

While the collapse of Lehman Brothers threatened a global economic catastrophe an urban research workshop was held at University College London to discuss the way space, culture and capital combine in shaping the turbulent economic landscapes of industrial cities today. Hosted at The Bartlett School of Architecture the event featured a keynote from Professor Sir Peter Hall and heard new research from an interdisciplinary group of leading and emerging thinkers from across the fields of architecture, planning, economics, geography and cultural studies.

The first issue of FIGAROPRAVDA collects the transcripts of these talks, together with new writing and photography stimulated by the contributions. Brought together this material provides a wider audience with an accessible and compelling set of perspectives on the urban causes and unfolding consequences of the great crash of 2008.

FIGAROPRAVDA 1
AUTUMN/WINTER 2009
24 OCTOBER 2008: THE ARCHITECTURE AND
URBAN CULTURE OF FINANCIAL CRISIS –
THE BARTLETT WORKSHOP TRANSCRIPTS

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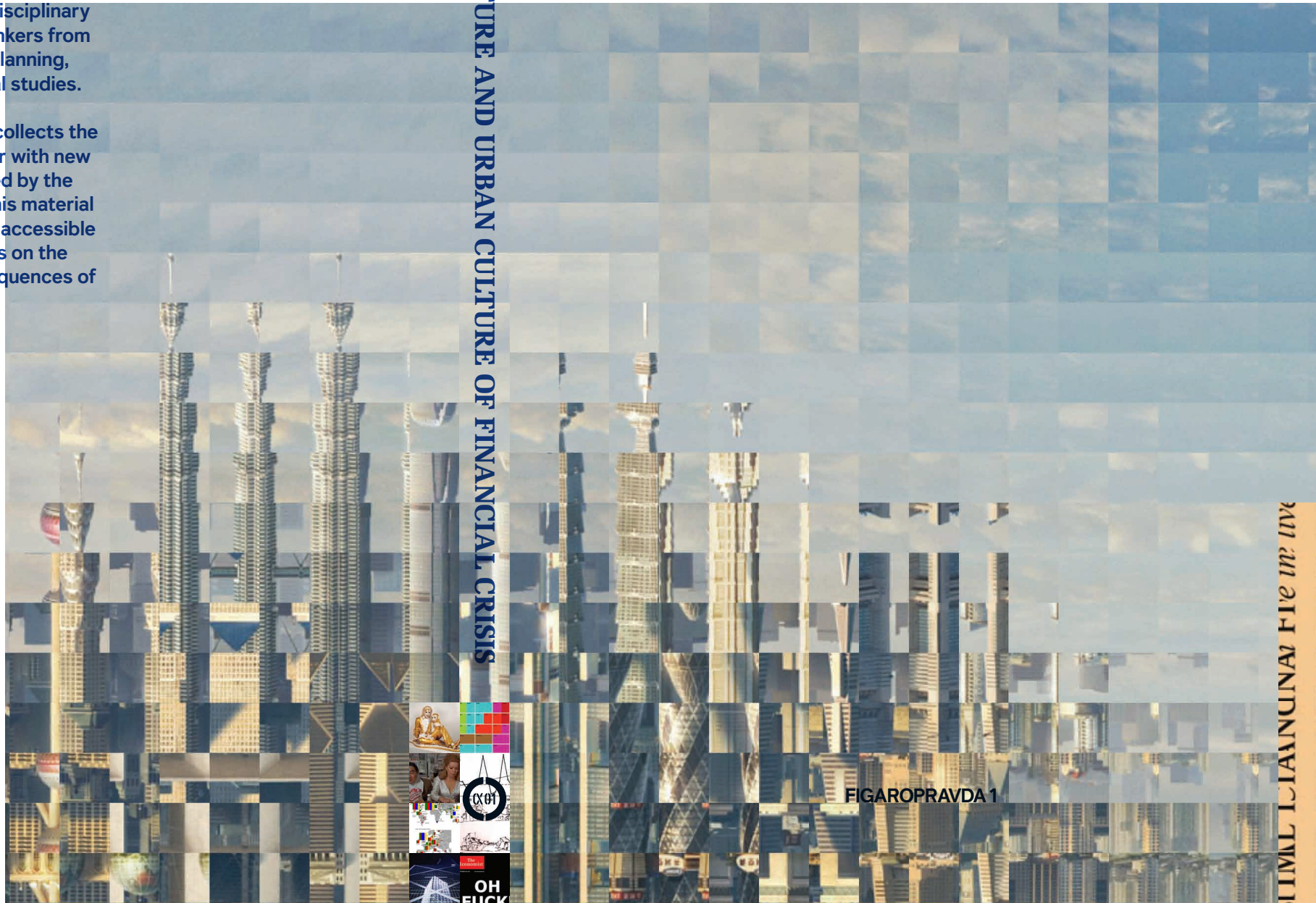


THE ARCHITECTURE AND URBAN CULTURE OF FINANCIAL CRISIS

24 OCTOBER 2008

THE ARCHITECTURE AND URBAN CULTURE OF
FINANCIAL CRISIS

THE BARTLETT WORKSHOP TRANSCRIPTS



FIGAROPRAVDA 1

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WHEN THE CITY BECAME TOO COMPLEX

THE ARCHITECTURE AND URBAN CULTURE OF FINANCIAL CRISIS

A ONE-DAY URBAN RESEARCH WORKSHOP INVESTIGATING THE RELATIONSHIP OF FINANCE AND THE BUILT ENVIRONMENT

24 OCTOBER 2008

09:30 – 17:30

**THE BARTLETT SCHOOL OF ARCHITECTURE
WATES HOUSE 22 GORDON STREET WC1**

**PROFESSOR SIR PETER HALL
DR DARIUSZ WÓJCIK
DR ANDREW HARRIS
DAVIDA HAMILTON
MAX NATHAN
PROFESSOR MARIA KAIKA
LAWRENCE WEBB
PROFESSOR MATTHEW GANDY**

CONVENED AND ORGANISED BY LOUIS MORENO

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OF FINANCIAL CRISIS – THE BARTLETT
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Yvan Johnson said the reality of the contemporary city is too complex for communication. Undeterred FIGAROPRAVDA is a journal collecting critical material that tries to disclose the dynamic economic, technological and cultural dimensions of urban experience.

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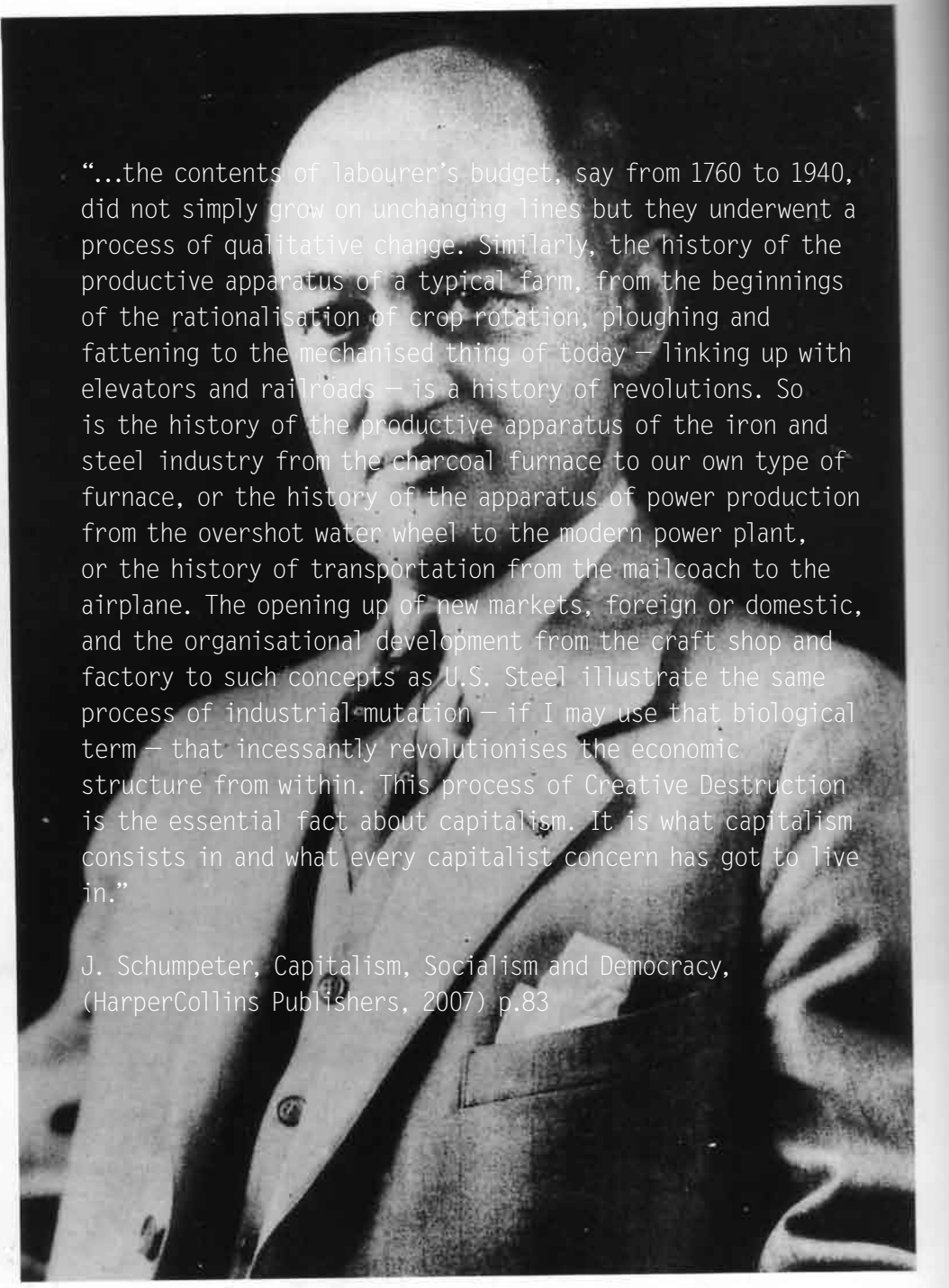
**THE ARCHITECTURE OF FINANCIAL
CRISIS**

Louis Moreno

FOREWORD

Joseph Schumpeter said the essential fact of capitalism is the tendency to incessantly revolutionise its own economic structures. He argued that these cyclical events, which break on economies like tidal waves, emerge from within the banking system – the headquarters of capitalism. Since 2007 Schumpeter's notion of Creative Destruction has become a popular concept to explain the chaos Wall Street created. But what are the specifically spatial and cultural dimensions to this story of wealth creation, destruction and reconstruction?

In October 2008, a few weeks after the collapse of Lehman Brothers, a seminar at the Bartlett School of Architecture brought together an interdisciplinary group of leading and emerging urban scholars to discuss the ways that space, culture and capital condition and define the turbulent landscapes of contemporary cities.

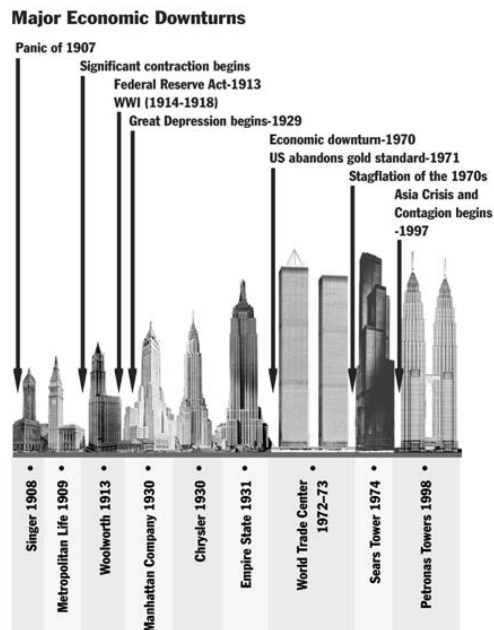


“...the contents of labourer's budget, say from 1760 to 1940, did not simply grow on unchanging lines but they underwent a process of qualitative change. Similarly, the history of the productive apparatus of a typical farm, from the beginnings of the rationalisation of crop rotation, ploughing and fattening to the mechanised thing of today – linking up with elevators and railroads – is a history of revolutions. So is the history of the productive apparatus of the iron and steel industry from the charcoal furnace to our own type of furnace, or the history of the apparatus of power production from the overshot water wheel to the modern power plant, or the history of transportation from the mailcoach to the airplane. The opening up of new markets, foreign or domestic, and the organisational development from the craft shop and factory to such concepts as U.S. Steel illustrate the same process of industrial mutation – if I may use that biological term – that incessantly revolutionises the economic structure from within. This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in.”

J. Schumpeter, *Capitalism, Socialism and Democracy*,
(HarperCollins Publishers, 2007) p.83

On one level an explanation was given nearly a decade ago. In some downtime following the 1997 Asian crisis, an economist at the investment bank Dresdner Kleinwort Wasserstein concocted a metric correlating extreme architecture with market panic. Called The Skyscraper Index it provided a historical series linking a chain of critical financial crises with the world's tallest buildings. Early icons like the Singer and Metropolitan Life signaled the 1907 panic; the Great Depression followed in the wake of the Chrysler and the Empire State buildings; the World Trade Centre presaged 70s stagflation; and, in the era of globalization, the Petronas Towers in Malaysia and Taipei 101 in Taiwan laid the foundations for the 1997 debacle. As this exercise was intended as simple light relief from the Asian storm what was remarkable was how robust the model's foundations were. In spring 2005 the Skyscraper Index was interrogated by the Quarterly Journal of Austrian Economics who were impressed by its statistical acuity. Financial storm chasers were advised to keep watch for an extreme financial event foreshadowed by a tower rising in Shanghai in 2012. In fact we didn't have to wait that long. Still incomplete, the Burj Dubai building took the prize in July 2007. Just a month later, the US subprime mortgage market fire spread confounding the risk models of forecasters, triggering waves of wealth destruction, and sending national economies into uncharted territory.

Figure 1
Skyscrapers and Economic Crisis



Faced with a credit cataclysm, news media hyperbolised the skyscraper index to its nightmarish conclusion. In October 2008 the cover of Time magazine conflated credit crunch and climate change submerging London's iconic monuments under the banner "London's Sinking". Striking a more existential note of horror The Times employed greyscale gothic to render Lehman's ruin. "The world is on the brink. The market is puking all over us. There's no capital left in the world" said a nerve shattered senior banker.





Fear stalks the banks

Halifax to be rescued by Lloyds TSB ● Up to 40,000 jobs could be lost ● Will Morgan Stanley be next?

Patrick Hosking, Sicilian Kennedy
 Britain's biggest savings bank will be rescued from the brink of collapse this morning in a deal intended to stave off financial catastrophe but likely to put tens of thousands out of work.
 As Halifax Bank of Scotland finalised an emergency takeover by Lloyds TSB, two of Wall Street's most powerful investment banks were scrambling to survive. Shares in Morgan Stanley and Goldman Sachs, once the storm-troopers of global capitalism, tumbled, prompting fears for their future.
 One shell-shocked senior banker in

London said that there was no future left for the traditional investment bank. "The world is on the brink. The market is puking all over us. There's no capital left in the world," he said.
 On a day of undisguised market panic, the US Government was forced to nationalise AIG, America's largest insurer; the price of gold soared as panicked investors rushed to find safe havens; others sought shelter by buying US government bonds at levels not seen since Pearl Harbor in 1941; and Gordon Brown personally intervened to enable the fire sale of HBOS to Lloyds to create Britain's biggest bank.

The deal could cost as many as 40,000 jobs across Lloyds and HBOS branches, call centres and head offices, according to one estimate. The new bank will be called Lloyds Halifax, raising concerns north of the border that it will lose its Scottish identity.
 In a measure of how close policy-makers believe Britain may have come to financial anarchy, ministers were preparing to invoke the national interest to allow them to waive normal competition rules and push the deal through quickly.
 Lloyds agreed to pay 232p a share to HBOS shareholders in new Lloyds

The banking crisis
Leading article, page 2
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shares. The deal values HBOS at £12 billion, less than a quarter of its value 18 months ago. Shares in HBOS, which owns Halifax, Bank of Scotland and Birmingham Midshires, had crashed by more than half to 88p in early trading before reports of the rescue deal sent them soaring again. They ended at 147p, down 19 per cent on the day. According to sources close to the deal, no public money will be injected into the new bank.
 Official figures yesterday revealed the biggest monthly leap in unemployment since 1992, with 1.7 million Britons now out of work.

US nationalises AIG
 The US Government deems the insurance giant too big to fail and takes it over with \$85 billion of public money. It is the first nationalisation of a private financial services business in the US since 1930s. **Page 52**

Bank extends funds
 Mervyn King, the Governor of the Bank of England, extends the Special Liquidity Scheme to help to fund British banks. He had said last week that the scheme would close on October 21 as planned. **Page 44**

Stocks in free fall
 The FTSE 100 sinks 113.2 points to end at 4912.4, the lowest since mid-2005. The Dow Jones industrial average falls 49.40 points. Trading is halted on Russian markets awaiting a government bailout plan. **Page 55**

Goldman slides
 The share prices of Morgan Stanley and Goldman Sachs, the last two big independent banks of Wall Street, suffer massive falls, fuelling expectations that they could be forced to sell up. **Page 44**

Dollar dips, gold up
 The dollar is beaten down against other currencies on concerns that US banks are in peril. Saudi Arabia, Kuwait, Bahrain, Oman, Qatar and the UAE agree in principle to a common currency. Gold rises 10 per cent to \$857.40. **Page 55**

Jobless on the rise
 The number of people receiving jobless benefits rose by 32,500 last month, the sharpest increase since the end of the recession in December 1992, fuelling fears that the unemployment figures are set to soar. **Page 49**

Buildings described the symptoms of boom and the results of bust, but was there a more fundamental urban basis for these cycles of euphoria and revulsion? The high level causes were well documented –



Asian savings,



deregulated financial capital,



errant lending,

faulty rating agencies,



and overproduction of credit



– but this story was as far removed from everyday life as the financial processes which induced the shock. The run on Northern Rock, the liquidation of Woolworths meant the crisis on Wall Street reverberated on Coronation Street. Suddenly jobs were threatened; houses and pensions rapidly lost value; reservoirs of credit for business and consumption dried up. The almost science-fiction like story of financial crisis suddenly became the stuff of social realism. But despite the intense media coverage of the crash, very little was on offer explaining how speculative finance had so successfully saturated the mundane episodes of everyday life.





This gap was what the workshop tried to fill – what forms had the urban meshwork of physical and fiscal relations taken; why had culture become both a target of speculation and an instrument of value engineering? Looking beyond discrete symbolic and functional explanations, the workshop set up a dynamic relay of critical perspectives on urban and financial transformation.

A group of established and emerging scholars, whose research links space, culture and economy, were invited to develop a broad urban response to economic crisis. Peter Hall's keynote revisited Kondratieff and Schumpeter describing cyclical patterns in the way urban industrial structures and cultures transform. Dariusz Wójcik, a lecturer in economic geography at the University of Cambridge, scrutinised some myths and facts about globalization based on his recent work on the geographical concentration of financial activity. Andrew Harris of UCL's Urban Laboratory linked the rise of London as a global city to the dual trajectories of the city's finance and art markets. Max Nathan, a researcher at the LSE, reflected on city-centre led economies and the future prospects for urban regeneration. Davida Hamilton director at space planning practice DEGW, explained the economic tendencies changing work styles and space usage. Maria Kaika, professor of geography at University of Manchester, gave a critical account of the changing architectural image and ideology of the City of London. Lawrence Webb, a researcher in the film studies department at King's College London, examined how the economic crisis of the 1970s affected the cinematic representation of cities. Finally, Matthew Gandy, professor of geography and director of the Urban Laboratory traced a line through this complex network of cultural and economic thinking.



