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## Sentimentality or speculation? Diaspora investment, crisis economies and urban transformation ☆



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### ABSTRACT

This article explores political and moral economies of diasporic investment in urban property. It challenges uncritical policy discourses on migrant investment that romanticise transnational family and entrepreneurial networks by assuming diasporic social embeddedness, mutual trust, risk-reduction and socio-economic benefits, often founded in neo-liberal assumptions. The article elaborates alternate starting propositions emphasising the conflicting interests and predatory business practices that characterise informalised state governance and episodes of crisis. It stresses the importance of understanding changing regulatory regimes over finance and urban property. Migrants' desires need to be scrutinised in relation to those of a range of other actors who cannot be assumed to have convergent interests – including relatives, investment advisors, money transfer companies, estate agents, property developers. The article takes the case of hyperinflationary Zimbabwe, where remittances from the displaced middle classes not only provided essential familial support, but were also materialised in urban real estate, contributing to inflated property prices and a residential construction boom in the capital city. Diasporic investors were vulnerable to fraud due to the combination of effects of fantasies of successful return to dream homes and irregular regimes for remittances and property. But there were notable speculative opportunities for those with government connections. New diaspora suburbs and homes that have transformed the landscape of the Harare periphery stand as material testimony to the intersection of emigré sentimentality and the speculative informalised economy of the crisis years.

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### Introduction

Diaspora investment in property here cannot be for purely financial reasons, a level headed person would invest elsewhere ... it's either sentimentality or speculation. . .

[Investment consultant, Harare, 16 December 2010]

On 20 January 2006, the diaspora newspaper, *The Zimbabwean*, ran a headline 'Homelink scam exposed'.<sup>1</sup> Tendai Mauchaza, a Zimbabwean social worker based in Leeds, accused the government diaspora investment scheme, Homelink, of cheating him. Mauchaza had been paying monthly instalments for a luxurious Spanish villa to be built on the Charlotte Brooke estate in the capital's upmarket suburb of Borrowdale Brooke. But the plans had been changed without his knowledge, and he had not received keys or title deeds.

A relative who had inspected the property on his behalf described a partially completed building made of home-made bricks that were crumbling in the rain, on a site 26 km out of town in the rural area of Domboshawa. In response to the story, readers in the UK, USA, Canada and elsewhere wrote into the paper's 'property watch' forum with their own tales of frustration at Homelink: 'No mercy from government thieves'; 'Fellow countrymen, beware!' 'Homelink was only set up to RIP OFF diasporans of their hard-earned money. STOP THESE HOMETHIEVES NOW!!'.<sup>2</sup>

Homelink was unpopular in the diaspora for political reasons as well as concerns about predatory, irregular modes of operating. Yet the scheme was part of a broader proliferation of new businesses offering transnational financial and investment services to Zimbabweans living abroad. These businesses emerged to meet the demand within the diaspora for means to remit and take advantage of what foreign currency could materialise in the irregular money and property markets of Zimbabwe's crisis economy. The

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<sup>1</sup> Wilf Mbanga, 'Homelink scam exposed', *The Zimbabwean*, 20/01/06.

<sup>2</sup> Farayi, UK, 'No mercy from government thieves', *The Zimbabwean* 01/02/06; Admire Zhakata, Montreal 'Homelink – my story', *The Zimbabwean*, 8/02/06; Fedup UK, 'Displeasure at Homelink', *The Zimbabwean* 1/02/06.

diaspora was widely blamed for soaring property prices and fueling a residential construction boom in Zimbabwe's capital Harare that peaked as hyperinflation spiralled out of control. Stories circulated of students, nurses and carers becoming the proud owners of amazing mansions. By February 2009, when the Zimbabwe dollar was withdrawn and the Inclusive Government was formed between the ruling ZANU(PF) and the two opposition Movement for Democratic Change (MDC) parties, ushering in a period of relative economic stability, the landscape of the Harare periphery and satellite towns showed the signs of a decade of politicised and irregular new residential building. Migrants had bought up existing housing throughout the city, as well as speculating and building on new plots (called 'stands' in Zimbabwe). New middling class 'cluster' developments, and medium to low density 'diaspora suburbs' on the city fringes and in Harare's satellite towns, however, were particularly associated with diasporic investment. Some who benefitted during the crisis period – individual migrants and directors of property companies – even spoke with a degree of nostalgia about the times when 'a poor man in the diaspora could buy the best house in town'<sup>3</sup> and 'US\$100 would buy a whole truckload of cement'.<sup>4</sup>

This article explores the political and moral economy of this episode of diaspora investment in property to several ends. First, it develops new strands of inquiry into international migrants' role in shaping city spaces (Glick Schiller and Çağlar, 2011), by calling for greater attention to the ways in which diasporic remittances relate to trajectories of change in homeland cities, and the effects of changes in state governance. In so doing, it extends Glick Schiller and Çağlar's agenda for bringing together migration and urban studies, which focuses on the relationship between migrants' differential incorporation and urban rescaling processes in countries of settlement. Their framework, which concentrates on Western cities and places explanatory weight on neo-liberal transformations, largely ignores debates over intersections with urban dynamics and governance in countries of emigration. Yet new 'diaspora suburbs' and other material transformations to homeland cityscapes, which are the tangible manifestation of diasporic investment, are produced through particular and changing state regimes. They are inadequately explained simply through invocations of neoliberalism or explorations of migrants' aspirations.

