiled a database of various foreclosure, lending costs, economic, housing, demographic, and spatial indi-

cators for all counties in the U.S. for the period from 2000 to 2010. This is the period that includes the years of the latest round of housing boom and bust and that is covered with reliable data. Counties are the most disaggregated geographic unit at which all variables are made available. Data for foreclosure rates was obtained from the New York Federal Reserve Bank (2011), which provided actual counts of active loans and foreclosures by type of loan up to November 2010². For this study, we tested foreclosure rates of Prime Rate Loans, which are supposed to be associated with the best credit and the most secure home value. We now know that this has not always been the case.

Nevertheless, by analyzing prime loans, our findings will err on the conservative side. In other words, foreclosure rates and conditions of marginalization will only be more exacerbated for sub-prime loans than for prime loans. We used the percent of active loans foreclosed in the fourth quarter of 2009, which is when the number of foreclosures peaked, and tested its relationship to indicators of degree of housing growth absorption, spatial marginalization, economic marginalization, and social and housing marginalization. Housing growth absorption is measured by percentage change in housing units during the housing boom period of 2000 to 2007. Economic marginalization is measured by the unemployment rate in 2007. Social and housing marginalization are measured by percent of owner-occupied units with mortgage paying more than 30% of household income on housing in 2007, median home value in 2007, and percent minority (not white) population in 2000.

Spatial marginalization is measured by the percentage of workers with a commute time greater than 30 minutes in 2000. These relations are tested using a linear regression model. Data is collected for all counties with a population of 100,000 or more and a rate of urbanization (ratio of urban to rural population) of 50% or more in 2000. We excluded counties in Alaska, Hawaii, and Puerto Rico since they represent specific housing markets that behave significantly different dynamics from the rest of the nation. This brought the total number of counties included in this analysis to 498 counties.

² Data for foreclosure rates and cost of loans are also available from the Home Mortgage Disclosure Act (HMDA), which provides loan and borrower information as well as default rates. However, these are not actual counts but rather synthesized from state and national counts. We therefore relied on the New York Federal Reserve Bank (2011), which publishes county and state data for the top 9 mortgage servicers. New York Federal Reserve Bank does not include data for areas with less than 200 loans. The bank estimates that the database covers up to 70% of all loans.

Analysis of Findings

Table 1 and table 2 (located at the end of the paper) present the results of the regression model. The R value of 0.67 and Adjusted R Square of 0.44, while they indicate that other factors account for the unexplained variance it also indicates a valid and strong model. The ANOVA test indicates that the linear relation is significant at the 0.01 level. Table 2 shows the relationship between the various predictors and the foreclosure rate. It also shows results of collinearity statistics by Tolerance and Variance Inflation Factors (VIF) —neither of which indicate collinearity problems. The results confirm the predicted relationships between foreclosure rates and urban growth as well as social and spatial marginalization.

The strongest predictors (i.e., with the highest standardized coefficients) had to do with two indicators of social and housing marginalization: the percentage of housing units with mortgage paying 30 percent or more of household income on housing cost and median home value. Both were significant at the 0.01 level. The first was positively associated with foreclosure rates, and the second one negatively. Also, percent minority and percent change in housing units were positive and significant predictors at the 0.01 level.

Percent of workers commuting more than 30 minutes was also a positive and significant predictor at the 0.05 level. The somewhat unexpected result was unemployment rate in 2007, which was not a significant predictor of foreclosures.³ This can suggest that official unemployment rate as a category may not capture quality and stability of employment, and/or that it had a lagged effect. Other studies that include labor force structure by different industrial sectors and occupations may add to the explanation.

It is worth pointing out that this nationwide analysis at the county level, while providing generalizable evidence of such reserve spaces also presents some limitations. The county as unit of analysis can be complemented by a finer grain study of the local patterns of development and foreclosure. As pointed out above in the review of the literature, a number of scholars did such studies for different cities and regions.

However, some studies found that older inner-cities were more likely to experience foreclosures and decline, while other studies found the opposite in the urban periphery and new suburbs. This paper reconciles these seemingly contradictory findings by putting forward

³ Unemployment rate in 2009 was a significant predictor; however, it lacked the lag effect and introduced endogeneity from the effect of the housing foreclosure. Therefore, we opted not to use it as an indicator of economic integration-marginalization.

and testing a concept of reserve spaces that are defined by social as well as spatial characteristics. In other words, reserve spaces do not conform strictly to a Euclidean geometry but rather reflect the interplay between factors of spatial marginalization and those of social marginalization. This interplay accounts for both the clustering of foreclosures as well as the checkerboard pattern that results from different socio-economic conditions of adjacent households.

Conclusion

In conclusion, our findings support the proposition that reserve spaces provide an outlet for development that allocates risks and costs of housing market cycles in ways that disproportionately and negatively affect areas with higher concentrations of socially and spatially marginalized groups. This is evidenced by the significance of growth in housing development as a predictor of foreclosure. Findings also support the claim that these reserve spaces are socially and spatially marginalized as evidenced by the significance of concentration of minority population as percent of total population, cost of housing in terms of mortgage payment relative to income, and distance to work expressed in terms of percent of workers with a commute time of more than thirty minutes.

These findings carry important theoretical and policy implications. At the theoretical level, this paper empirically corroborates propositions of accumulation by dispossession embedded in urbanization processes in the United States. More importantly, the concept of reserve spaces of development contributes to the understanding of the contemporary political economy of urbanization by connecting the concept of creative destruction to the cyclical processes of urban growth and decline that characterize housing and urban development in the United States. It also provides a socio-spatial dimension to such processes and associates the distribution of their negative outcomes with specific conditions of marginalization, in this case on the basis of housing affordability as well as race/ethnicity.