5



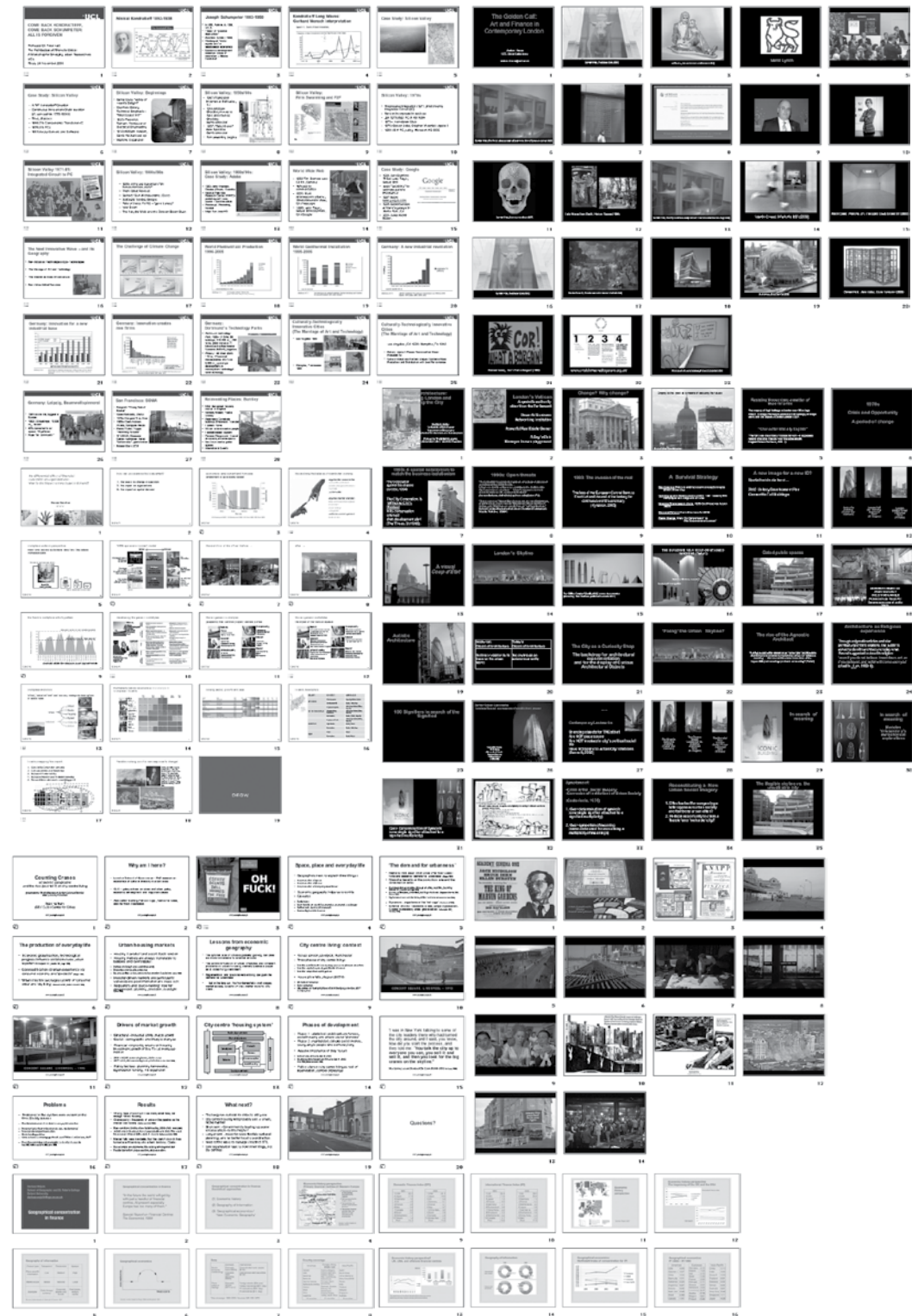
This text collects the verbatim transcripts of the presentations (including Matthew Gandy's incisive, on the spot, response) for a wider audience interested in the political and cultural economy of urbanization. To comfortably accommodate subject areas as diverse as architecture, planning, economics, geography and cultural studies it is divided into three sections addressing the following areas: the impact of global markets and geography and culture; the effect of the UK's economic boom on urban lifestyles and work patterns; and the way financial capital is institutionally and culturally articulated in architecture and media. These sections are divided by a set of visual essays (compiled using the photography of Jun Keung Cheung – busstrikeproductions.co.uk and Max Nathan – squareglasses.wordpress.com) which contextualise some of these themes as they appear today through London's landscape.

Since all speakers spoke with considerable concision and clarity the transcripts have only been lightly edited; and to convey something of the day's energy I have tried to preserve the immediacy and fluency of direct speech. It's true that a talk is not the same as an essay; nevertheless these pieces feature a high level of analysis and evidence, and provide a wide ranging set of economic and spatial viewpoints to try to understand the complex levels of cause and effect involved in the crash. Perhaps most importantly, as has been recently commented, the transcripts reflect something of the eerie sense that 'something' was happening that month; an event that is still unwinding and reshaping political and economic life at all scales. These transcripts could plausibly be described as analytical 'reportage', reflecting on what was, and still is, a highly unstable state of affairs.

Finally, appended to the transcripts is a short review of the assembled material. Here I try to construct the beginnings of a framework for further inquiry into the urban causes and consequences of the crash. The question of how we deal with the fallout of 2008 inspired a follow up event recently held at the Bartlett.

This session looked at the issue of housing and asked, is Schumpeter's story the inexorable pathological state of capitalism, or is it possible to control this relentless tendency for over-speculation? The result of this workshop will form the next issue of Figaropravda.

Louis Moreno, November 2009
louis@figaropravda.net



**THE MOST COMPELLING EVIDENCE THAT WE
ARE GOING THROUGH A CRISIS IS THAT WE
HAVE ALREADY REDEFINED THE MEANING OF
WORDS AND SYMBOLS THAT WERE PART OF
OUR CULTURAL ARCHETYPES**

**LEADING WALL STREET FIXED INCOME
BROKER-DEALER**

THE FINANCIAL TIMES 11 MARCH 2008







HSBC



citi



KAUPTHING BANK



This built and View of the MIDDLESEX HOSPITAL, near Oxford Road





HOW HAS GLOBAL CAPITAL AFFECTED
URBAN GEOGRAPHY AND CULTURE?

COME BACK SCHUMPETER, COME BACK KONDRATIEFF: ALL IS FORGIVEN

Peter Hall is Professor of Planning at the Bartlett School of Architecture and Planning, University College London. From 1991-94 he was Special Adviser on Strategic Planning to the Secretary of State for the Environment, with special reference to issues of London and South East regional planning including the East Thames Corridor and the Channel Tunnel Rail Link. He was member of the Deputy Prime Minister's Urban Task Force (1998-1999). He has received the Founder's Medal of the Royal Geographical Society for distinction in research, and is an honorary member of the Royal Town Planning Institute. He is a Fellow of the British Academy. He was a founder member of the Regional Studies Association and first editor of its journal *Regional Studies*. He was Chairman of the Town and Country Planning Association (1995-1999).

This is an exciting day. We haven't had much like this in the Bartlett recently and perhaps this sets a precedent.

If we go back forty years then the founder of the present Bartlett—Richard Llewellyn-Davies—had the dream of creating an integrated school of the built environment. The demands of the different professions sometimes work against this but it's still a dream that we need to constantly keep in front of us, because the challenges that we have really are going to cause us to think in an interdisciplinary and interprofessional way. I'm going to talk about this specifically later on.

What I'm going to do is talk from the viewpoint of a geographer turned planner. I'm not an architect and can't

claim architectural competence so won't venture into that territory at all. But I will venture into the territory of urban structure and what these economic changes are going to do to the way our cities work and how they look.

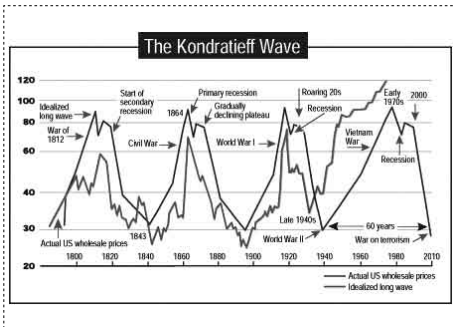
I thought of this title yesterday, because Kondratieff and Schumpeter have waxed and waned in reputation in the last fifty or sixty years. I think there's been less interest in them recently than there was in the nineteen eighties when I got interested enough to co-author the book *The Carrier Wave*.

But just as suddenly we're rediscovering John Maynard Keynes (and the latest convert is Alasdair Darling) so it's time that we rediscover these two somewhat forgotten characters of history.

Nicolai Kondratieff
1892-1938



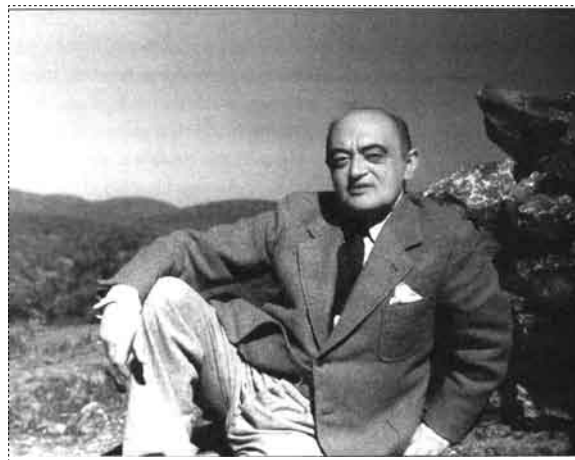
Nicolai Kondratieff was a soviet economist in the early days after the 1917 Russian revolution who, in the 1920s working in an institute in Moscow, developed a notion that the Capitalist economy, ever since the real start of the industrial revolution at the late 18th Century, had developed in roughly 55 year cycles from boom to bust. And these long waves overlay the more familiar business cycles which most people think of being 9-10 year durations. He worked this out in terms of wholesales prices, and his best guess was that this was somehow related to the price of gold.



This diagram shows the key events in the three waves that he was able to identify in the 1920s. Indeed the theory proved spectacularly correct in timing the great crash of 1929, the subsequent great depression of the 1930s and as it seemed to have done in the great revival after World War II. Which was one of the longest up movements we know in Capitalist history —the French call it *le temps glorieux*, the glorious thirty years. Some people put it as rather less than that.

I was interested to read in *The Economist* this week a new analysis of bull markets and bear markets. The bull markets seem to correspond to the beginning of these upswings. For instance, one started around 1900 in the Edwardian period, and then they happen once again in a point of hysterical speculation just before the crashes leading to the 1929 crash. And this diagram (top) produced just over a year ago predicts an enormous recession at this time, followed by a revival.

However Kondratieff didn't get very far with this theory because, like so many people at this time, he fell foul of Joseph Stalin and tragically disappeared into the Gulag where he died in the 1930s. However his work was picked up by a remarkable character, Joseph Schumpeter.



Joseph Schumpeter 1883-1950

An amazing character. Born in what is now Czechoslovakia, brought up in Austria. In his first university job he fought a duel with the university librarian over their access policies to students. Later on he ended up in Germany at the University of Bonn and then at Harvard.

By then he had already produced *Theory of Economic Development* in 1911. But he developed it further in 1939 in his huge 1,100 page book *Business Cycles*. And the important point about Schumpeter was that he actually reinterpreted Kondratieff. He said that there were three business cycles: one of short duration of about 14 months, the second was the classic business cycle of 9 years and the third was the Kondratieff long wave, which he set very precisely at 57 years' duration.

But what was more important was that he gave a dynamic analysis of Capitalism which was lacking from the neoclassical economics, including Keynes. He respected Keynes but thought that Keynes had got it wrong in that he hadn't really grasped the real point of Capitalist development.

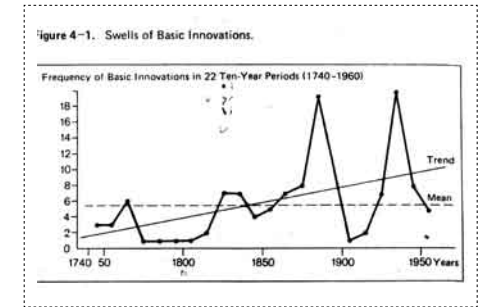
It was in 1942, partly in reaction to the success of Keynes' General Theory that he actually published his most famous book *Capitalism, Socialism and Democracy*, where he developed that famous concept of Creative Destruction, that Capitalism always destroys itself and then out of the destruction recreated itself. This was linked to Kondratieff waves, because he argued that the real trigger was innovation, that a bunch of innovations that could be technical, or organisational, or better both, would generate an economic boom and produce huge profits for companies in the new industries. And then as the technology became familiar profits would diminish, until the whole system would ground to a halt, when there would be a crisis until a new bunch of innovations came along to reactivate the economy.

Schumpeter's great contribution was actually in economic history as he traced it out across 1,100 pages in great detail as to how three successive Kondratieff waves had actually happened, and the third of them, of course, was happening as he was just writing.

Now the theory was criticised by some distinguished economists, most notably Simon Kuznets in his review of the book in 1940. But there was a lot of additional interest in the theory from the 1970s onwards due to the work of a German economist called Gerhard Mensch, who wrote a book published in English in 1979.

Mensch tried to precisely quantify what was going on and he traced six stages in the development of innovations. You go from number 1, a theory all the way through to number 6 which is the basic innovation. And here are the four waves in effect mapped, three of them based on data and the fourth predicted based on his observations of the periodicity. And if we go on he thought the speed of this process, the speed of innovation,

is gradually being sped up. So that the S curves become tighter and tighter from one Kondratieff wave to another. And all these dots are based on observations of actual innovations, which are essentially technical innovations. This graph shows the whole thing mapped out and smoothed to show the peaks of the waves.



There's a wave beginning in the 1760s—peaking in the 1780s, there's another in the 1820s peaking in the 1840s, there's a third beginning in the 1860s–1880s and there's a fourth in the early 1900s.

And each is associated, as Schumpeter noticed, with a particular bunch of innovations in particular industries. The first in the late eighteenth century especially in England with the developments in the cotton industry and the iron and steel industry. The second associated with rail and ship building and the Bessemer process in iron and steel that greatly cheapened steel production. The third from the 1890s associated with the new motor car industry and with chemicals, especially pharmaceutical industries, this is when a lot basic drugs like aspirin came on the market for instance, and also the beginnings of the electrical industry. And the fourth was essentially associated with electronics but also with air travel; this was the wave that began with the mass production of television in the

1950s and went on to the development of the personal computer in the 1970s.

It's all very neat. Further, some of these innovations, perhaps all of them, result in changes in the organisation of production. The first wave of production was associated with the first factory production in areas like Lancashire in England. And the third wave was associated particularly with mass production, thus Henry Ford didn't invent the motor car, this was invented in Germany in the 1880s, but he did invent the mass production of the car for everyone in Detroit in 1907 with the model T. So this is essentially the argument.

I'd like to spend some time discussing how this worked out in the last wave based on work I published ten years ago in a book called *Cities in Civilization*.

Silicon Valley the area south of San Francisco on the San Francisco peninsula, became the most innovative region in the world after World War II—how?



Up until the 1930s it was an agricultural area but then it underwent a process of continuous innovation where one innovation triggered another. There's an extraordinary parallel I found between what happened here and what happened in Lancashire in the first industrial revolution in the late 18th and early 19th industry centuries.

And it came in different phases, the first associated particularly with the evolution from the transistor to the integrated circuits, then to the personal computer and then servers and software. I'll go very quickly through this because of lack of time.



In the 1930s Silicon Valley was the peach capital of the world—very little sign of electronics—but there was the Stanford university campus,



rather a rich playboys campus, founded by a railroad barron (Leland Stanford), but it had a strong department of electrical engineering under Frederick Terman.



Terman, who became professor of electrical engineering, encouraged his students to set up in business after graduation.

The first two, William Hewlett and David Packard set up their business in this garage in 1938 just off the Palo Alto campus and hugely expanded in World War II and that was the origin of HP.



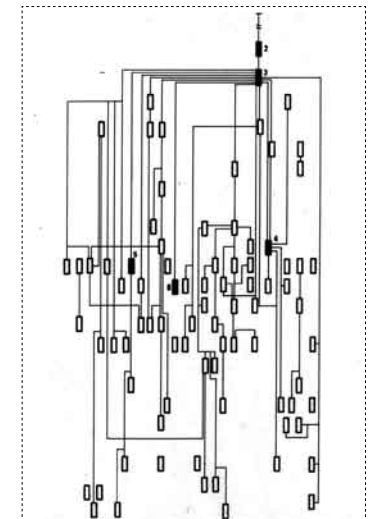
But what happened then was the transistor was invented at Bell labs in New Jersey in 1947 and here are the three guys, John Bardeen, William Shockley, Walter Brattain, who won the Nobel Prize.



45. John Bardeen, William Shockley and Walter Brattain: the famous picture celebrating the discovery of the transistor at Bell Labs, December 1947; a decade later Shockley moved to Palo Alto and Silicon Valley.

(This is a wonderful picture because apparently they all hated each other, well two of them hated this guy in the middle who tried to seize the credit from them.)

William Shockley moved to Palo Alto and founded Shockley Semiconductor. A rival company to Shockley was set up called Fairchild Semiconductor (actually the company already existed—East Coast Camera Company—but Fairchild bank-rolled the company).

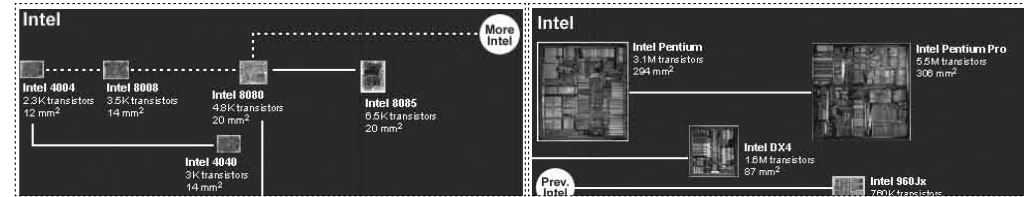
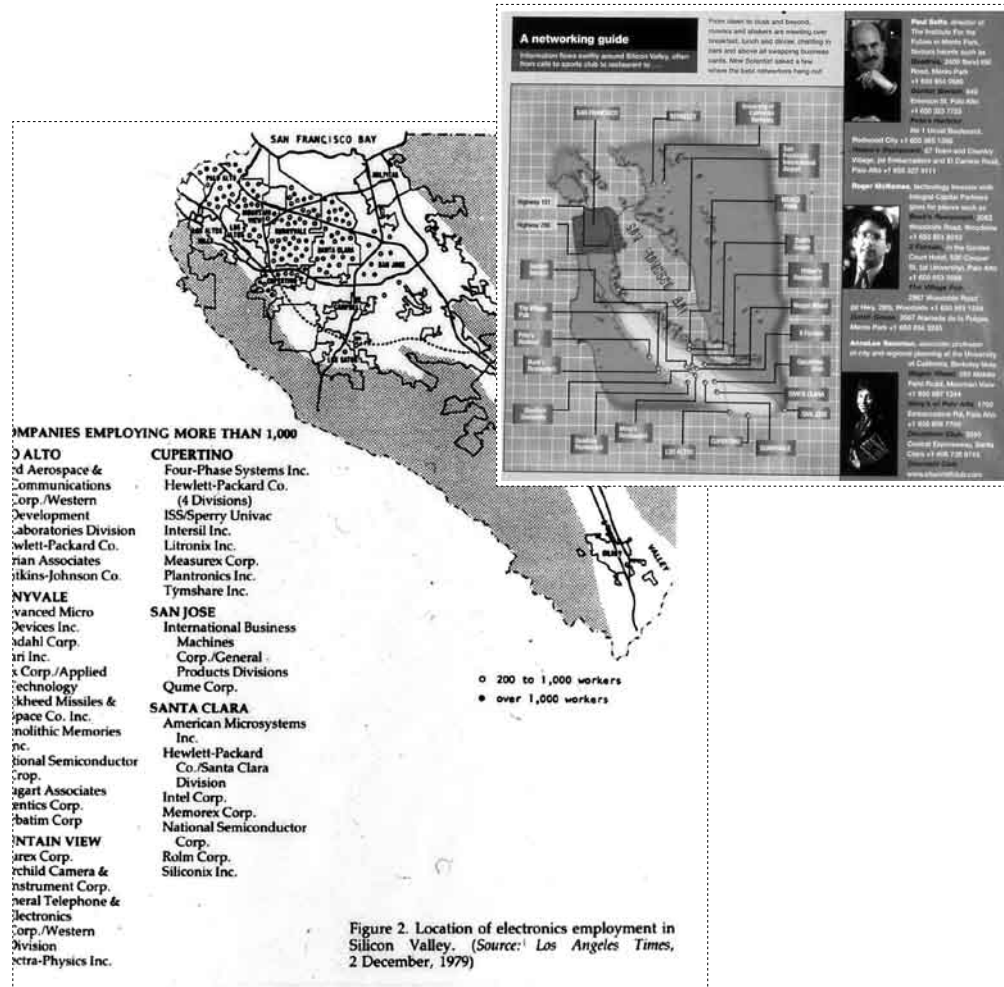


The genealogy of semiconductor firms in Silicon Valley: 1 is Bell Labs; 2 is Shockley; 3 is Fairchild; 4 is National; 5 is Intel; and 6 is Advanced Micro Devices

This set up a remarkable process of firms swarming—where people broke away from one firm to found another and so on, and one result of this was Intel. But as this happened each firm actually had to stay close to the parent firm because an incredible set of interdependencies were set up partly because all of these firms were dependent on information.