Second, the article provides a critique of policy discourses on diasporic transnational investment. Government and international agencies have encouraged such investment, as part of a policy shift 'beyond remittances' to 'tap diasporic wealth' more broadly (Terrazas, 2010; Plaza and Ratha, 2011). The logic lying behind these policies is frequently based on abstract economic calculations showing the benefits of transnational financialisation through its stimulus to construction industries, employment and potential to alleviate housing shortages, often rooted in neo-liberal assumptions. There is little attention to political economy and potentially conflicting interests, or to the dynamics of irregular routes and markets. Debates have generally focused on national or household scales rather than exploring relationships to neighbourhoods or cities. They tend to assume that migrants can navigate high risk contexts because: '(1) diaspora investors benefit from special information regarding investment opportunities in their countries of origin, and (2) that diaspora investors accept below-market rates of return on investment due to patriotic sentiments' (Terrazas, 2010: 9).

Such assumptions of superior knowledge and social embeddedness are, however, questionable: Terrazas believes they deserve a

'healthy degree of scepticism' (2010:9). Moreover, in crisis contexts, they can be particularly misleading (Lubkemann, 2008: 46). As Lubkemann elaborates, during crises, economic changes are profound, spatially varied, politicised and unpredictable, while diasporic interests at home are heterogenous and tend to rely on shifting and informal channels (Lubkemann, 2008; Smith and Stares, 2007). Politicised crisis contexts can highlight the weaknesses in policy discourses on migrant investment particularly starkly. As there are continuities between 'crisis' and 'non crisis' contexts, approaches that scrutinise political and moral economies rather than assuming privileged diasporic knowledge or convergent interests have a wider, general application. Alternative starting assumptions need to avoid crude generalisations, not just of the romanticised kind presented in developmental policy literatures, but also un-nuanced critiques that would condemn all transnational business opportunities in Africa as extensions of neo-patrimonial networks. Rather it is important to recognise the multiplicity of channels and varied relations with diverse states (Davies, 2012). The analysis here of diasporic sentimentality and the speculative investment opportunities of Zimbabwe's irregularised hyperinflationary economy thus furthers understanding not only of the effects of remittances in crisis contexts (Brinkerhoff, 2008; Lubkemann, 2008; Lindley, 2009; Van Hear, 2011), but can also provide lessons for developmental contexts and advance broader policy debates.

Third, the article elaborates alternate propositions that can provide a better starting point for analyses of transnational diasporic investment. These can be summarised as follows: (a) Flows of money through family networks tend to be contentious and crisis conditions exacerbate the potential for interests to diverge within transnational families notwithstanding the premium on trust produced by extreme insecurity. (b) Diasporas (or sections of them) can become disconnected from homeland communities over time, and this can occur particularly rapidly in crisis contexts. (c) Opportunities for predatory businesses can open up during episodes of political transition and neo-liberal deregulation, and flourish in situations of repression and war. Such entrepreneurship should receive as much attention as its philanthropic, 'social' counterpart. Transnational businesses and their connections to state governance regimes over finance and urban property need to be discussed in a manner that is alert to diversity, shifting opportunities, heterogeneous interests and politicisation. (d) Informalised transnational finance and property development businesses are imbricated with, rather than separate from the state, and their relationship to changing modes of governance is centrally important. Roitman's distinction between 'state power' and 'state regulatory authority' is useful in making sense of 'the supposed contradiction between the expansion of unregulated activities – such as fraud and contraband, which seem to indicate a loss of state control – ... and the continuity of state power in its military forms and its capacity for redistribution' (Roitman, 2005: 20). Commentators on urban expansion in India, China and parts of the former eastern block similarly invoke the idea of 'informalised state power' to capture the mutual imbrication of state regimes with irregular credit and construction bubbles (Roy, 2009; Woodworth and Ulfstjerne, 2014; Musaraj, 2011). (e) The legacies of episodes of crisis are profound, multifaceted and likely to be protracted over time.

The article is based on interviews with individual investors and people working in institutions involved with transnational finance and urban property in Zimbabwe's capital Harare and satellite towns (members of the Zimbabwe Real Estate Institute and the Estate Agents' Council, asset managers, local authority housing departments, directors of companies offering advice, facilitating purchases or building on behalf of Zimbabweans abroad). Harare's satellite towns of Ruwa and Norton were included because they have been a particular focus for diasporic property investment.

<sup>3</sup> Interview, social worker building Harare home, 27/09/10; cf Director, property company and member of Estate Agent Council Zimbabwe, 22/03/11.

<sup>4</sup> Investment manager, Harare, 16/12/10.

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