This study shows that reserve urban spaces of development are used to allocate in uneven ways the effects and costs of the cyclical crises of capitalism and to resolve its internal contradictions. Moreover, spatial unevenness corresponds with the socio-demographic characteristics of accumulation by dispossession, whereby areas with high concentrations of socially disadvantaged groups and reserve urban spaces coincide. Finally, a central theoretical contribution from this study is that it shows that the spatially and socially uneven urban

development is not a mere by-product or residue of capital accumulation, but rather an inherent phenomenon and necessary aspect for sustaining the political economic order.

From a policy and planning perspective, the study shows the effects of financial institutions' deregulation on urban space as it becomes increasingly subject to forces that extend beyond municipal control. The pattern of development experienced by the United States after WWII has two important related features: a) the recurrence of crises associated with real estate development, and b) the externalization of the risks and costs away from capital and onto the general public. With the rise of the neoliberal ideology in the early 1970s and then its unchallenged dominance, such risks and costs have been increasingly externalized and passed onto marginalized social groups (Mirowski and Plehwe, 2009). In the latest housing crisis, the political economic order has been able to withstand these shocks, as developers in most cases had already externalized their costs through pre-sales and thereby only lost profits and not real capital while, at the same time, all levels of governance from municipal, to state and federal sought ways to creatively soften the blow on —or outright bail out— lenders and financial institutions.

Despite the fact that real estate crises prove to be increasingly more expensive, more difficult to contain and mitigate its impacts (from the local to the global), and to have a prolonged and painful recovery, efforts for regulating the financial sector at the federal level are met with renewed resistance. This leaves cities and regions vulnerable to such cyclical shocks, especially when their finances depend on revenues from development permits and fees, related employment, associated tax returns, and are based on projections of continuous and unabated growth. That is not to say that cities and municipalities cannot mitigate or even take advantage of these repeated economic cycles. In fact, rather than externalizing development costs and promoting a “good business climate” at the expense of marginalized populations (Logan and Molotch, 1987), adequate and proactive urban space regulation can channel investments during periods of growth in ways that reinforce the social and spatial urban fabric. This can be achieved by ensuring that housing affordability provisions are incorporated in new development, that development fees are used to support public transportation and infrastructure upgrades, that local activities and public spaces are enhanced and protected from development pressures, and so on. Similarly, municipal plans should prepare for and address periods of economic stagnation and decline. Progressive cities that do not depend on permitting fees or sale taxes can take advantage of unique opportunities associated with cycles of

real estate expansion and contraction. During an economic downturn, investments in vacant property acquisition, land banking, and public infrastructure are significantly less costly than during normal times and can result in net gains. These gains can be used to leverage programs that redress social and spatial inequities. For example, a proactive municipal approach can create investment/reserve funds and use them for land banking during periods of real estate decline. Land banked would support affordable housing, either through returns on such investments when the real estate market recovers or through savings from the low cost of land acquisitions.

At the federal level, there are more democratic alternatives to merely rescuing financial institutions, even in the absence of adequate financial regulations. Increasing direct federal aid for the relief of homeowners would allow them to keep their homes and livelihood, meet their mortgage obligations and; at the same time, indirectly assist troubled financial institutions, maintain home values, and protect the livability of neighborhoods.

Tables

Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.665 ^a	.442	.435	.01472766

a. Predictors: (Constant), % Unemployment 2007, % Owner-occupied units-with mortgage monthly cost > 30% of income 2007, Median value of owner-occupied housing units 2007 (dollars), % Change in housing units 2007-2000, % Minority (not white) 2000, % workers with travel time >30 minutes 2000

Table 1. Model Summary: Dependent Variable Foreclosure Rate in The Fourth Quarter of 2009

ANOVA^b

<i>Model</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	.084	6	.014	64.818	.000 ^a
	Residual	.106	491	.000		
	Total	.191	497			

a. Predictors: (Constant), % Unemployment 2007, % Owner-occupied units-with mortgage monthly cost > 30% of income 2007, Median value of owner-occupied housing units 2007 (dollars), % Change in housing units 2007-2000, % Minority (not white) 2000, % workers with travel time >30 minutes 2000

b. Dependent Variable: % Prime rate loans in foreclosure Q4-2009

Table 2. Regression Coefficients: Dependent Variable Foreclosure Rate in The Fourth Quarter of 2009**Coefficients^a**

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>	<i>Collinearity Statistics</i>	
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Tolerance</i>	<i>VIF</i>
1 (Constant)	-.032	.003		-9.381	.000		
% Unemployment 2007	6.936E-5	.001	.005	.131	.896	.784	1.276
% Owner-occupied units with mortgage monthly cost > 30% of income 2007	.185	.011	.856	16.285	.000	.412	2.429
Median value of owner-occupied housing units 2007 (dollars)	-6.577E-8	.000	-.463	-9.002	.000	.431	2.323
% Change in housing units 2007-2000	.021	.006	.120	3.341	.001	.883	1.132
% Minority (not white) 2000	.014	.004	.127	3.431	.001	.828	1.207
% workers with travel time >30 minutes 2000	.014	.007	.085	2.059	.040	.665	1.503

a. Dependent Variable: % Prime rate loans in foreclosure Q4-2009

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