The so called watering holes of Silicon Valley were where they met for

breakfast or drinks after work and where information was exchanged. Silicon Valley has always been characterised by this competitive—collaborative relationship. People in the industry collaborate and talk a lot but then they can compete ferociously with each other. And this was a model that drove the whole development particularly in the critical phase of the personal computer.



In 1971 Intel developed the first effective integrated circuit—basically lots of transistors on a single chip, and then began to drive the capacity of these chips up.

In 1975 a firm far from Silicon Valley in Albuquerque New Mexico developed the first personal computers in kit form but it was absolutely useless because it had no software.



Then in Silicon Valley an extraordinary process developed with a club, called the Homebrew Club, which met every week to exchange information, while competing with each other.

The final result of this is that two of them—Steve Jobs and Steve Wozniak—developed the Apple 1 in 1976 and then the Apple 2 and the rest is history. This was the birth of the personal computer.

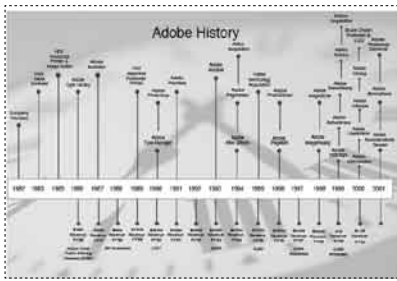


Steve Jobs and Steve Wozniak

Two guys who were at Harvard writing software, Bill Gates and Paul Allen, phoned the guy in Albuquerque and said they had written the software that could make it work, of course they hadn't. The story was they wrote the software on the plane to Albuquerque and that was the beginning of Microsoft.

Then in the 1980s and 1990s there was a time when the chief chronicler of Silicon Valley, AnnaLee Saxenian, who teaches at the College of Environmental Design at Berkeley, said that Silicon Valley had gone stale. Saxenian was proved wrong because there was a tremendous revival at just this point with servers and particularly software with new firms from Adobe to Google.

A particularly interesting role was played by Xerox Parc. Xerox was the old photocopying company, that had a monopoly and an enormous amount of money came from that monopoly, and they used it to start a research centre called Parc in the Valley, but they refused to commercialise anything. And the people who worked there tended to leave to commercialise their products. The most spectacular of those was Adobe.



Adobe started in a bungalow down south in Silicon Valley in 1982. The founders John Warnock and Chuck Geshky developed publishing software at Xerox Parc which they couldn't commercialise there, this was Postscript, followed by Photoshop and Acrobat. Today if you go to San Jose, a half of downtown San Jose consists of their headquarters—not bad out of a bungalow in about twenty years!



That was one of the most spectacular of the new developments in this phase.

Then the next development was a remarkable one. Far away in Geneva Tim Berners Lee develops the worldwide web in 1989.



He refuses to commercialise it.

In 1993 Mark Andressen a graduate from the University of Illinois moves his operation to Mountain View in the middle of Silicon Valley forms Netscape. Then he's scooped by Microsoft in the browser area.

Then out of the blue in 1996 come Larry Page and Sergei Brin out of a dormitory at Stanford they use their famous algorithm, using backlinks to estimate a website's importance, they launch the name Google in 1997.



A year later they found the company in a friend's garage in Menlo Park in the Valley and seven years later they're worth \$52bn—not bad! But they did have a rather remarkable innovation.

This is a classic set of stories. From this we have to ask what's going to happen next time? If we are in a classic recession similar to the thirties, will we get now new innovations similar to television or the jet airplane, that were two of the drivers of the post-World War II boom? And if so what?

This picture I particularly like so I threw it in—it's the young Bill Gates and Paul Allen who were school friends at Lakeside High School in Seattle in 1968 a couple of years before they went to Harvard and became Microsoft.



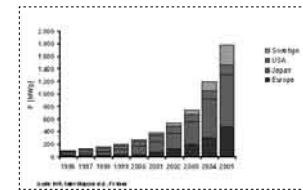
So who are the new Bill Gates and Paul Allen, where are they and what are they going to do?

I'd like to suggest two very promising, perhaps obvious, areas are Eco-

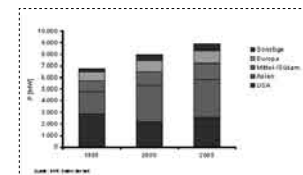
Technologies and, what I called in *Cities in Civilization*, 'the Marriage of Art and Technology', using the internet as basic infrastructure, and developing new value added services, which we see so many already, ranging from Google of course, to major companies like Facebook and YouTube. In fact the whole development of personal services is one of the most striking features of the last decade.

However, before I get to that, the big challenge, which we all know, and has been outlined in the Intergovernmental Commission Report, is that of Climate Change. Accelerated global warming is so evident now that no one is questioning it. And the real question that we are hearing every day is the development of responses to this.

What we are seeing is an explosion of new renewable energy sources such as photovoltaics, essentially solar cells on roofs, and also geothermal technology.



World Photovoltaic Production 1996-2005



World Geothermal Installation 1995-2005

In Germany this has led to an incredible industrial revolution over the last seven or eight years; huge growth, particularly in wind power, and this is being paralleled in other European countries like Denmark. And it's leading to a tremendous rate of patent registration in the new technologies in Germany.

Many people feel that the reason for this is a very important piece of legislation

the Germans passed in 2000 enabling the so called Feed-in Tariff, whereby if you install renewable technology, such as solar or wind power you can feed it into the German national grid and get paid for it. Someone who showed us around a model eco-settlement in Germany about a month ago said that he thought this was the best piece of legislation any German government has passed in one hundred years—and I think he maybe right.

I understand that the British Government, Ed Miliband, has said that we're copying the Feed-In Tariff and if we are then perhaps we are going to go in the same direction.

Because in Germany it has created thousands of new firms and huge numbers of jobs and you're seeing the development of major technology parks, and these are not just disguised business parks, but real technology parks including parks set in new industrial areas, like the Ruhr area



in Dortmund, where the university set up such a park twenty years ago, and has been phenomenally successful, and they are now setting up a new area on the site of an old steel works.



This is undoubtedly a model to follow, but the UK has been very slow and we may be missing out on a major industrial revolution.

The second area I want to mention is the so called 'Marriage of Art and Technology'. This is the injection of technology into the production of culture, especially popular culture. The models for this, which I considered in the book, were the movie industry in Los Angeles in the nineteen twenties and the pop music industry essentially born in Memphis Tennessee in 1955 with the phenomenon of Elvis Presley.



Los Angeles, California, USA



Memphis, Tennessee, USA

And we find in both these unique places that these were rather remote places that combined mass produced art, distribution and live performance. So what is happening now?

What I'm going to suggest is that in places you are seeing remarkable developments.



Leipzig, Germany

For example, in Leipzig, a German city which has suffered huge deindustrialisation after the reunification because it was on the former Communist side of the wall, they have had a huge conversion of this huge textile mill into a vast arts centre.



Another example is in San Francisco where the area South of Market, or SoMa, was an almost derelict area taken over by artists and technologists, that did exactly this marriage of art and technology in a set of spectacular start ups in the nineteen nineties.

A lot of this crashed in the dot com bust which particularly affected this area around 2000 and 2001, but the area is now reviving again. However, what is happening, and this is a lesson, is that the area is being gentrified. Two huge new developments, the Moscone conference centre and the San Francisco MOMA have taken out a lot of the creative space.



And the process is being completed by a vast medical campus for the University of California on the old docklands area along a new tram route. The risk is a lot of this stuff is good in itself and it will destroy the creative spark in the area.

There's a guy called Tom Hutton who teaches geography at the University of British Columbia and has done the definitive work on creative city areas. He has shown that the creative industries in his own city Vancouver, in San Francisco and here in London set up in low rent areas close to central business districts but run the permanent risk of being gentrified out of existence.



So to come to an end, the real question is how you use these initiatives to regenerate areas that are really the ultimate challenge because they don't have much going for them?

For example, Burnley and the adjacent Nelson and Colne, are the most totally run down places in the whole of England. They have the lowest property values, Burnley is the rock bottom of the market, and they are stripping out whole areas of housing because the economy has collapsed.

Tony Wilson who started Factory Records and the Hacienda nightclub in Manchester, and his partner Yvette Livesey, developed a dramatic plan to redevelop Burnley.



Tony Wilson and Yvette Livesey



The whole area of derelict weavers factories was being redeveloped as a creative centre.

But there was only one Tony Wilson and he died last year.

The message I'm going to finally leave is if you're going to inject this into British cities then you're going to need a lot of Tony Wilsons and we haven't got any. Which does suggest that we need to reorganise education in planning and in particular in urban regeneration around the creative sectors and that's going to take a massive effort.

So the bottom line out of all this is that we need first a reorganisation of the way we do education, and two huge challenges for the Bartlett and similar places: number one, sustainable urbanism and number two, creative regeneration and how do we do it? Because it requires many different skills to be brought together, some of which perhaps we don't even have.

Dariusz Wójcik
University of Cambridge

GEOGRAPHICAL CONCENTRATION IN FINANCE

Dariusz Wójcik was appointed a Lecturer at the School of Geography and the Environment and a Fellow of St Peter's College Oxford in July 2007. Dariusz is interested in research at the intersection of finance and geography, whether it is called financial geography, geographies of finance, or geographies of money. Specifically his research interests focus on three areas: financial services and centres, capital markets, and corporate governance.



I changed the title but I still want to talk about one particular set of myths or facts about the economic geography of the financial world. I want to explore the basic but fundamental topic in the economic geography of finance, namely the geographical concentration of financial activities.

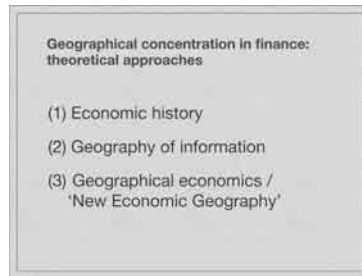
It's an area where many claims have been made. For example, in a special report on financial centres *The Economist* argued that

“In the future the world will get by with just a handful of financial centres. At present especially Europe has too many of them.”

And we can find claims like that in many other sources.

So my strategy here is to interrogate such claims with a data set on financial activities worldwide. I'm interested in explaining the state of the geographical concentration of finance, how it changes over time, and how it differs between different parts of the worlds and different financial products. This investigation will also allow me to make some observations at the end about the current financial crisis and its implications.

I'm going to use three theoretical approaches that can potentially shed light on the geographical concentration in finance, and I will introduce them in turn before I then move onto explaining what kind of data I am using and my empirical results.



First, we should look for patterns of financial centre development in economic and political history.

This map presents the succession of primary financial centres in Western Europe.



We start in 14th and 15th Centuries with Florence and Venice as the main financial centres of Mediterranean Europe, while Bruges performed this function for northern Europe.

Now in the 16th Century after the Mediterranean lost its role as a major trading route to the Atlantic and the silting of the seaport of Bruges, international finance concentrated in the new economic centre of the low countries, Antwerp.

Then with the 80 years war the financial centre moved to Amsterdam for nearly two centuries until London took over—with a little help from Napoleon threatening the future of Amsterdam—around 1800.

So what does this history of financial centres teach us?

First, all these cities were the commercial centres of the leading manufacturing regions.

Second, they were not necessarily the largest cities of their times, networks of connections that they had and controlled were more important than size—and here key in these networks were mobile international bankers, Barings, Rothschild, Schroeders, etc.

Third, all these cities remained financial centres many decades after the decline of their manufacturing hinterlands, and we will see later whether these patterns could possibly persist today.

The next theoretical approach proposes that geography of finance is affected by the informational content of specific financial products.

Product type	Transparent	Translucent	Opaque
Place-specific information	Low	Medium	High
Market scope	Global	National	Local
Examples	Gold, foreign currency	Corporate shares and bonds	Real estate, venture capital

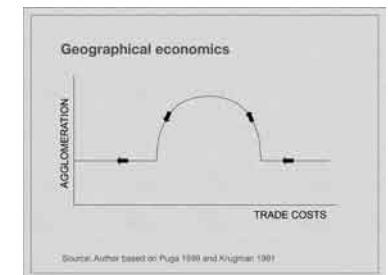
Source: Author based on Clark and O'Connor 1997

There are products such as gold or foreign currency which involve very little place-specific information. Being close to the gold mines in South Africa or countries the currencies of which you trade will not help you much in trading these products successfully. Instead what helps is a lot of macroeconomic information

that now can be obtained anywhere and probably what can help is proximity to other traders, but not really proximity to other sources of information about the underlying assets. Hence the market scope for such transparent products is global. Economies of scale are big and the geographical concentration of such activities is likely to be very high.

On the other extreme we have opaque products which incorporate a lot of place specific information. To invest successfully in real estate or venture capital you need to be close to the places and firms involved and hence the markets scope is likely to be local and geographical concentration limited.

Finally we have geographical economics, or new economic geography, associated with the work of Paul Krugman (recently awarded the Nobel Prize in economics, partly for his contribution to economic geography). This theory tries to explain agglomeration of economic activity, so concentration of any economic activity, as a function of decreasing trade costs or generally increasing level of globalisation. It was originally designed to explain trends in manufacturing but it can be applied to financial services.



Starting on the right hand side with high barriers to conducting financial transactions across borders financial activities are bound to be localised or nationalised to serve local and national markets.

Then when cross border trade in financial services becomes possible international financial centres emerge or grow taking advantage of economies of scale and scope in the production of financial services that are then exported to other countries.

But with trade costs falling further and with increasing diseconomies of scale in established financial centres it becomes profitable for financial firms to shift at least some of their activities to places with lower office and labour cost leading to a decreasing concentration of financial activities; which is also accompanied with increasing specialisation, with different financial centres specialising in different types of financial services.

That's the set of theories.

The data I use is a comprehensive set of statistics on stocks and flows of both domestic and international financial activities for the decade 95–05—if you like, the heyday of financial capitalism, whatever we are calling it now.

Data		
	Domestic	International
Stocks (amounts outstanding)	Domestic loans (\$50tr)	Cross-border bank assets (\$15tr)
	Domestic debt securities (\$45tr)	International debt securities (\$14tr)
Flows (value of trading)	Domestic stocks (\$47tr p.a.)	Foreign stocks (\$5tr p.a.)
		Foreign exchange (\$2tr /day)
		FX derivatives (\$2tr /day)
		IR derivatives (\$1tr /day)

Time coverage: 1995–2005; Sources: IMF, BIS, WFE

The data covers 41 countries, they account for more than 95% of financial activity in the world—there are missing countries, like for example the United Arab Emirates and the Sovereign Funds, but there is no data available that covers the different financial products for these countries.

Country coverage		
Americas	Europe, Africa, Middle East	Asia-Pacific
Canada	Austria, Belgium, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain (Eurozone)	Japan
USA		South Korea
Bahamas		China (Mainland)
Bermuda		Hong Kong (SAR)
Cayman Islands		Taiwan
Netherlands Antilles		India
Mexico	Denmark, Sweden, Norway, UK, Switzerland, Poland, Russia, Turkey, South Africa	Thailand
Brazil		Malaysia
Chile		Singapore
Argentina		Australia
10 countries	21 countries	10 countries

Just to give you a glimpse of the data, not the results yet, these are the top ten countries according to the domestic finance index that I constructed: which is the average share of a country in the three domestic financial activities.

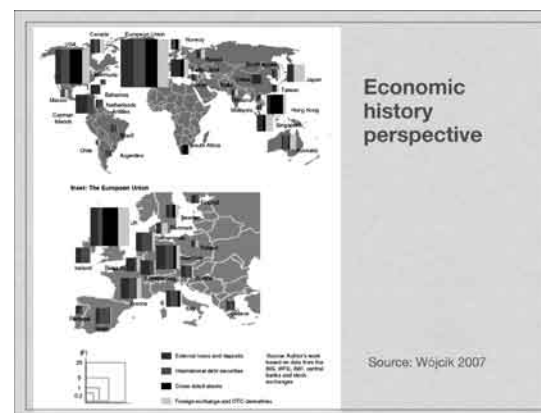
Domestic Finance Index (DFI)			
1995		2005	
1 USA	42.2	1 USA	41.2
2 Japan	17.9	2 Japan	16.0
3 Germany	7.0	3 UK	5.3
4 UK	4.9	4 Germany	5.1
5 France	3.9	5 France	4.1
6 Italy	3.8	6 Italy	3.7
7 Canada	2.5	7 China Main	3.0
8 Spain	2.0	8 Spain	2.9
9 Switzerland	1.7	9 Canada	2.6
10 Taiwan	1.4	10 Korea Rep.	2.0
Rest	12.7	Rest	14.3

This is about stock trading, bank loans and debt securities—basically bonds.

So you can see an amazing share of the US in terms of domestic finance all around the world. An issue I will return to later.

And this is a similarly constructed index for international financial activities in 95 and 05 in the top 10 countries

International Finance Index (IFI)			
1995		2005	
1 UK	30.4	1 UK	29.5
2 USA	17.3	2 USA	23.8
3 Japan	7.3	3 Germany	7.2
4 France	5.0	4 France	5.4
5 Germany	4.1	5 Netherlands	3.2
6 Switzerland	3.6	6 Japan	2.9
7 Hong Kong	3.3	7 Cayman Is.	2.8
8 Singapore	3.2	8 Switzerland	2.6
9 Netherlands	3.2	9 Hong Kong	2.5
10 Canada	2.7	10 Italy	2.2
Rest	19.9	Rest	17.9

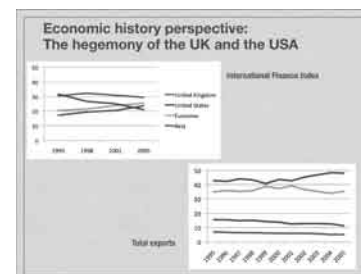


Now in what follows I'm going to test the three theoretical approaches I presented with the relevant parts of this data.

So now starting with an economic historical perspective, and using this map of international financial activities, is it possible that historical patterns could still explain the current map of international finance?

Well, international finance is dominated by the UK and the USA which together host over 50% of cross border financial flows and assets across the board. Eurozone as a whole has major international activities but contrary to some predictions Frankfurt has never threatened the dominance of London in Europe. And Asian companies still have a minor share of international financial activities.

This graph shows the share of international financial activities across countries and blocks of countries.



The UK has maintained its share over the decade of nearly 30% of financial activities.

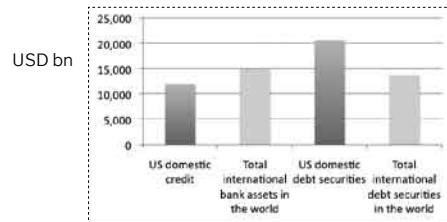
While the share of US increased significantly—there is no evidence in the data of 9/11 adversely affecting the US. It also seems that European financial integration provided a real boost to the power of Eurozone in international finance. At the same time we see a steeply declining share of the rest, which are all the remaining 24 countries in the sample (including Latin America and Asia-Pacific). Overall we see with the share of the rest declining, a sign of growing concentration of international financial activities globally.

To me it seems the lessons from history withstand the test of time rather well. The primary global centres are the centres of the former global manufacturing and trading powers of the world. Of course the trading muscle started to shrink a century ago in the case of the UK and thirty years ago in the case of the US and it is falling further as illustrated by the graph at the bottom with the dwindling shares of the US and UK in global trade. But the point is that such a configuration of macroeconomic and macrofinancial phenomena is well known throughout history—nothing much new here.

Finally, the third lesson from history, the significance of connectivity and mobile international bankers, is if anything even more true today than ever before. With the connective tissue, arguably, being the global investment banks—at least until recently. The most influential actors in the City of London have been, until the current crisis, the US investment banks.

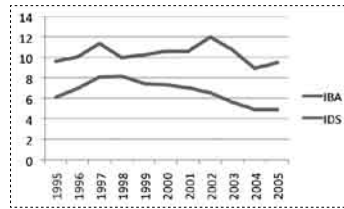
This however does not mean there is nothing new in the geography of global finance. Let me draw your attention to two factors that affect the power of Wall Street and the City of London, which I think are specific to our time.

First we have to appreciate that the US internal domestic financial market is the single largest financial market of the world. As the graph illustrates the value of US domestic credit alone is only slightly smaller than all cross border bank assets around the world.



Actually the value of US domestic debt securities is 50% larger than the amount of all debt securities in international circulation in the whole world. So this is the single largest, most liquid financial market. And it is due to the sheer size of the US market and its permissive regulation that new financial products have been invented in the US, mostly Wall Street, and if profitable they have been marketed internationally but this time mostly in other permissive regulatory environments, notably the City of London.

In my view this has been the essence of the symbiotic relationship, between Wall Street and the City of London. In addition this dominance of the duo has been further enhanced with the control and use of off-shore financial centres controlled from Wall Street and the City of London which still have a considerable share in international finance, as this graph shows.



The global share of four North Atlantic offshore financial centres

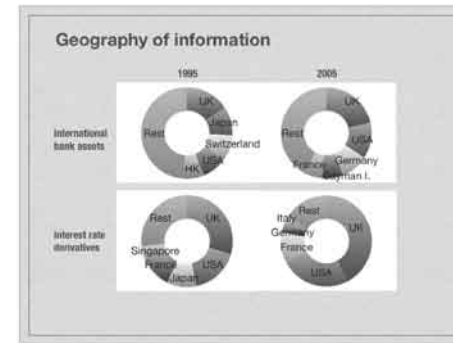
The share of four off-shore North Atlantic financial centres alone was, for example, in international bank assets, close to 10%—so real leverage to the power of the City of London and Wall Street. Interestingly, their share has not decreased after 9/11 despite all the talk of the IMF about money laundering and so on.

Now, moving on to the second theory, to test the role of the geography of information.

I selected two international financial products here: international bank assets (which consist mostly of cross border bank loans) and interest rate derivatives (mostly interest rate swaps) what we would expect is that interest rate derivatives would involve much less place specific information—using the terms of this theory—if an Italian bank for example wants to buy an interest rate swap they may buy it via London traders because London traders can access any information that is relevant to interest rates all over the world.

But if the same Italian bank wants to lend to a company in Spain then they will need information that can only be found in Spain—about the health of the company, about the collateral offered to secure the loan and so on.

So as a result the geographical concentration of interest rate derivatives trading should be higher than that of international bank assets dealings. This is exactly the case, as the graphs show.

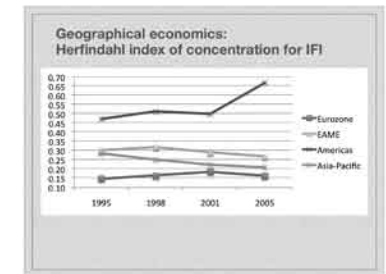


The share of the UK and US in international bank assets in 2005 was 35% while the share in interest rate derivatives was 65%. The top five countries together had a 60% share in bank loans and an 85% share in interest rate derivatives and interestingly between '95 and '05 the concentration increased in both activities with the share of the rest of the world (the 24 countries in the sample) shrinking. But this increase in the concentration was much more pronounced with respect to interest rate derivatives—something that again is consistent with this theory.

Finally, we look at geographical economics. Some observations already made are consistent with the logic of this approach. As the geographical concentration of international finance seems to increase over time, driven by advances in technology, dismantling

of barriers to cross-border financial transactions, the question is, is this concentration universal across different parts of the world? And is there any chance that Eurozone, for example, as the region with the lowest level of trade costs inhibiting cross border financial transactions, has already entered an era of decreasing agglomeration of financial activities? Which is the prediction of new economic geography.

So if we try to test that with the data I have, using the Herfindahl index, which is just a composite measure of concentration of economic activities (higher index means higher concentration), what we find out is that the index increased in the Americas (Americas understood as a time zone), while Eurozone (the currency and time zone) increase initially followed by a decrease in the concentration of international finance.



So there is a trace of the inverse U-shape as predicted by new economic geography in Europe and this, added to the growing concentration in the Americas, is good news for geographical economics because this is what we could explain with lower trade costs in cross border finance in Europe than in Americas.

However as we see in Asia, in the same decade, the level of financial integration between countries is lower than in Europe and probably lower than in Americas as well, we still see a sharply falling concentration which

is inconsistent with new economic geography on its own. The reason it is inconsistent is because new economic geography doesn't account even for the possibility of financial crises.

So when we look at the change of individual countries shares in each region to get more detail, we will see that in Asia the decrease in concentration has been caused by a shrinking share of Japan—the lost decade.

Geographical economics:
IFI 2005 - IFI 1995

Americas		Eurozone		Asia-Pacific	
USA	6.48	Germany	3.13	China	0.13
Cayman I.	0.37	Ireland	1.04	India	0.03
Chile	0.04	Italy	0.78	Korea R.	0.00
Bermuda	0.01	Spain	0.49	Thailand	-0.01
Bahamas	-0.23	France	0.32	Malaysia	-0.02
Argentina	-0.37	Portugal	0.11	Taiwan	-0.04
Mexico	-0.42	Greece	0.04	Australia	-0.07
Neth. Ant.	-0.43	Netherlands	0.02	Hong Kong	-0.43
Brazil	-0.49	Luxembourg	-0.17	Singapore	-1.11
Canada	-1.41	Austria	-0.18	Japan	-4.36
		Belgium	-0.21		
		Finland	-0.44		

The role of Japan obviously applies to international finance and this allowed Hong Kong, Singapore and mainland China to catch up with Japan in Asia-Pacific. Now in addition we'll see that increasing concentration in Americas was affected by crises that struck many Latin American countries like Mexico, Brazil and Argentina.

Only Eurozone in this decade experienced no significant financial crisis. And that it is the record of Eurozone which is consistent with geographical economics, a lot of international financial activity concentrated into Germany. Germany was the main 'winner' in terms of increasing share of international finance between 95 and 05. At the same time Ireland emerged from scratch as a new financial centre taking advantage of the single European market for financial services. And as we saw before the

total share of Eurozone international finance grew substantially which is also consistent with geographical economics.

So what are the conclusions then?

The first is an easy conclusion to make: all three theoretical perspectives have something to offer.

The economic history highlights the long term evolutionary forces underlying the development of financial centres and tells us that things haven't changed as much as we may think.

Geography of information shows that spatial concentration of finance varies systematically between different financial products and assets.

Geographical economics stresses the possibility that growing concentration in finance, as well as in other economic activity, is not inevitable and may even be temporary.

So what light can these theories and empirical results shed on the ongoing crisis?

First of all the sheer, overwhelming dominance of the US and UK accompanied by offshore financial centres as well as the relatively still small size of Asian financial centres should at least cool claims that the crisis spells the end to the power of Wall Street and the City of London. With claims made, for instance, by the German Minister of Finance that the year's of Wall Street's significance are numbered.

Second, one could propose, based on this analysis, that the crisis has been triggered by a failure of mismanaged and unregulated globalisation of non-transparent financial assets. Residential real estate that otherwise belongs to the

realm of local markets by its nature. By refinancing mortgages, securitizing them (creating mortgage backed securities), creating insurance contracts on these securities (the infamous CDS) selling and buying these securities and contracts on a global basis, financial institutions maximised the international financial system's exposure to what were otherwise localised risks.

Now while financial firms were engaging in this long chain of transactions (because all of them were generating commissions for banks, transactions generate commissions for banks—that's how banking works) effectively what they did was tie their fortunes and the fortunes of the global economy to the change in prices of ordinary homes in places like suburban Detroit and Kansas City, etc.

I recently picked up a brochure from of McKinsey from 2007 about global banking profit pools—a very optimistic publication, not surprisingly. And I read that in 2006 all banks globally made \$800bn of after-tax profits. Just to put it into perspective this was ten times more than the total after tax profits of retail industry all over the world. This doesn't make sense—it doesn't make sense to me. Actually half of these profits were made in the US, if you divide the total by the number of households in the US it gives you \$4,500 per household. Is this sustainable? Of course not.

I found it quite ironic that in an otherwise quite optimistic publication by McKinsey you could find such clear warning signs about what was ten times too good to be true and an absolutely unsustainable situation.

And I will finish with this anecdote.

THE GOLDEN CALF: ART AND FINANCE IN CONTEMPORARY LONDON

Andrew Harris is a Lecturer in Urban Studies and Geography at the UCL Urban Laboratory. His research focuses on the contemporary reshaping of urban cultural landscapes and urban infrastructure. He provides critical perspectives in particular on the creative city, gentrification and urban branding. Working between London and Mumbai, he uses comparative frameworks to emphasise the specificity of cities, and to fashion more diverse and cosmopolitan agendas of urban research and policy-making.

Today I'm going to talk a little about calves but also about geese, apes, bears, sharks, bulls and, maybe if I've got time, flies. I want to use this menagerie to think through some of the complex link between contemporary art and high finance, particularly in relation to London. Both have received new forms of coverage in mainstream media over the last decade, but there has been little sustained critical analysis of the relationship between them. And here I'm drawn to the main UCL library where despite continual reorganisation the art history and economics books always seem to follow each other around the library, but never necessarily connect with one another.

So I want to try and mix up culture and capital to create some new perspectives on the crisis. But I should add that I'm not attempting to equate high finance and high art, obviously I recognise they act in very peculiar ways, they involve different sets of actors, sites and rationales. But I hope that considering them against one another can be a productive way of looking at the situation now.

On September 15 and 16 this year London's Sotheby's auction room sold an unprecedented \$200 million of new work by the British artist Damien Hirst in an event called 'Beautiful Inside My Head Forever'. This piece here The Golden Calf was the star lot. Preserved in a tank of

formaldehyde the animal had been given 18 carat golden horns, hooves and a halo. Bidding opened at £6m and estimated at £8 million the calf was sold for £10.3m including premiums to an anonymous telephone bidder who was possibly Russian.

Now, I'm slightly hesitant to talk too much about Damien Hirst—he obviously thrives on coverage and attention and I'd be very surprised if you've actually managed to avoid hearing about this particular auction. Also Hirst isn't necessarily representative of the contemporary art world, but I think the auction is important for what I want to talk to you about today for a number of reasons.

Firstly, despite the auction's overwhelming success it actually happened on the very same day that Lehman Brothers filed for bankruptcy and for many economic commentators this decision to let Lehman Brothers fail, unlike other major financial concerns, precipitated much of the subsequent global financial panic.

Secondly, the auction was held in London which has been the fulcrum for Damien Hirst's rise and for a certain form of international financial capitalism which Dariusz has detailed.

Also the auction and the work is perhaps an extreme manifestation of the way high



Damien Hirst,
The Golden Calf
(2008)

art has aped many of the aspects of high finance and speculative bubbles.



Jeff Koons, Michael Jackson and Bubbles (1988)

Art and money of course have had a long symbiotic relationship but this relationship now seems to be particularly explicit. Major auction houses increasingly resemble financial trading floors. And in this respect I think Damien Hirst's choice of the calf, which actually technically the one he used was a bullock, seems particularly well chosen.



Merrill Lynch logo

Auction houses now generally have screens showing bids simultaneously in a variety of different currencies.



Now this presentation technique seems somewhat unnecessary, you would have thought the multimillionaire bidders would be perfectly familiar with their bids in say Dollars or Euros. But then again perhaps the prominent display of huge sums seems part of the spectacle of this type of art. As the Australian critic Robert Hughes said in a recent Channel 4 documentary "the cultural function of a high price is to strike you blind." And this seems similar to the choice of \$700 billion for the bailout plan proposed by the US administration this September. In an increasingly infamous quote a US Treasury spokesman suggested "it's not based on any particular data-point we just wanted to choose a really large number."

So as well as the space of the auction room the artwork itself has also become increasingly subject to the kind of shark like tactics of financial engineering. Again an example from Damien Hirst illustrates how this can work.

Damien Hirst, The Physical Impossibility of Death in the Mind of Someone Living (1992)



This 14-foot Tiger shark is maybe his main brand symbol and I'm sure many of you have seen it. In 2005 an agent on behalf of the then owner, the advertising magnate Charles Saatchi, touted this piece for an asking price of \$12 million but the price that was actually paid was never revealed. The parties involved agreed not to publicly discuss the amount. Yet the \$12 million figure circulated will have helped increase the value of other Hirst works in Saatchi's collection.

Another feat of ingenuity is that the buyer was purchasing the artistic intention rather than the original piece. Damien Hirst first shipped over the shark in 1991 paying £6000 for but it had deteriorated so much, that when he sold it he actually replaced it with a different shark.

Furthermore, public galleries have helped affirm and increase this piece's value. Nicolas Serota, Director of the Tate, attempted to buy it for £2 million when it

was being offered for sale; and currently the piece is being loaned out to the Museum of Metropolitan Art in New York until 2010.

So I think it may be no coincidence that the two major Tate shows at the moment, one by Francis Bacon and by Mark Rothko, are by artists who occupy the two top positions in the table of most expensive post-war paintings.

As well as aping financial practices the art world over the last decade has also enjoyed new forms of patronage and investment connected with new financial flows, new innovations and asset classes. Firstly investment banks and financial information companies have been eager customers.

This is a Damien Hirst spin painting prominently displayed in the lobby of the headquarters of the investment bank Deutsche Bank in London.



Intriguingly Richard Fuld, the Chairman of Lehman Brothers until recently, is also a keen collector and his wife is a trustee of the Museum of Modern Art in New York. And apparently they've recently entered a set of rare abstract expressionist drawings for a forthcoming auction which have been estimated at £20m—obviously times are tight.

Secondly, new innovative funds have been set up, such as this one which is Meridian Art Partners. And at least ten were launched between 2005 and 2007. These focus on short term art trades buying directly from living artists and distressed sellers, while often hedging themselves by shorting derivatives correlated to art market performance such as the shares of Sotheby's.

Now this explicitly instrumental approach to art hasn't been received well in some quarters. In a Time Out interview last month Charles Saatchi stated "it was irritating to have the hedge fund people come in and treat art like a commodity." However, the traditional wealthy individual collectors still also exist, albeit often from hedge funds.

A leading example is the American Steve Cohen who heads SA Capital Advisors.

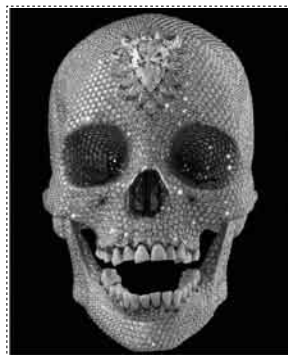


He is the one who actually purchased the shark from Damien Hirst. Until he temporarily suspended his hedge fund recently he earned £500m a year.

Russian oligarchs and the Arab oil rich have also become a major features of the art market in the last five years. In May 2007 Sotheby's added the Russian rouble to their conversion screens for the first time. Often it is the daughters and partners of these figures who are particularly enthusiastic purchasers, such as Dasha Zhukova who is the girlfriend of Roman Abramovich.

So with this and with commodity prices rapidly increasing it is perhaps a canny move by Damien Hirst to use extensive gold and jewels in his recent work.

This piece apparently contains almost 9000 jewels.



Damien Hirst, *For the Love of God* (2007)

But the story is not as simple as the art world adopting financial models and enjoying new opportunities presented by the financial landscape over the last ten years. High art and high finance have become increasingly entangled and mutually reinforcing over the last thirty years. There are definite if complex links between contemporary art, generally acknowledged as non-traditional art produced after 1970, and contemporary financial capitalism, which is widely understood as emerging in the post-Bretton Woods era in the 1970s.

First both have played a constitutive part in a creation of new, more globalised flow of money, people and ideas. The language of finance has become a codified set of theorems and applications used by institutional investors and the related financial services industry around the world. Similarly a global language of contemporary art has been established and developed through a new worldwide network of biennales, magazines, and museums. And this international circulation in ideas concerning conceptual art has, despite a frequent antipathy to commodification, actually helped entrench the circulation of capital.

Secondly, both high finance and high art have become dependent on and embroiled in new forms of modern media—the case of Damien Hirst is obviously very clear here. But the value of financial products has also become increasingly dependent on media image, as developed through financial reporting and the arts of financial PR. It's notable how some investors are portrayed in the media with a certain mystique, equivalent to the aura connated on certain artistic geniuses—so for instance, the 'legendary' Warren Buffet.

Another important way that art and finance have intersected since the 1970s has been in the transformation of the built urban environment. It's almost obligatory these days for an international financial centre to be accompanied by an adjacent art district, generally in a run down industrial part of the city. This has been extensively documented and analysed for New York, which is in many ways the fountainhead for a lot of conceptual art. But there is an interesting story here for London, one that shows the important links between an artist like Damien Hirst and the consolidation and the growth until now of London as a financial sector.

Now Damien Hirst first came to prominence in 1988 when he curated an exhibition called Frieze. This was held in a Port of London building in Surrey Docks and it was mounted with help from the London Docklands Development Corporation and had sponsorship from Olympia and York who were the subsequent builders of Canary Wharf (apparently Damien Hirst's girlfriend at the time was working for Canary Wharf).

As Lash and Urry argue this and alternative art shows of the periods helped run down zones of inner London become generic city sites. And today of course Canary Wharf contains

the European headquarters of many major banks and financial institutions including Lehman Brothers.

There are also important links between artists and property investors in London and a good example is in Hoxton, which is just to the north of the City of London. I detail this in a chapter in my PhD—this is Damien Hirst dressed as a clown.



Fête Worse than Death, Hoxton Square (1994)

Artists and art have also been implicated in an attempt since the 1990s to assert and promote London's position as a leading city for financial and business services. I spoke about this at a workshop a few months here at UCL.

But it's interesting to note how the purchase by Steve Cohen of Damien Hirst's shark and its transfer from London to New York was perceived as a threat to London's competitiveness. Questions were even raised in the Houses of Parliament about how to save the shark for the nation. But maybe the purchase and display of the shark in New York was recognition that New York was now playing catch-up. So perhaps in the seventies since London tried to get Eurodollars to come over, now New York takes back our pickled shark.

Attempts are being made to infiltrate contemporary art of a sort into the regeneration of East London through the 2012 Olympics. This is an event quite closely associated with London's financial sector, whether through sponsorship from the accountancy firm Deloitte, or through the fact that actually the headquarters are centered in Canary Wharf itself. So we had Banksy style street art and the Myra Hindley portrait all included in the promotional videos used at the end of the Beijing Olympics.

Last month Sebastian Coe was one of the athletes featured in this current installation, where a runner sprints the length of Tate Britain every thirty seconds.



Martin Creed, *Work No. 850* (2008)

As well as this combined role in transforming urban landscapes, such as inner London, high art and high finance have also increasingly resembled each other in their very complexity. As the writer and critic Julian Stallabrass argues,

“in its continual attempt to break conventions conceptual art has become a pale rendition of the continual evaporation of certainties produced by capital itself.”

So financial innovations such as Credit Default Swaps, Yield Curve Arbitrage and Collateralized Debt Obligations have reached a point where not only is the language increasingly opaque but the actual statistical models underlying them are hard to compute and analyse effectively. Even the hedge fund Long Term Capital Management failed spectacularly in 1999 despite several of

its partners being leading financial scholars and even Nobel prize winners.

In contrast much recent contemporary art has been deliberately produced in reaction to a highly theoretical art that dominated galleries in the 1980s. However it still generally requires knowledge of accumulated layers of art history, insights into different games of irony, and familiarity with new conceptual apparatuses such as Relational Aesthetics.

Perhaps what assuages the complexity of high finance and high art is their crucial role as mythologies, so understanding physical assets as merely tradable pieces of paper requires a certain element of faith. While considering a room where the lights go off and on again as art also needs a modicum of belief.



Martin Creed, *Work No. 227: The Lights Going On and Off* (2000)

In this respect Damien Hirst's allusions in his recent work to religion seem very apt.

But have we invested too much faith in financial engineering and artistic innovation given the current situation we face? What are some of the politics that precipitated this situation? Again considering art and finance against each other can help shed some light.

As commentators and politicians of all stripes have emphasised the recent crisis has been symptomatic of a lack of regulation. It was the biggest regulatory failure in modern history according to

the professor of political economy Robert Wade. Arguably Lehman Brothers might have avoided bankruptcy if measures such as the repeal of the Glass Steagall Act in 1999 hadn't been taken. But there's also a comparable breakdown of boundaries in the art world over the last decade, auctioneers and collectors have become dealers, and Damien Hirst broke all rules by selling new work direct to auction.

It is perhaps not surprising that the economist Don Thompson described the art trade in 2007 as

“the least transparent and least regulated major commercial activity in the world.”

In part this lack of regulation in the worlds of both finance and art is due to insufficient and ineffective infrastructure and public accountability—it's notable that senior financial executives, especially in London, have not appeared at parliamentary committees and haven't been grilled extensively in the media. And it is clear that undisclosed conflicts of interest were behind the disastrous performance of credit rating agencies assessing the values and the risks of mortgage backed securities.

Similarly, Julian Stallabrass, in his book *High Art Lite* states that

“the British art scene has recently been undergoing a radical transformation of the greatest theoretical interest yet there has been very little debate about it and certainly few attempts to examine it in light of wider trends. Many artists [such as Damien Hirst] have shirked from giving an intellectual account of their work.”

So perhaps we have not only light touch regulation, but light touch art.

But maybe the most important reason for the unquestioned belief in both the art and financial worlds, certainly in the UK, has been the strong political support that's been given to both. Financial and

business services of the City of London, have been understood as the golden goose laying economic eggs for the nation. From the Big Bang reforms of Margaret Thatcher reforms to the recent dalliances of Ken Livingston the interests of the City of London have dominated decision making.

So it is I think salient than in his cabinet reshuffle, which was portrayed as his response to the economic crisis, Gordon Brown brought in several City figures, and also created a new position of Minister for the City. For this position he appointed the former merchant banker and pension fund manager Paul Myners, who is incidentally married to the chair of the contemporary art society.

Now certain aspects of the contemporary art world have also been given preferential political treatment. In particular Tate Modern received £50 million of Lottery money during the 1990s and its new extension will receive a further £50 million.



Tate Modern extension, Herzog de Meuron

Earlier this year Southwark Planning Department admitted that the original extension design had been unusually fast tracked through the planning process because of the Tate's prestige.

So will we continue putting the same political eggs into the same sorts of baskets? And will the City of London remain centre place and will art remain a ready panacea for urban ills?

I think the answer is probably it will and I want to conclude with a few possibilities that the recession might open up.

First although the art market hasn't plummeted like the stock market, the boom is probably over, and I don't think we're going to see a government bailout of the art world. And I think that this decline may bring the many artists who don't make work simply for multi-millionaires to the forefront and might encourage more political nuance and self reflection. Like the recession of the early 1990s when Damien Hirst first came to prominence the recession will certainly encourage new styles of art and cultural formations

connected to social and economic realities we face; and maybe connected to new technological innovations that Peter mentioned.

Secondly, the recession may provide an opportunity to work against the mystification of finance. The TV style episodes by Melanie Gilligan provide a possible starting point and they depict a kind of role play session by a group of City high fliers at a country house hotel which turns into a nightmare vision of capitalism out of control.

Lastly, maybe the current media loathing of profligate financial traders and the inevitable pricking of the art market bubble may allow a greater recognition of the more ordinary and diverse aspects of contemporary London's cultural and economic worlds.

But unfortunately I'm sure new idols and golden calves will be found.



Photo taken on Leonard Street, Shoreditch, October 2008









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19



18

HOW HAS THE LAST PERIOD OF GROWTH AFFECTED
UK ATTITUDES TO URBAN WORK AND LIFESTYLES?

COUNTING CRANES: ECONOMIC GEOGRAPHY AND THE RISE (AND FALL?) OF CITY CENTRE LIVING IN THE UK

Max Nathan is based at LSE, where he is doing PhD research on the economics of cultural diversity in UK cities. He is a Policy Advisor at the Department of Communities and Local Government (CLG) on a range of issues including urban policy, economic development and migration. He is a Research Associate at the Centre for Cities, a leading UK voice on urban policy, where he was previously Senior Researcher. He led the planning and development of the Centre, and worked on a number of projects covering economic development and regeneration, innovation and housing. Max is also a Visiting Fellow at the Institute of Public Policy Research and The Work Foundation.

So what's this presentation about?

Urban housing markets are in a state of decay...



—and look at the mini-crisis that's been unfolding there over the past couple of years. Also, to think about how some of the economic processes—the pipes and plumbing behind the built environment—have changed the way that city centres have developed and where they seem to be going now.

To do this I'll first briefly set out a conceptual framework, what I'll call an 'economic geography view' of how cities work. The second part will put some reality back in, drawing on work I did with Centre for Cities colleagues looking at city centre living, in Liverpool and Manchester in particular. I'll also talk a bit about London.

The tools of geography, and in particular the tools of new economic geography, can help explain the production of place, space and everyday experience.

When we're thinking about how urban spaces and places evolve I've always found a helpful notion is to think about the users of cities, in particular firms and residents; and to think about what cities have to offer their users and what shapes what Michael Storper calls the 'demand for urbanness'.

Cities offer benefits both on the production and consumption side. On the production side through agglomeration economies, on the consumption side, access to lifestyles, amenities and lifestyle packages. Economic returns seem to be higher to service sector firms and skilled workers, and this has shaped the character of city centre populations.

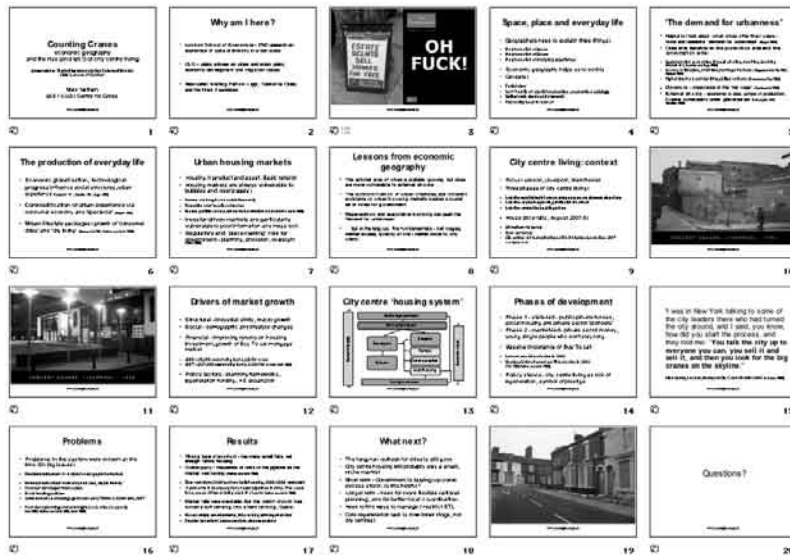
We also need to think about the dynamics. The key point here is that urban economies proceed through a series of jumps and these jumps can either be triggered by changes in the net wage—the costs and benefits of being in a city—or through external shocks, whether those are environmental,

...and we're in a global economic meltdown



Adbusters cover, September 2008

We've had a high level discussion this morning about Kondratieff waves, waves of innovation and the global crisis. So what I'll try and do is to zoom into particular aspects of the urban system—namely, urban housing systems



economic, technological, policy shocks. So crisis is in here, in some ways it's a fundamental feature, and the more internationally integrated cities become in the global economy the more they become vulnerable to crisis.

When we think about the finer grain of urban experience, the main trends are the increasing commodification of urban experience via the spatial concentration of consumer sectors, and the blurring of retail, leisure and tourism. Both of these affect how we live in cities and our experience, through the mediascape and the streetscape. The notion of urban lifestyle packages—the growth of a 'city living' lifestyle—is a key aspect of this, and that's been fed into by various actors and has helped push the demand for city-centre urbanness forward.

At this point we should stop and think a bit about urban housing markets. Housing is both product and asset—it has a dual role, and this creates a number of tensions. From an economist's perspective when housing is a product it's basically lagging the rest of the economy; when you're living in a city you build urban housing to suit. But when it's an asset people are speculating on past trends to future demands; housing production can run ahead of what actual demand turns out to be. That's one of the reasons why housing markets are inherently vulnerable to bubbles and oversupply.

What this means is that when housing markets are investor driven, when purchasers are geographically and systematically further away from the product, as city centre markets have turned out to be; then those markets are particularly vulnerable to information problems around the housing product. For example, you may not know whether people are going to want to live in the new-build home you're buying as an

investment. Mass exit is also a risk here: if people lose confidence markets can collapse if most of the ownership is in investor hands rather than with people who actually want to live there.

Where this takes us to is a series of high-level points:

- For various reasons the size of cities are growing but they are becoming more vulnerable to external shocks from the outside.
- Characteristics of consumer economy and urban housing markets suggest government should step in.
- Regeneration and building ahead of demand can push cities forward but in the long run what matters to users are income, quality of life and market access.

From a progressive point of view, this pushes us towards an important regulatory and place-making role for government. As we'll see the planning roles and the oversight roles haven't worked as they should have done, either at national or local level.

Now, let's move on to look at the case studies. What we'll see in the next section is how these general lessons have played out in city centres around the UK.

I want to look at Liverpool, Manchester and London. If you think about city centre living in the UK, leaving aside London for the moment, there are three phases. Very little was going on in most of these cities' cores in the late 80s. There was a lot of empty space; people who considered themselves pioneers started to move in. The whole thing exploded in the mid to late 90s, and now has started to come apart.

In London there were established city centre communities in many communities that have become 'city living' zones.

Here, what's happened has been much more about gentrification compared to places where nobody was living at all. But all these areas seem to be affected by falling prices now.

I've pulled out some land-registry data here:

- UK market - 4.6% drop
- Flats - 5.5% drop
- City centres - 6.4% drop in prices of flats in Liverpool, June-Dec 2007 (Land Registry 2008)

It's pretty difficult to get data on city centres because they're not real administrative units—but what we've got suggests flats and city-centre flats in particular are leading the downward trend of the market. So let's think a little about how we got here.

This is a classic example of how city centre development proceeded. This is the corner of Wood Street in central Liverpool, just up the road from the new Liverpool One shopping centre.



Two years later it looks like this:



What you see here is the classic city centre living package where you have reconfigured public space, pedestrianisation, style bars and restaurants, and then flats by Urban Splash overlooking a now very busy square. A number of factors were driving all this forward:

- Structural shifts in the economy which bring jobs back to British cities.
- A fairly benign macro environment (until now) put money in people's pockets which made property attractive.
- Social and cultural shifts which made city living more attractive.

Probably most importantly, there were big financial drivers of the city centre market: after the dot com bubble, housing investments looked pretty good. People began pouring into housing markets. These figures on the growth of the buy to let mortgage market show how much cheap finance contributed to this:

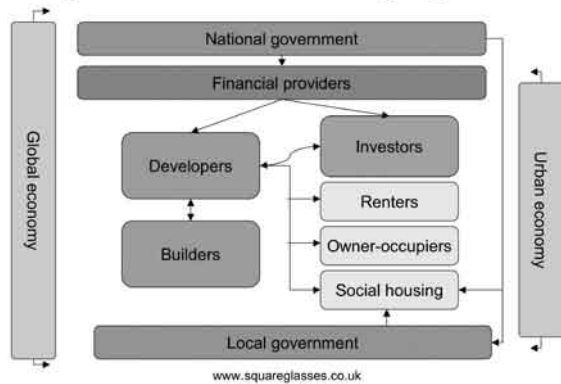
- 2000: 120,300 outstanding loans, £9.1bn owed
- 2007: 1,024,300 outstanding loans, £120.4bn owed (CML 2008)

We see explosive growth in the amount of loans made but also in the amount of money owed. And the debt line is just going to continue going up, when the 2008 figures come in.

Mediating all this was a range of policy factors: a pro-urban planning framework (at a national level and in local plans) and a lot of regeneration funding.

We also need to factor in the expansion of Higher Education: urban universities grew quite significantly over the 90s. What that did was to bring a lot of young people with money in their pockets into city centres. If you start to break down city centre populations, you'll find in some cases more than half

City centre 'housing system'



are students—rather than the young professionals we might imagine are living there.

This is my rough attempt to sketch out the city centre housing system. I realised a moment ago that I forgot to put architects in—sorry about that! (I guess you could say they are probably in there somewhere in the housebuilder—developer nexus.) But it gives you an idea of how complex the structure of demand actually is—the public and private sector players are very mixed up.

So, to date the city centre living phenomenon has developed in two main phases.

There's a big element of market-making in phase one. Developments like Concert Square in Liverpool had a lot of public money going in, whether that was through the local council or through social landlords. So it was a public-private funding model and social housing tenants ended up in developments like this alongside private sector 'pioneers'.

Phase two was very much mass market led, fuelled by buy-to-let finance, with far more mainstream developers involved. The resident mix shifted, with a

lot of young single people, either students or young professionals arriving. Many only stay a few years, and this conveyor belt effect is quite important.

Just to draw your attention to the figures here:

- London: BTL comprises c.50% of sales in 2006
 - Liverpool, Manchester: BTL comprises c.70% of sales in 2005
- (LRD 2006, Nathan and Urwin 2006)

Look at the amount of sales in city centres that are largely accounted for through speculative buying—it's pretty astonishing. These are estimates, but pretty good, based on conversations with estate agents and property people in these cities. This was already quite scary stuff by the time that market started to turn.

The policy stance to all of this was pretty laissez faire. If you look at speeches that people like John Prescott were making at the time they were very keen to use city centre living at a symbolic level. It was a tool of regeneration, changing the built environment but also a symbol of prestige and urban recovery. Almost irrespective of what the urban spillover

effects actually were; probably nobody bothered to check.

"I was in New York talking to some of the city leaders there who had turned the city around, and I said, you know, how did you start the process, and they told me: 'You talk the city up to everyone you can, you sell it and sell it, and then you look for the big cranes on the skyline.'"

Mike Storey, Leader, Liverpool City Council 1998–2005

This is a quote from Mike Storey who was leader of Liverpool City Council at the time. It captures the motivation of a lot of city leaders around this point, which is basically—talk it up and sell it and then measure success by changes to the built environment. Although this was premised by the economic direction of the city, when it came down to it there wasn't all that much interest in what the economic and social impacts actually were.

Even at the time a lot of problems were evident. A lot of the failures were to do with oversight but also overdependence on indirect demand, investors and dodgy bits of the financial system. The most important point I think is if you asked people what their demand for city centre urbanness actually was, it turned out to be pretty fragile. Turnover in these communities is around three times the national average. Populations were growing slowly, which suggested that this would stay a niche market. But this was not the view of the investors and syndicates were piling in. One of the people we interviewed described this as "stupid money"—people were investing at a number of stages removed from the product, and the level of information they were getting about the product was pretty poor.

The developers' business model meant they needed investors to bulk

buy at an early stage of the process. That pushed them towards providing stuff that was popular with investors rather than necessarily where the market was going. Bank lenders were relaxed and at the margins, some evidence of mortgage fraud is emerging. So far it's pretty small compared to the total mortgage market, but there are real human costs to this. And as I suggested earlier, government planning and oversight was not as stringent as it should have been. At the local level this is connected to lack of capacity in some planning departments.

All of this had two main consequences. First, the wrong type of product: too many small flats, not enough bigger ones. And second, too much product: some of these cities had, and still have, a huge number of units in the pipeline.

So some kind of market downturn was inevitable. At the time we were wondering whether it was going to be a soft or hard landing, I think we now know the answer. There are costs to that. Both to the type of regeneration moving forward, but also to the people involved—there are real welfare costs.

Where do we go from here?

The long run outlook for cities is still good, given the deep economic and social changes the UK has experienced over the past few decades. It also seems clear that city centre markets will continue to grow, but they will remain small and niche. They won't continue in the same explosive way.

In the short term government and social landlords are stepping into the market to buy up excess stock. And there are some questions about how useful that is, both in terms of the quality of the flats involved, and the moral hazard issues raised.

In the longer term we need more flexible planning tools and PPS3 are starting to provide that, it gives local authorities more control over the built form they promote, and gives more control than the way PPG3 was interpreted.

We need much better local understanding of housing markets and better strategic action by local authorities to manage land and property. You start to see this in high capacity local authorities like Manchester but it's by no means clear that this is the way most councils are operating.

We also need to find ways to manage and restrict buy to let investment on city centre markets and regeneration projects more broadly. There are a number of projects out there experimenting with ways to do this. From outright bans through to 'gentleman's agreements', but I think it's fairly clear that this needs to be converted into legislation fairly soon, and that voluntarism isn't going to work.

The final point is about how we apply these lessons. City centres were in a bad way fifteen years ago and in a better way today. The communities are not rooted, so they're not sustainable in that way, but people enjoy living there and they have been growing.

The core regeneration task now, and this returns to the point Peter made earlier, is for places like this in North Liverpool and Pennine Lancashire where regeneration has some way to go yet. Here, we have to think harder about the mix of 'place' and 'people' policies we need. It's clear that city centre regeneration improved the built environment and the image of places. But 'inner suburbs' have physical decay and often severe poverty. If we're concerned with individual life chances, employment and training interventions might achieve more than doing up houses. On the other hand, there are obvious social welfare gains—such as higher resident satisfaction—from improving bricks, mortar and the surrounding environment.



All this also means we need to reclaim 'regeneration' as more than 'just building stuff'. Seeing area-based policies through a physical lens means that we tend to focus on the area rather than the people in it. Going forward, that needs to change.

Dauida Hamilton
DEGW

THE DIFFERENTIAL EFFECT OF FINANCIAL CONSTRAINTS ON WORKPLACE DEMAND

Dauida Hamilton's expertise lies in the interface between the building user and the buildings they occupy. She is particularly concerned with the need to manage change by bringing users along through all phases of a project. DEGW is the leading international strategic design consultancy. DEGW has a unique mix of architects, designers, project managers and researchers ready to support and advise on the changing nature of work and its impact on people, society, the environment and the economy.



A lot of what I'm going to say today is informed by the experience of the last financial services company I worked with and the last government organisation I worked within. Just to put this presentation in context: even though I come from an architectural background, I now operate mostly on the border line of being an organisational consultant.

My role is very much at the briefing stage of the design process and I spend a lot of my time within companies. I also worked through the last early nineties recession working at DEGW. So it's interesting for me to see what's going on today; what's different and what's repeating.

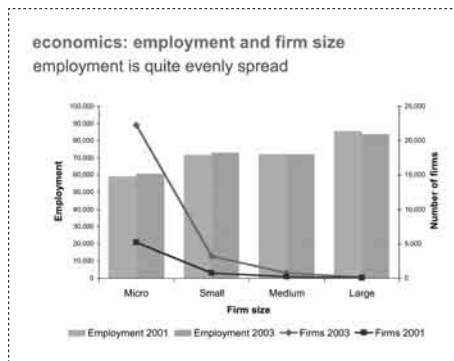
In terms of how we can examine the effects of the downturn, I'm going to talk about some of the levers of change that are in operation, the impact on organisations, and then summarise the impact on spatial demand.

Through a colleague I've been working on urban regeneration over the last couple of years to bring in my knowledge of the work environment into the discussion on regeneration.

We did a study for Northamptonshire County Council who wanted to know what portfolio of workplaces they needed to build for the new jobs they were trying to create. Which is a very interesting question. We came at that from the point of view of the working environment and translated this into spatial effects at an urban level.

I think one of the first things I found interesting when we were looking at Northamptonshire was the very interesting flat relationship between different sizes of firms in terms of their overall employment.

The bars on this graph are the numbers employed and the lines are the number of firms.



This was looking at trends between 2001—2003, and one of the interesting features about this is at the microlevel—those firms between 1 and 10 people—the ratio of firms to employees has changed substantially. And what this demonstrates is a big increase of one man bands in operation.

This is really important. We did a lot of case studies in Northamptonshire around that. So there are about as many people approximately employed in the micro organisations as there are in small, medium and large firms. But there's obviously a differential impact—if you lose one of the larger firms the micro organisations fall away catastrophically. It's very interesting—you can see how important it is not to ignore the micro firms. They are an important sort of employment in any area. This is Northamptonshire but I'm sure that this applies elsewhere.

The other underlying tendency I want to explore is a battle going on between organisational extroversion and introversion, and we're seeing this all the time in our work. What I mean by that is there are some things that are pulling people away from their workplace—that's the extroversion side—meeting with their customers, lots now have remote colleagues and partners. Even in any organisation you are working

with consultants outside the business, overseas colleagues, colleagues working in regional offices, so there's this sort of pull away from colleagues and partners. Also work-life balance, people working from home or part time, and more and more companies are taking the initiative to say that you don't have to come in every day, you can save travel costs and you can have a better life if you can work at home 1 day a week. So there are things pulling people outside of the traditional workplace.



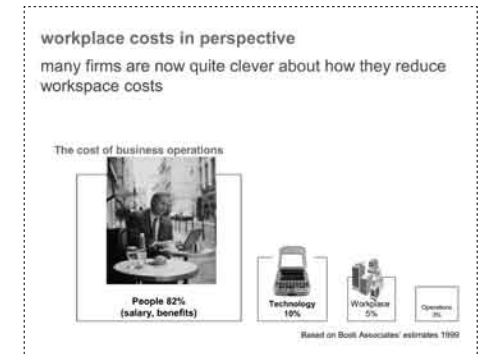
But there are things pulling them back into the traditional workplace—these are the tools and boundary objects that people share to make, to innovate and to create to work with each other. The whole process of innovation and internal cross-selling is really important.

To take a particular example, I did some work for a bank in Leeds where a particular team had co-located from three different offices to one office, and their profit margins had gone up by 17% in the 18 months after their move, and the manager I spoke to attributed that solely to the fact that they were in one office. That co-location had allowed the team to cross sell to one another and had increased their profitability in his opinion. So that's pulling people in, getting people to talk to each other in the organisation.

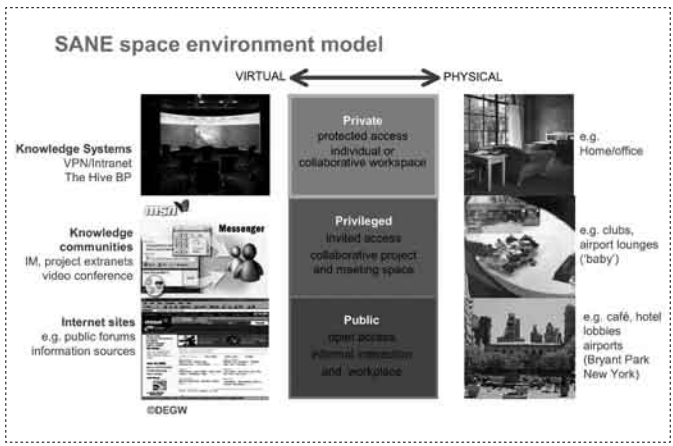
And now I think there's something going on even more, the whole issue of performance management.

How do you manage people who aren't under your eye? That's always an issue for people working outside the office, this will be more of a trend. As job insecurity grows people will be much more driven to work in the office to work under the eye of their manager to prove that they're worth keeping. Because we don't have the management tools to manage remote workers effectively yet. So there's two forces going on here: one is pulling them out of the office making them more loose and more networked and another is pulling them together.

The other underlying factor is that facilities managers and building managers are becoming more sophisticated and more sharp. And they're beginning to realise that you just can't cut space, irrespective of impact on the occupiers.



So what we're finding is that they're getting smarter about how they do it. They're giving people better working environments with less space, using technology to plug that gap and that's a really important trend. Our space managers are becoming much cleverer clients with a much more sophisticated understanding of how their customers work.



Finally, this model has been developed over some time now. And what it says is that there is a hierarchy of spaces for any organisation.

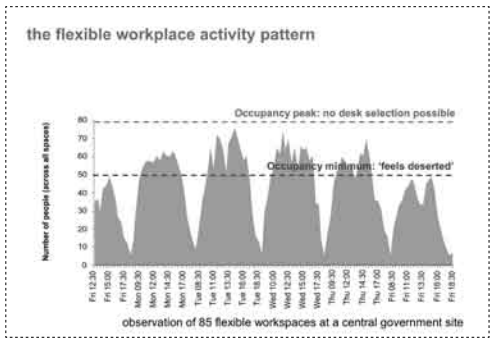
You have a private space that belongs to the organisation. You have a privileged space, these are the spaces you borrow from everyone else, the hotels, the conference centres that people use. And the public areas that people have access to. Again building managers are becoming consciously more sophisticated in using other people's space as part of their space portfolio. Companies like Accenture plan their budgets based on this space analysis.

Now this is a typical before and after case study. This happens to be the Department of Children, Schools and Families, but it is typical of any corporate environment. The really interesting thing about this is that nobody has their own desk except the ministers. They are all sharing, they only have 8 desks for every 10 people. That's the first time I've worked on a project where even the personal assistants and the secretaries are in the same boat as everybody else. It doesn't matter what your level in the organisation is, right up to the level below Permanent Secretary nobody owns a desk anymore.

So this is what I mean by the intelligent intensification of space. This is the DCSF but it is typical of what's going on in most of our administrative organisations.



You can look at the peaks and troughs of occupancy and you can begin to see the impact of travel.



What you can see, and this is borne out by comments from staff, is that Fridays are deserted because nobody is around. Either it's the day people take off part time, or their visitors from up north don't come down on Friday because going back is such a pain. So you can see that the maximum occupancy is Tuesday mornings and that's people coming down from other offices and consultants coming in. So there are real patterns emerging in how workplaces are being used in offices

What we did for Northamptonshire is that we stood back and developed a set of generic firm types, rather than looking at work styles within an organisation which we've done for many years—of people who are mobile, people who are resident occupiers—let's develop a set of types of overall firms.

So here's one we identified. This was the Visionary organisation. Which would typically be a start up, a charity, not for profit, very innovative, local service provision, a consultancy, a craft organisation. We determined some of their characteristics, their strategic purpose, their development of products, their structure tends to be absolutely

minimal, their sense of shared purpose is what holds them together, their culture is about lifestyle and mission. Very reliant on external organisations and very likely to transform.

But an interesting proportion of these small organisations are the 'altrepreneurs' who are small entrepreneurs who have no intention of emerging into a bigger company, they don't want to do it, they don't want the responsibility, they want to operate independently and continue to do that and make some money. So there's an interesting back to basics culture going on in employment where people say I'm going to hire myself out as and when I need. And you can see that in these visionary organisations.

One of the other organisation types we've got is the Corporation, the example I showed you is typically bureaucratic, strategy developed and implemented formally, brand focused, parent organisation, normally steady growth, punctuated by sudden change.

In trying to type organisations we came up with six categories in terms of demand for workspace. They have common characteristics when you're thinking about their relationship with the place of work.



We've talked about Visionary and the Corporation—which could be

public or private sector. Actually their characteristics are very much the same, they need good transport nodes, good quality people and a good lifestyle offering.

Services Processing, often has been offshored—I'll come back to that in a minute—things like call centres and software development. Goods Processing is very similar except there are goods in there as well.

And then two which are quite similar, one is Institutions, the other is Research, both of which need high-tech space and more complex spatial environments; but they differ: the institution has a public face, the research organisation actually excludes the public, so very different in terms of their security relationship with the outside world. One has a ring fence around it and one doesn't, but they're similar in terms of their space demands.



So let's see what's going on here with the Visionary organisations. With the micros I think the trend will continue of the retreat to home. A lot of the people who will end up losing their jobs are never going to go back into formal employment. I think what's going on at the moment will accelerate the growth of the very small organisation. The percentage of people working from home is going to carry on increasing. We think at the moment it's about 25% probably that will rise still. What does that say for our

housing stock? How are we coping with all these people who will be working from home?

Some important implications for lease terms. What we found in the case studies is that these small visionary organisations move into office space, circumstances may change and they're very fragile financially, so they don't need much of a loss in profit to not be able to afford that space anymore, then they break up again, and go back to working from home as individuals. So there's a lot of fluidity between the small spaces and the home environment.

The Corporation: there'll be a continued intensification of what they've been doing—things like desk sharing, rationalisation and good design. But, a really worrying level of rationalisation about the financial and professional services that hang off them. I'm worried about places like Leeds, places like Halifax, what's going to happen inevitably is that major financial institutions are going to come to people like DEGW and say what are we going to do about our portfolio of space? And there will be a rationalisation that says we can afford to get rid of these offices, and guess where they're going to be? In some of these heartland northern towns. So there's a worrying trend there. On the upside I hope the public services relocation will continue.

Services Processing: the off-shoring trend that we've seen in recent years may accelerate again, it had almost stopped. But I expect through cost-cutting we'll see more of a trend towards call centres going out of the country again. That will impact some of the larger offices in space—cost and flexibility focus.

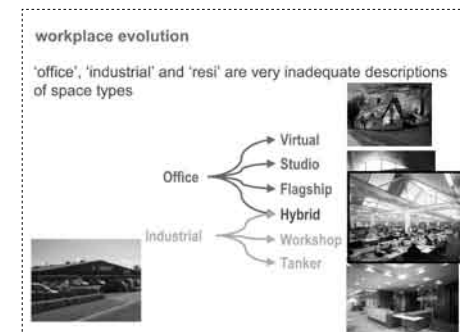
I think there is an interesting area about Institutions. Education and healthcare may become a pump primer. Perhaps government will get to the point where it runs out of money and

won't be able to do that, but I think they'll be very important parts of the new economy.

And finally the Research sector, we've seen very little impact of the credit crunch on the R&D clients. So things like big pharmaceuticals are still commissioning work, and very actively taking things forward. This hopefully offers a bedrock of work and investment the region can continue with.

So our view is that the old definitions of Office and Industrial space are not providing any support to our users. We think there's perhaps three types of space we need to look at to replace the office. One is Home, which I've already mentioned is very important; there's a Studio space, light touch, light industrial, very flexible space; and there's the Corporate space—high brand value space for the new corporations. On the industrial side, you've got small scale Workshops and what I call the Tankers, these huge industrial spaces. But there's also a demand for hybrid space for

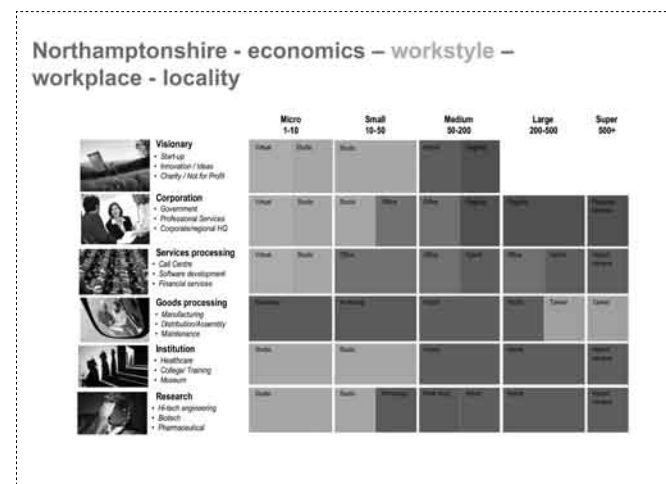
these new types of space for the R&D environments and the institutions, which can accommodate either high demand services processing like call centres or R&D/innovation space as well.



So we need to concentrate our efforts on developing new forms of space to support these new organisations types.

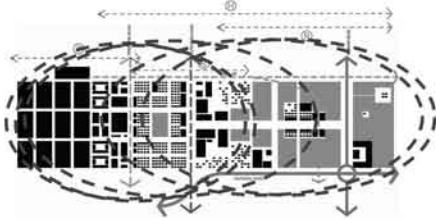
With this model what you can then do is transpose our workstyles into a portfolio of space types at the different sizes.

For Northamptonshire we were able to map their growing economic sectors to see what types of space they needed to build to support their growing economic sectors.



locality: mapping the impact

1. Gaps left by Corporation workstyle
2. Consequent impact on Visionaries
3. Increase in home working
4. Increased importance of Institutional seeding
5. Research/innovation retains underlying growth



So what's going to happen for the locality in terms of the model?

There will be a lot of overlap between the various sectors of the urban—rural picture.

There will also be gaps left by our corporation workstyles diminishing in the short term: the financial services and the professional services that depend on them. And the consequential impact on the small visionary operations who support those: the small firms, the photocopy firms, the web firms, the IT firms, all of those depend on these organisations for their work. So that's going to impact as well.

On the other hand we're going to get an increase in home working right across this diagram, and possibly an increased importance of the institutional seeding that goes on in the urban environment. Finally I very much hope that the R&D sector which stretches from the urban to the peri-urban will retain its underlying growth and can keep some of the other businesses moving forward.

So that's the hypothesis.

And I threw this quote in. I found it when I was doing some work for Thames Gateway I looked at what things used to be like.

"15 March 1662:
Went to Whitehall to wait on the Duke to get money for the Navy. Then back to the office. Went to the Royal Exchange to try and hire a ship. Lunch at home. All afternoon in office, writing business letters, home to bed."

I was amazed to find this was in 1662. Looking at the distributed working and how we work now it's funny to think that Peypes was doing the whole thing a few hundred years ago; working in a very similar way to the way people are working more and more these days. They're all over the place, buzzing around—bit of work at home, bit of work in the office, no particular base. We're back to where we were 350 years ago, so I look forward to the future.



Virtual	Studio	Studio	Hybrid	
Virtual	Studio	Studio	Office	Office
Virtual	Studio	Office		Office
Workshop	Workshop		Hybrid	
Studio	Studio		Hybrid	
Studio	Studio	Workshop	Work shop	



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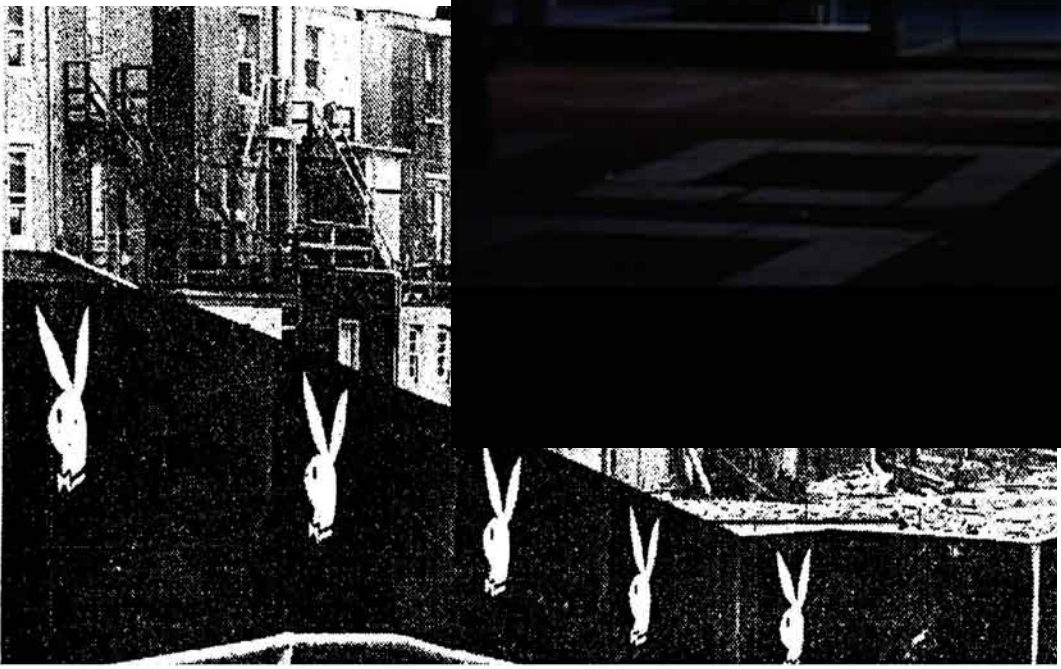
Be the change you want to see in the world

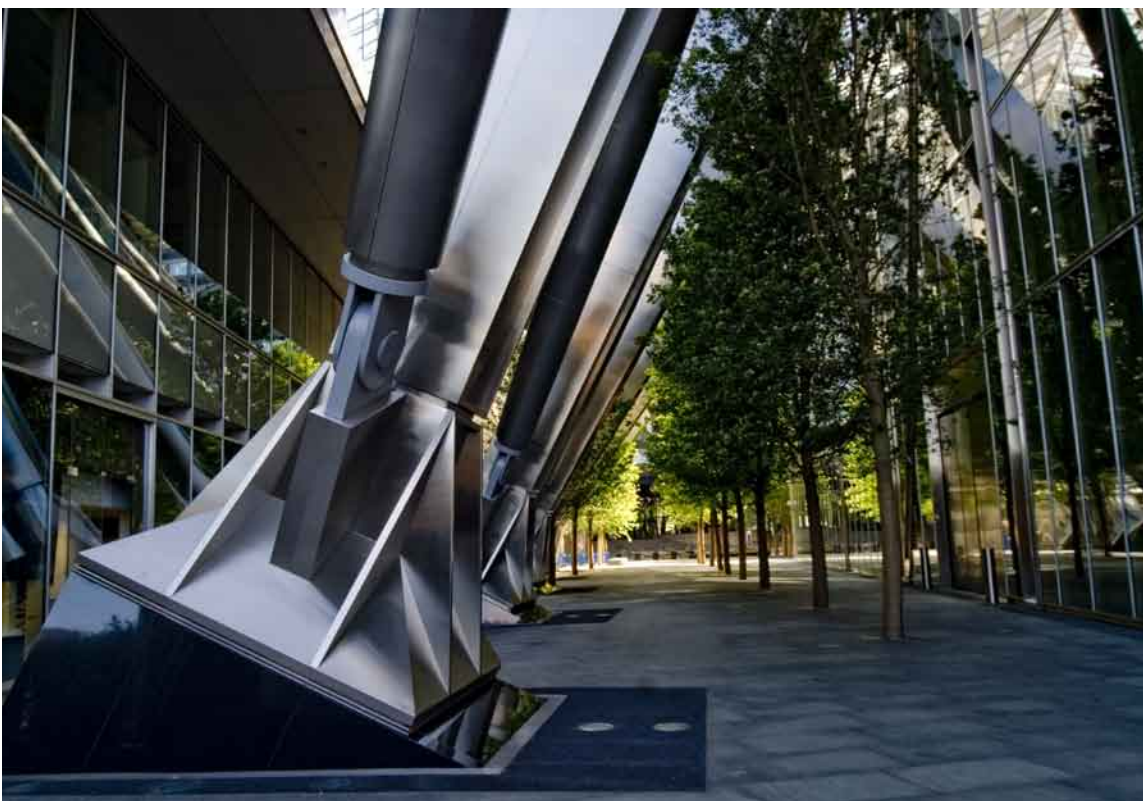
Mahatma Gandhi



20









HOW IS BANKING IMPLICATED IN THE PRODUCTION OF ARCHITECTURE AND THE REPRESENTATION OF CITIES?

24



25



26

AUTISTIC ARCHITECTURE: REIMAG(IN)ING THE SQUARE MILE

Maria Kaika is Professor in Human Geography at the University of Manchester. She holds a DPhil in Human Geography from the University of Oxford and an MA in Architecture from the National Technical University of Athens, as well as professional qualifications as an architect. Her research interests are in the political economy of architectural design, the relationship between built form and urban patronage, and urban political ecology.



What I want to do is cast a gaze on London's new iconic architecture from a different perspective. Not—as it is often presented in the media and by architectural critics—as a signifier of the City's growing economic power. Instead I want to look at this iconic architecture as symptoms of a deep crisis in the institutions that hold this peculiar place called the City of London together, and notably a crisis in the Corporation of London.

The Corporation, I call it London's Vatican. It is a state within a state, it is an institution older than Parliament, the oldest local government authority, a peculiar political authority, since its electorate comprises businesses and not residents. It is a powerful business networking institution of course and a powerful real estate owner, but perhaps beyond everything else the Corporation is the ultimate boys' club. And it is a boys' club that gets to manage its own playground, as it is also a very powerful planning authority.

I should point out that I started this research two years ago—so it is not a direct response to the current crisis—and it is research funded by the British Academy, in collaboration with Leslie Sklair and Luca Ruggiero.



Now the institutional structure and role of the Corporation as symbolic authority underwent very little change over the centuries and neither did the signifiers



of this symbolic authority change much. When American capital found in the form of the skyscraper the symbol of its expanding global dominance, the City clung on to its past as a means of securing its future.

Indeed resisting Modernism became a matter of imperial pride for the Corporation, who insisted in remaining 'characteristically English' both by not allowing foreign companies to invade the City and by not allowing the international architectural style to invade the square mile.

"The City was more than a financial network—it expresses national character: the city was 'characteristically English'"
Cohen-Partheim, 1935: 1

And the Corporation was doing just fine in maintaining its business and spatial isolationism until after the 1970s when the City's exclusive English club character proved very bad bed fellows with an increasingly globalised economy.

After the 70s the pressure for internationalisation of the UK economy was coming from all directions, and by the mid-70s, London hosted a number of consortium banks but only after long debates with the Corporation and finally those banks operated under the City's reluctant tolerance. The anecdote narrated by David Knyaston says that the Italian international bank was given the go ahead to operate in the City provided that (according to the Corporation) "whatever it did it did not do it in the streets and frighten the horses."

The result of this atmosphere—of the Corporation's hostility to internationalisation—was that an increasing number of businesses were bypassing London's Stock Exchange, that insisted in remaining a closed market place. In the years that followed the Big

Bang, the Stock Exchange of London turned from the preeminent stock exchange in Europe to being surpassed by its European competitors, even the originally very successful LIFFE (London International Financial Futures and Options Exchange) experienced a deep plunge after the Corporation failed to move quickly to an electronic system.

This business isolationism was matched by a spatial isolationism. In the 1980s the Corporation came into direct dispute with developers in resisting office renewal, a dispute which is beautifully documented by Jane Jacobs (*The Corporation against Developers*, 1994).



In the 80s the Corporation was seen as stifling the City's lifblood, because of its hostility to any change.

"[The City Corporation is] stifling the City's lifblood in its conservation oriented draft development plan"
The Times, 31/10/85

Curiously something that very few people seem to know is that the Corporation received open threats from the Government that it would be abolished. From the Hansard debates Labour was from its earliest days committed to the abolition of the Corporation as

constituted, and it should be replaced with a democratic institution.

"The Corporation is a group of hangers-on, who create what is known as the best dining club in the City. ... Labour was from its earliest days committed to the abolition of the City Corporation as constituted ... Labour's argument was that it should be replaced with a democratic institution."

{Hansard Debates, 1999 #2851} (p. 2 Nov 1999, Colum 171).

This was confirmed by Mike Cassidy, when we interviewed him.

"They'd said to us, 'We don't like what you are and we will reform you, or get rid of you' and so we said, 'Well, please will you reform us?'. So they said, 'Well, if we can we will, if we can't we'll get rid of you!'"

Michael Cassidy, President of the London Chamber of Commerce & Industry (Interview, 10/9/04)

However the Corporation refused to reform, and despite the criticism, pressure and negative indicators the Corporation was too powerful an institution to be touched by anybody and insisted on maintaining its spatial and institutional habits.

So what happened?

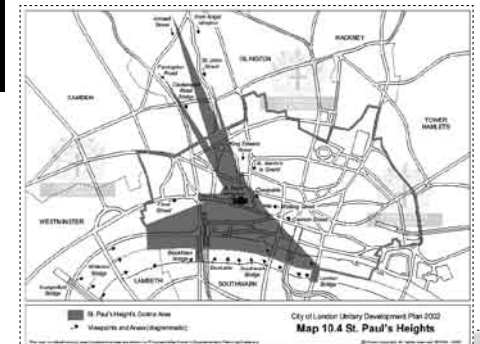
According to interviewees in the highest echelons of the Corporation who wished to remain anonymous, the only thing that finally shook up the Corporation was the loss of the European Central Bank to Frankfurt in 1993. That moment appears to be a wake up call for the Corporation and marked the end of the Corporation's blind optimism. It was the *invasion of the real* for the City that shattered the Corporation's fantasy for continuous world supremacy without any change. And the Corporation finally realised

that it had a lot of ground to cover very quickly.

In the Nineties the Corporation came up with a survival strategy. It had to be seen to be reaching out, opening up, keeping businesses in place, it even launched an electoral reform and changed its name from the City Corporation, to the Corporation of London. But this new identity had to be matched by an image make over, and the spatial habits of the Corporation proved even harder to break than its institutional habits.

For it was only after 2002 with the unitary development plan that finally the Corporation gave consent to tall buildings.

St Paul's Heights Control Area,
City of London Unitary Development Plan 2002



And as expected of course, a new generation of buildings started sprouting around the Square Mile.



Swiss Re Building
(Foster and Partners)



Leadenhall Street Building
(Rogers Stirk Harbour + Partners)



London Bridge Tower
(Renzo Piano)

Now at a material level these buildings fulfilled three key functions: the need for infrastructural renewal, they helped keep businesses in the square mile, and they helped raised London's profile.

However, at a presentational level, we can argue that these buildings constitute a visual coup d'etat, a thorn in the eye of the Corporation's time old oriented policies and strategies. We could perhaps go so far as to argue that these buildings mark the end of the Corporation as the reigning symbolic authority over the Square Mile. Although Peter Rees, the head of planning

at the Corporation, was adamant during our interview that the new skyline of London was the Corporation's own initiative and own achievement.



But in fact around 70 people from the general public that we interviewed, all of them saw the new skyline as the Mayor of London's achievement, and Donald MacNeill has done excellent work on this debate.



The Edifice Complex
(Sudjic, 2006) across
the centuries

(Sketch by Rem
Koolhaas published in
Jencks 2004)

Whether it was the Mayor's or the Corporation's making, London's new iconic architecture and skyline was instantly hailed by the media as landmarks and were placed on a par with the timeless objects of architecture across the centuries. And perhaps they may indeed bear some superficial similarities with the great architectural landmarks.

But what I want to argue here is the very significant differences that put under scrutiny their role as urban icons, or signifiers of the City's economic power and dominance.

The first point I want to highlight is the way these buildings are embedded or not into urban life and into the urban fabric. If we look at architectural landmarks across the centuries from the pyramids, to the Parthenon to the medieval Cathedral, to the American skyscraper, design alone has never been enough to turn a building into a signifier of a particular social order.

So conferring agency upon buildings has always involved complex social, cultural and economic practices. The Pompidou Centre and the Eiffel Tower in Paris, are very good examples of objects of architecture, that were originally hated by the public but they became ritualised only after they were embedded for years in the social and cultural practices of urban life.

By contrast London's contemporary architectural objects do not wish to have urban life invading their spaces they are gated spaces, their interiors are inaccessible and deliberately sealed off from the public eye.



Even the public spaces are gated.



Broadgate, London

They are working places for transnational elites who are not place bound, not involved in the City's political life (and Richard Sennett has done work on that).

According to Peter Rees again, these people come to London because “it’s the best party on the planet” then they leave after two years after having experienced the best party. Now these buildings offer a ‘decaffeinated’ version of urbanity, they provide experiences of all the good things London has to offer, avoiding the ‘evil’ of urban life. And this lack of place loyalty, although lamented by many academics, actually is perceived as a great asset by the Corporation, because it makes their aggressive planning policy much easier, since there is no civil society with vested interests to object to whatever policies the Corporation wants to promote in the Square Mile. And I think it is quite well known that the Corporation is actually actively opposing admitting more residents in the Square Mile.

So what we are experiencing today I would argue is the end of architecture as social art, the end of opening up buildings to public life. If the earlier urban signifiers constituted urban events moments of dreaming the whole of the city rather than the particular site (here is the Rockefeller Centre that has been so successfully integrated into urban life)



the object of contemporary architecture qualify more as what I call Autistic Architecture—an introverted and inward looking architecture that does not want to

engage with the city that surrounds it and with civil society. Baudrillard calls some of this singular architecture ‘monster architecture’ that appears to have landed from out of space with no regard to what surrounds it.

Modernist Object of Architecture	Today's Object of Architecture
Skyline in relation to its trace on the urban fabric	The skyline as an autonomous entity

Today’s architecture I argue wishes to engage not with the city but with the skyline. The skyline is now elevated to a status of an autonomous entity; and cities at the same time are reduced to a kind of curiosity shop—the backdrop for the display of these curious architectural objects. And indeed the urban skyline has become an obsession for architects, planners, architectural critics and the media.

Now these two phenomena: the rise of autistic architecture, and the obsession with the skyline go hand in glove with a third phenomena, the rise of the agnostic architect. We experience the end of the role of architects as public intellectuals. As Tafuri put it back in the 1970s, it foretold that architecture would abandon any attempt to reclaim, reconnect or reimpose meaning.

So here are two interesting phenomena. The first one is that architects publicly renounce their role as public intellectuals (if you read recent interviews by Zaha Hadid she clearly says that ‘I do not know about publics, I design’) so although they renounce their role as public intellectuals they receive more media attention than ever before—they become public personas.

The second interesting phenomena is that whilst contemporary buildings refuse to engage with the city that surrounds them, they actually enjoy an instant recognition as urban icons. Through enigmatic articles and architectural critics’ oration, the public is asked to do with architecture what Pascal suggested we should do with religion ‘even if you do not believe, kneel down, act as if you believed, and belief will come upon you’—so the public is asked to acknowledge London’s new architecture as iconic. However, the public not only has a hard time to physically access these new icons it also has a hard time to read them as signifiers of something that might be somehow linked to their everyday life—why is that?

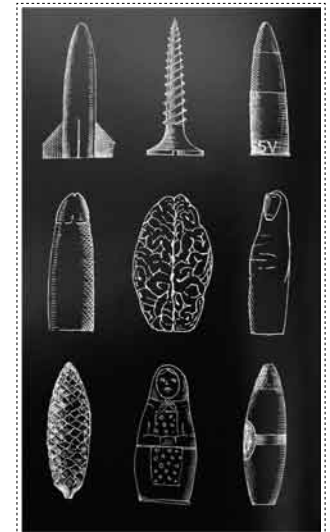
Unlike earlier urban landmarks which were clear expressions of the power of a well established tycoon or institution, or someone or something heavily linked to urban life; contemporary landmarks by contrast are speculative objects or branding objects for transnational corporations, who like transnational elites are not place bound are not involved in the city’s political and social life and have no desire to act as the city’s patrons. It is perhaps indicative of the public’s discomfort towards these new icons that these new buildings are nicknamed even before they’re erected.



The Gherkin The Cheese Grater The Shard of Glass

Perhaps this is an effort from the part of the public imaginary to appropriate them, to bring them closer to their everyday life. How else can you relate to Leadenhall Street building? You can’t access it, but you do have a cheese grater at home that resembles this building.

But it’s not just the public, architectural critics also desperately search for meaning in these new buildings and Jencks finally finds it in the cosmic, the supernatural order—again something that’s totally taken away from everyday life. Performing a playful, ironic search for meaning, where the signified behind the Swiss Re building can be anything, a multiplicity of things, the rocket, the screw, the bullet, the phallus, the brain etc.



In Search Of Meaning, Madelon Vriesendorp’s metaphorical explorations

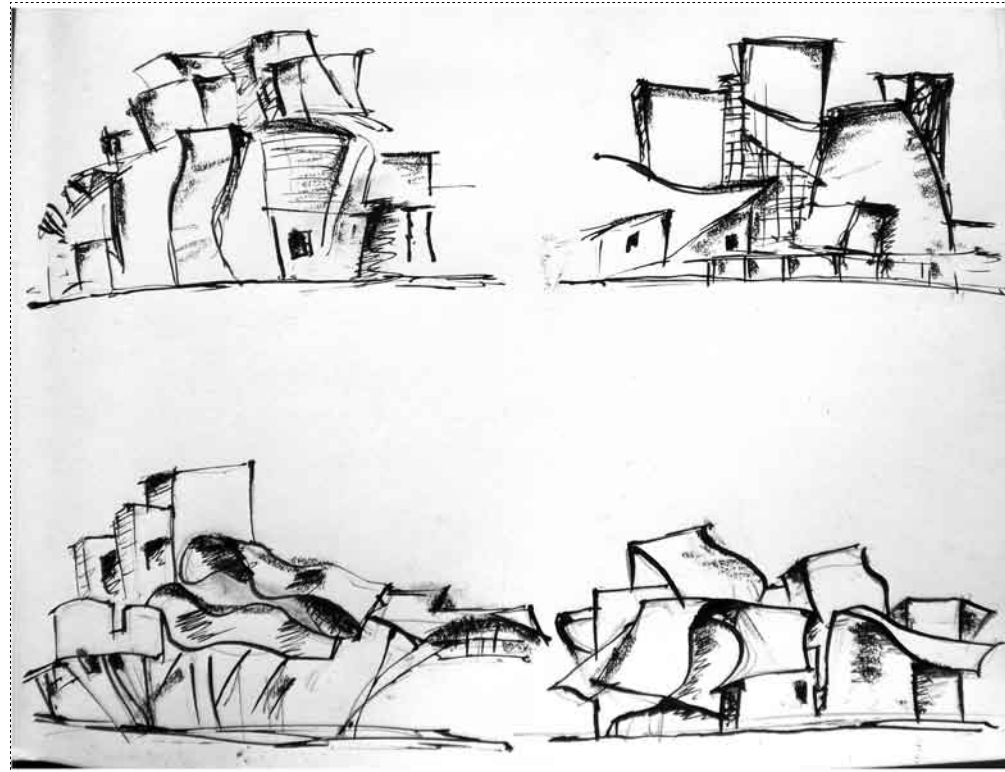
But the fact is that London’s new urban signifiers could signify anything but a symbolic authority trying to intervene and produce meaningful urban space.

Now this phenomenon of overdetermination of symbols where one single signified is attached to a signified

multiplicity, interestingly goes today hand in hand with another phenomena, which is an over symbolism of meaning, where by the same successful code is repeated by the same or different star architect around the world in different contexts.

Here is the same image by Frank Gehry around the world in different locations.

Back in the 1970s—and it's very interesting that we all go back to the 1970s today—Cornelius Castoriadis identified these two phenomena, the overdetermination of symbols and the oversymbolism of meaning, as symptoms of crisis in the social imaginary, symptoms of corrosion in the institutions and elites that hold the urban society together.



1. Frank O. Gehry's Bilbao Guggenheim (top left, 1997)
2. Los Angeles Walt Disney Concert Hall (2002)
3. Marquis de Riscal Winery Expansion in Elciego, Spain (2003)
4. Peter B Lewis Campus of the Weathershead School of Management Case Western Reserve University, Cleveland, Ohio (under construction).

And indeed I argue that this is exactly what happened with the Corporation. Although these buildings have been celebrated as a great success of the Corporation of the City, in fact the proliferation of iconic buildings in the Square Mile can be read as a signifier of a moment of crisis, and as an urgent need for a reimagining of the institution that has been holding this peculiar place together for many centuries.

Now if we were to read the proliferation of iconic buildings as an effort to reconstitute an imaginary urban identity for the City, the Corporation and for London, this reading raises two important questions.

The first one is:

Could this top down imaginary constitution of an imaginary urban identity for London, provide an effective tool for gluing together an increasingly heterogeneous urban society, increasingly footloose urban elites?

And the second question is:

Can this moment provide a political

opportunity to claim an impressive skyline, but at the same time demand a more livable and walkable city?

The recent financial crisis perhaps ends up being the Corporation's victory, saying 'we told you so, we shouldn't have internationalised to that extent'. But perhaps this crisis also provide cracks into the system for citizens to reclaim parts of the city, new ways of imagining the space of the city and claiming this part of London, that has always been a blind spot for any London citizen or visitor.

Reconstituting a New Urban Social Imagery

1. Effective tool for congealing a heterogeneous urban society and footloose urban elites?
2. Political opportunity to claim a 'livable' and 'walkable' city?

LEARNING FROM 'LAS VEGAS EAST': ECONOMIC CRISIS AND CINEMATIC SPACE IN THE KING OF MARVIN GARDENS AND ATLANTIC CITY

Lawrence Webb is a PhD candidate in the Film Studies department at King's College London. His doctoral research focuses on the relationship between cinema and the global economic and urban restructuring processes of the 1970s across several international contexts.

In this paper I want to address two questions, which you will see at the beginning of my abstract, and suggest some ways in which they may be interconnected. I should add that this work is part of my doctoral thesis and as such is very much 'work in progress'—but I hope that it might bring up some questions and ideas that will contribute to the overall aims of today's workshop.

How have cultural forms such as cinema historically represented complex economic and urban phenomena?

Or, to put it another way, how do moments of crisis or flux in what are increasingly complex and often essentially unrepresentable systems—such as the large city, or the global financial system—become transposed into images and narratives for popular consumption, and what is at stake in this transformation or mediation?

What role have periods of economic crisis played in the modulation, reshaping, or overturning of aesthetic and narrative conventions?

It's too early to say what the implications of the current banking crisis might be on these terms, so for the moment we have to look back further to a previous period of economic crisis in order to consider these problems.

As such, this paper will concentrate on the 1970s, which were, of course, a decade of financial instability and recession for most of the Western industrialised world, and also saw a widespread reorganisation and restructuring of urban space, making it a particularly useful period for our purposes. The 1970s was also arguably the decade in which many aspects of our current economic reality were put in place—such as the turn to neoliberalism, deregulation, the end of the Bretton Woods system, the expansion of finance capital, and so on—so hopefully there's more than a merely historical interest here.

Hollywood's financial crisis 1969-1971

First, I am going to sketch a brief outline of the crisis of the American film industry in the 1970s, and suggest some ways in which the economic crisis may have affected American cinema, both as an industry and as an artform. In summary, I wish to suggest that the financial crisis was a major catalyst in the process of industrial restructuring and aesthetic innovation undergone by Hollywood film in the seventies.

One of the major effects can be seen as a substantial shift in film production techniques, particularly a widespread shift towards location shooting and the adoption of new technologies to facilitate it. The 70s therefore saw both a reorganisation of the geography of American film production and also the transformation of how city space was represented on screen.



At the end of the 1960s, as the American economy began to falter, the major Hollywood studios encountered their own profitability crisis whose repercussions would profoundly reshape the American film industry in the decade to come. In 1969, the studios recorded an overall loss of around \$200m, making it their first unprofitable year in the postwar period. This crisis lasted for the next two years, during which the industry lost over \$600m. This was due to a number of factors, such as overproduction of expensive musicals and epics. In essence, the major studios' product was beginning to look increasingly outdated against social and cultural upheavals of the 1960s, a substantially expanding youth audience, the competition of television, and so on.

As a direct result of the financial crisis, almost all of the major studios were taken over by transnational corporations such as Gulf and Western and Transamerica Corporation. The new management pursued a variety of restructuring strategies in order to restore profitability. This restructuring had its roots in a much earlier event, the so-called 'Paramount Decision' of 1948, in which the US Supreme Court ruled that the Hollywood Studios' ownership of production, distribution, and exhibition constituted an illegal monopoly and needed to be broken up. However, despite being divested of their cinema chains, the major studios by and large continued to operate an increasingly outdated production process into the 1960s—until the profitability crisis made it essentially untenable.

Thus, as Michael Storper has convincingly argued, the reorganization of Hollywood is in itself an exemplary case of an industry moving from a centralised, vertically-integrated mass-production model to what has been defined as 'flexible specialization'. The majors concentrated

on producing a small number of highly expensive projects each year—this is, of course, the beginning of the blockbuster format. This also had the effect of increasing the risk involved, so a number of risk management strategies came in—huge marketing campaigns, increasing synergy with merchandising and soundtracks.

However, at the same time the studios reduced their overall financial risk by sharing it with independent production companies—so an increasing number of productions began to be outsourced to independent companies, with the studios taking the role of financier and distributor. This led for a time, at least, to a shift in the balance of power towards the producer and director away from the studio bosses, and ushered in a brief, but hugely influential, period of artistic innovation and experimentation, bringing in techniques from television, documentary, European art cinema, and so on, which is of course well understood as the 'New Hollywood' period.

As such, the late 1960s and 1970s saw a breakdown and reordering of Hollywood's stylistic conventions and narrative paradigms. In terms of the representation of the city, the most crucial change in the production process was the widespread turn to location shooting, which was encouraged in the first instance as a cost-cutting measure. The geography of American film production was also rather radically altered in this period by competition between city and state governments for the location shooting dollar, providing subsidies and tax incentives.

The expansion of location shooting during the 1970s can therefore be seen as a symptom of the economic and urban crisis in two major ways: on the one hand, financial incentives pushed production out of the studio and drove technological innovation to support such practices;

on the other, in more artistic terms, the crisis and decay of the industrial city—alongside the gradual emergence of a new post-modern architectural landscape—provided an urgent subject for enquiry and an intriguing set of forms and surfaces to work with. It is then precisely because film of this period employed such an authenticity of location that we are able to view them as a kind of historical documentation of such shifts in the urban landscape.

Atlantic City: two films

I will now go on to briefly look at two films set and filmed in Atlantic City, New Jersey at opposite ends of the 1970s: Bob Rafelson's *The King of Marvin Gardens* (1972)



and Louis Malle's *Atlantic City* (1980). Taken together, these films chart the city's trajectory from decline in the early 1970s, to 'renewal' and 'regeneration' at the end of the decade through a specific restructuring strategy—the legalisation of gambling. *Atlantic City* in the 70s remains a fascinating instance of a piece of economic deregulation being directly used as a tool for urban renewal. There's plenty more one could say about these films, but I am going to just briefly address some issues that relate directly to the redevelopment of the city.

As Rafelson and Malle were surely aware, *Atlantic City* is home of the Boardwalk and the Miss America pageant, its street names adorning the original Monopoly board. This lends the city's landscape and iconography a symbolic force and generality which suggests an allegorical relationship to America as a whole. As Malle put it,

"There was no doubt in my mind from beginning to end that *Atlantic City* would be the central character. It was really about the city and what was going on—it was also a documentary about America."

Because Atlantic City already has a peculiarly representational quality, Malle and Rafelson were able to use it to allegorise the crisis and restructuring of American capitalism and urban form. Further, each can also be seen to operate a level of reflexivity in relation to their own status as a cultural product, both of Hollywood and American culture more generally, which usefully enables a discussion of the relationship between the exhaustion of established narrative and aesthetic paradigms—which belong to the ‘old Hollywood’ or the pre-crisis Hollywood—and the crisis of a particular type of urban space.

When *The King of Marvin Gardens* was filmed in the early 1970s, the New Jersey resort town was seemingly in the grip of an inexorable decline that had begun as far back as the mid-1950s. During the 1960s alone it had lost 20% of its population, and in the ten years from 1965–1975, the city lost some 4,500 jobs, largely from its primary leisure and service industries. In a *New Yorker* article of 1972, John McPhee captured the extent of its decay:

“It looks like Metz in 1919, Cologne in 1944. Nothing has actually exploded. It is not bomb damage. It is deep and complex decay. Roofs are off. Bricks are scattered in the street. People sit on porches, six deep, at nine on a Monday morning.”

The film follows David Staebler (Jack Nicholson), a late-night radio show presenter in Philadelphia, who receives a call from his brother, Jason summoning him to Atlantic City. Jason (Bruce Dern) is a small-time hustler with outsized entrepreneurial ambitions; on his arrival, David finds Jason in jail on a trumped-up automobile offence. “You notice how it’s the Monopoly board out there? The Boardwalk...Park Place?” Jason asks his brother. “Go straight to jail, do not pass go...”, David responds with due sarcasm.



Jason lives with two women in a suite at the Marlborough Blenheim hotel: Sally, ‘a middle-aged Kewpie doll’ (Ellen Burstyn) and her much younger step-daughter, Jessica (Julia Ann Robinson). Jason’s delusional scheme is to develop a holiday resort on a tiny Pacific island, Tiki, which he claims to have the rights to. The two women are obsessed with the Miss America pageant, and rehearse their routines in empty club venues on the Boardwalk. David becomes increasingly drawn into his brother’s fantasies. The film ends in a climactic yet pointless act of violence, which ultimately resolves nothing; David returns to Philadelphia. All of which you could read as a kind of lament for a tarnished American dream. Yet, if we pay attention to the specific context of Atlantic City we might be able to approach it in a slightly different way.

The ‘Marvin Gardens’ of the title is, of course, an allusion to the Monopoly board, which took the names of Atlantic City’s streets when it was first manufactured in the 1930s. Notably, each block of the Monopoly board corresponds

to a genuine location in Atlantic City, with the exception of Marvin Gardens. This property is a misspelling of a real suburb just outside the city named Marven Gardens, its name a composite of two neighbouring areas, Margate and Ventnor. The film’s use of the Monopoly spelling therefore opens up a split or opposition between Marven/Marvin, the symbiotic relationship between a ‘real’ place and its representation, whether understood in directly cinematic terms, or more generally as a kind of ‘symbolic capital’ inserted into an economic structure.

Further, by making direct reference to the board game, the title by extension makes an allegorical connection to a particular era or phase of American capitalism, that is to say ‘monopoly capitalism’, then in decline. During the 1970s, monopoly capitalism—in its Fordist-Keynesian guise—reached an impasse, and began to be replaced by newer, more flexible forms of capital accumulation. This process has been usefully theorised by David Harvey in *The Limits to Capital* and *The Urban Experience*.

Returning to the early 20th century, the history of the Monopoly board as a popular representation of urban economics is illuminating. The board itself schematises the spatial or urban basis of industrial capitalism: making a fortune on the board is directly related to the player’s ability to accumulate real estate, build housing, and speculate on hotel construction. Though often seen as valorising entrepreneurship, the original intention of the game, first patented in 1903 by Elizabeth Magie under the title the ‘Landlord’s Game’



(it was also popularly known as the ‘Anti-Landlord’s Game’) had been to demonstrate the impoverishing effects of rent and the inherent crisis tendencies the capitalist system. (It was later used for instructional purposes by the economist Rexford Tugwell for exactly this purpose.) The game took off during the Depression when it was first mass manufactured by the Walker Brothers.



The popularity of such board games—such as Monopoly and others with catchy names like ‘Inflation’ and ‘Finance’

during the Depression—suggests a need to sublimate anxieties about the financial world into everyday life, and into narrative form. However, I would suggest that while it has often been seen as a mascot for American capitalism—the game was banned in the Soviet bloc during the Cold War, for example—it retains contradictory elements that have their basis in its origins. So, while it suggests a classic, American individualist narrative of capitalism—a Horatio Alger, rags-to-riches story, or a kind of economic bildungsroman, if you like—this is matched by contradictory elements, the first being the chance element. One is always in danger of going back to zero, or beginning again—as such, the board suggests what Georg Simmel identified as the split in the experience of the modern city between calculability and rationalisation on the one hand, and fortuitousness, chance and risk on the other.

Secondly, and perhaps more importantly, are the crisis tendencies embodied

in the original intentions of the game itself—in order to win, the whole system must be put into deadlock. So, through its reference to the Monopoly board, the question implicitly posed though of course not directly answered by Rafelson's film then centres precisely around this geographical mystery or drama of economic development: why should periods of accumulation and growth be embodied by specific types of space and architecture, only to become discarded with the next downturn in the cycle? What processes lie underneath this logic of development, through which certain locations decline and others thrive, or in terms of the Monopoly board, why might both Baltic Avenue and the Boardwalk decline in value, leading a whole city to become, in effect, Baltic Avenue?

The dynamic of urban restructuring from the 1960s onwards had been as much a reorganization of the relationship between cities as a reorganization of cities internally, so that

whole cities such as Detroit or Baltimore began to enter into decline as their primary industries were automated, moved to right-to-work states or offshore. The Monopoly board had therefore become fundamentally transformed by the intrusion or influence of other places and other processes which are not visible on the board, that is to say, outside the range of the city, or by extension, the macro-economy of the nation state.

But what effect might this have had on Hollywood narrative? As theorists such as Franco Moretti and Fredric Jameson have argued, there has historically been a close relationship between popular narrative forms and the spaces they represent and in which they have been consumed. For example, Moretti argues that the 19th century European novel was closely tied to national space, being the only “symbolic form capable of making sense of the nation-state”. Similarly, Jameson asserts that

“Narrative seems supremely able to deal with the way in which the truth of individual life was constructed by smaller environments. In the nineteenth-century novel, the narrative apparatus became much more complex in order to deal with the truth of individual experience in a national setting, and of course even more so in imperial settings. But in the global perspective of late capitalism, there's a real crisis in this older narrative machinery.”

This crisis of the “narrative machinery” of classical Hollywood is one of the key characteristics of 1970s American cinema—in which we often find narratives that are episodic, dedramatised, and often unresolved (one thinks of *Chinatown*, for example)—in contrast to the often tightly-plotted narratives of the older classical Hollywood model.

In narrative terms, what Marvin Gardens and Atlantic City share is an increasing sense that particular types of genre narrative no longer seemed possible without some self-referential

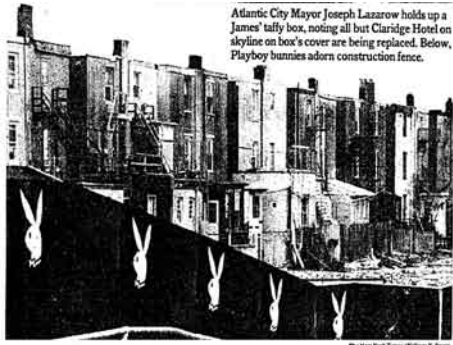




Chalfonte-Haddon Hall complex, left, in Atlantic City. Below: Mayor Joseph Lazarow.



The New York Times
Published: March 30, 1977
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Atlantic City Mayor Joseph Lazarow holds up a James' taffy box, noting all but Claridge Hotel on skyline on box's cover are being replaced. Below: Playboy bunnies adorn construction fence.



acknowledgement of their status as convention or cliché. In *Marvin Gardens* and *Atlantic City*, this exhaustion or crisis of narrative is self-reflexively played out in the film as an inability of the protagonists to successfully complete their crime narrative. In *Marvin Gardens*, it is suggested that the conditions of the Monopoly board on which the Staebler brothers are playing have fundamentally changed, leaving them unable to properly contextualise the urban/global restructuring processes which nevertheless remain visible through the films' locations.

Malle's film takes place in the aftermath of the gambling referendum, which was passed in 1976. This was intended as a 'magic bullet' that would revitalise the flagging resort town by stimulating economic growth, creating employment, and driving urban redevelopment.

I would like to suggest that this is an exemplary case of what Harvey refers to as a 'spatial fix' for the accumulation crisis of the 1970s, whereby a particular economic policy or development strategy is introduced through which the circulation of capital and the rate of productivity can be restored.

The scheme was backed by an uneasy alliance of interests, including Resorts International, Hugh Hefner, and the AFL-CIO. In the *New York Times*, the president of the New Jersey AFL-CIO summed up the hopes for the city:

"Capital investment not only in construction, but also in commerce generally, will enhance the city. Instead of decay and slums, a modern, alive city will arise."

The Mayor, Joseph Lazarow, became chairman of the casino gambling organisation, the 'Committee to Rebuild Atlantic City'.

In the first instance, the legalisation of gambling in Atlantic City generated a wave of property speculation across the city. In the two years after the referendum, the city recorded some \$214 million worth of real-estate transactions, an increase of 800% on the two previous years. After another two years (1979–1980), this had doubled again to \$436 million.

However, this had what the *New York Times* reported as 'sociological consequences':

"Hotels and other businesses may be erected in an area now covered mostly by slum housing, most of which is being sought by speculators."

The paper recorded that some 700 to 1,000 residents had already been displaced. Two weeks later, the paper reported a study revealing what it

referred to as a "systematic effort" to evict Hispanic, poor and elderly residents from Atlantic City tenements to raze buildings and sell property at rates inflated by the expected arrival of casino gambling.'

Another immediate consequence was that gaming stocks began to soar on Wall Street, despite an otherwise slow market. The *Economist* recorded in December 1976 that shares in Resorts International had risen farther, faster, than any other shares since the beginning of the year, rising by 486%.

During the opening and closing credits of *Atlantic City*, the old hotels which stood semi-derelect in the earlier film are now being demolished to make way for the new hotels and casinos. The decline of *Marvin Gardens* has become replaced by restructuring: building sites and bulldozers cover the boardwalk.

The film tracks the narratives of three protagonists. First is Sally (Susan Sarandon), a recent migrant from rural Saskatchewan, who works in the Oyster bar at the newly opened Resorts International Casino, and is training to become a croupier.

Her estranged husband, Dave, has eloped with Sally's sister. Together they steal drugs from a dealer in Philadelphia; they come to Atlantic City to sell it and make their fortune.

Enter Lou Pascal (Burt Lancaster), an ageing hood with misremembered fantasies of the old days of Nucky Johnson and Bugsy Siegel. Lou agrees to fence the drugs for them. Two Philadelphia gangsters are soon on their tail. So, for a brief time Lou is able to act out his fantasy of being the real gangster he never quite was in the old days—before it

begins to fade into the past along with the disappearing hotels on the Boardwalk. Just as the character Lou Pascal (and, in an extra-textual sense, Burt Lancaster) represents an older period of Hollywood, so these semi-finished crime narratives belong to this older type of space that is being systematically redeveloped or replaced.

Lou collects his numbers game in the vast ghetto behind Atlantic Avenue, where the houses now lie in shocking state of disrepair.

This clip brings up a number of issues. First, by cutting between the two scenes, it suggests that gambling is endemic in the city, across social and spatial divisions, and that alongside the new casinos, there is also the persistence of the numbers racket—an older, illegal form of gambling for those who are too poor or otherwise marginalised to

go to the Resorts International. Susan Sarandon's slightly mechanical dealing motions here are also a kind of trace of Taylorist production process that persists in the post-Fordist leisure industry.

This kind of 'sensory-motor' connection between the factory production line and the gambler was one made by Walter Benjamin in the 1930s:

"Even the worker's gesture produced by the automated work process appears in gambling, for there can be no game without the quick movement of the hand by which the stake is put down or a card is picked up."

For Walter Benjamin, the gambler was one of a number of archetypal figures of the modern city—such as the flaneur, and the collector. Gambling represented a new type of perceptual mode specific to the metropolis—it's a kind of 'threshold' experience. Whereas Benjamin suggests

gambling as a kind of resistance to the abstracting forces of modernity, particularly the rationalization and administration of time—here I think we can see this type of experience becoming commodified and institutionalised.

For Benjamin, gambling represents a kind of condensation of the fluctuation of the market into individual experience. Like speculating on the stock market, gambling is a purely abstract form of consumption: money is spent, yet no commodity is exchanged, only the possibility of gaining more credit. Benjamin cites the French socialist Paul Lafargue, who wrote in 1906 that

"Modern economic development as a whole tends more and more to transform capitalist society into a giant international gambling house, where the bourgeois wins and loses capital in consequence of events which remain unknown to him."



Moving forward eighty years to 1986, we find a very similar passage in Susan Strange's book *Casino Capitalism*.

She writes:

"The Western financial system is rapidly coming to resemble nothing as much as a vast casino....the increase in uncertainty has made inveterate, and largely involuntary, gamblers of us all."

Here, Strange is suggesting that the volatility and fluctuation of the financial markets had implicated itself into the fabric of everyday life. I am running short of time here, but as a closing remark I would like to suggest that the two films use the backdrop of Atlantic City to plot out the transition between two phases or periods of capitalism: 'monopoly capitalism' and 'casino capitalism'.

RESPONSE

I wanted to pick on a few themes or questions that seemed especially interesting to me and hopefully connect across the sessions.

A first issue is this very interesting question that Peter introduced p. 27 about the economic periodicity of space. I think it's fair to point out that there's no real academic consensus about these waves and cycles. We can measure some of the effects but there are big disagreements about the causes—in particular about the relative contribution of technology—so that is a very large and interesting debate. Those of you who have looked at Second Empire Paris and the process of Haussmanisation, what we now observe raise questions about the historical precedents for neo-Haussmanisation, the conjunctions between capital, political power and new forms of state intervention. So much we can take from history as well as economic waves to look at these questions.

Earlier today there was a brief debate about high art pp. 49–56, what that might be, how that can link with this discussion of the City. I think the work of the sociologist Bourdieu is quite useful here in terms of his arguments about the rules of art and questions about distinction and elite culture, professional fields and intersecting fields of influence and so on; an intricate social analysis of cultural production, the meaning of cultural artifacts, and a very rich and important area to consider.

A third point that struck me listening to Dariusz—do we need new theories for the contemporary situation? Do our old theories work or do we need to modify them, or come up with some new theoretical tools? And this reminds me that in 1989 David Harvey's book *The Condition of Postmodernity* came out and

argued that we don't need new analytical tools to understand postmodernism, we have most of these tools already with us. This provoked a very strong set of responses from feminist scholars like Rosalyn Deutsche, there was a very strong set of discussions about the relationship between economy and culture. And that is partly what we're looking at today, how do we analyze the relationship between economic change and cultural change and do we need some new theoretical tools to take that debate forward. I'm reminded in the existing literature of scholars like Aldo Rossi, a very interesting combination of economic analysis and a real sensitivity to phenomena such as collective memory, culture and the production of place. So there's a very interesting literature out there that we can go back to get inspiration.

Another theme that came up is the question about opacity and complexity. We don't fully understand the extent of these toxic financial products and derivatives—the interlocking relationships and so on. There are interesting geographical elements to this. For example, the role of offshore tax havens; these places that to some extent do not really exist. Iceland became some kind of strange placeless place, a new offshore pivotal point for the recycling of some of the most toxic assets. The Caymen Islands and some of these other places mentioned, these offshore, tax avoidance havens, whose opacity and complexity has served the interests of some of these players in terms of the processes we are talking about. And of course these extraordinary leverage ratios where the real things are multiplied thirty or forty times in terms of these strange derivatives being sold on. And the selling of debt that relate very much to real places, the suburban

locations of Florida and Kansas City have been mentioned. Where are the real places that have generated the crisis that we are talking about, what do these places look like, what is happening there?

A very interesting theme is the role of credit rating agencies - these extraordinary conflicts of interest where companies are paying other companies to tell them that their products are good. That made me think of the paper speaking about cinema pp. 103–114—it reminds me not only of the credit rating agencies like Moody's and Standards and Poor but the so called 'blurb-meisters' of Los Angeles who were paid to say films are good when they're not good. There are these different relationships and conflicts of interest across culture and economy.

Trying to understand what is going on with the role of influential individuals and the cult of celebrity architecture pp. 93–101 has been discussed. Some scholars such as Hal Foster have begun to pick up on this. When you look at contemporary architecture and design there are very few leading figures who will cancel commissions on political grounds. I was recently writing an essay about the French landscape architect Gilles Clément. Apparently when Sarkozy became French President he immediately stopped certain projects in protest, but that's very unusual. So there's some interesting questions about these very powerful individuals in a kind of winner takes all professional context—it is not just massive bonuses in the economy, there are also effects in terms of the professional field.

We've spoken about global cities. It seems to me, again thinking about Dariusz's presentation pp. 40–47, that we may need to rethink the classic Saskia Sassen three cities relationship of New York, London

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and Tokyo, and the theory behind it. One of the difficulties with Sassen's extremely influential work is that it's mainly descriptive, it's really a presentation of information, yet it's been almost an overwhelming contribution to some of these questions and surely there are other interesting ideas and voices to bring into the frame.

Another issue that's suddenly appeared is an attempt to define the public interest. The extraordinary complicated bailouts and the failure of the Paulson plan was because tax payers were really not getting much back out of it. Suddenly they had to rethink their approach and learn from the Swedish banking crisis in the early 1990s. This was very cleverly set up and tax payers over seven and eight years actually got something back. But what if not only banks collapsed, but water companies and rail companies collapsed? What would happen? Would in 24 hours the public interest be extended to other parts of the economy?

The role of the super-rich within this debate is very interesting. At King's College Loretta Lees and Tim Butler have been exploring super-gentrification, particularly in London. We're not talking about gentrification like we had in London in the 70s and 80s but people who can buy properties for £7-8 million without blinking—the Richard Rogers Hyde Park development, £83million for these ecologically sustainable penthouse flats.

So my final point is, do moments of crisis generate new cultural or imaginative insights? New York in the 1970s was an extraordinary place for music and art. The use of post-industrial abandoned spaces in Berlin in the 1970s shared certain parallels. If we really are entering some kind of deep recession what will

that mean for urban culture? Are we going to see some very exciting ideas and work coming out of the current difficulties?

AFTERWORD



A version of this essay originally appeared in *Critical Cities – Ideas, Knowledge and Agitation From Emerging Urbanists*, Myrdle Court Press 2009 www.myrdlecourtpress.net

THE ARCHITECTURE OF FINANCIAL CRISIS

Louis Moreno

“The financial markets and their values give capitalism its culture”

Will Hutton, *The Observer*, 8 November 2009

The urban flaw

On 23 October 2008, under interrogation by the Senate Oversight and Government Reform Committee, former Federal Reserve chairman Alan Greenspan admitted he had found “a flaw” in his ideology. Perplexed by the remark, committee chair Senator Waxman asked for clarification: “You found a flaw in the reality?” Greenspan elaborated:

“I found a flaw in the model that I perceived is the critical functioning structure that defines how the world works, so to speak.”

It was barely a month since Lehman Brothers collapsed, eight months following Northern Rock’s nationalisation, over a year since the scale of US home loan default shook the markets, and nearly four decades since the formation of an intellectual framework which no longer explained Greenspan’s world. To an economic outsider the bald simplicity and uninflected contrition of his confession is startling. However, a striking definition, provided by Martin Wolf in the *Financial Times* on 1 October 2008, helps frame the confession’s significance:

“Finance is the web of intermediation binding economic agents to one another across space and time.”

Wolf, like Greenspan, understood that the free market compass was broken – the terrain of trade was now hostile. But what about that other socially critical web of temporal and spatial intermediation, the built environment; had flaws in structured finance affected the production of architecture and cities?

The day after Greenspan’s hearing a workshop was held at the Bartlett School of Architecture to explore the way place and space are affected by financial expansion and collapse.



washingtontimes.com/weblogs/potus-notes/2008/Oct/24/he-found-flaw/ (last accessed: 15 July 2009)



Contributions were invited covering a spectrum of enquiry connecting urban and economic problems. This essay offers a report on their presentations and tries to build on this material by sketching out some of the turbulent urban relationships recombining culture and capital today.

Business cycles, technological innovation and cultural logic

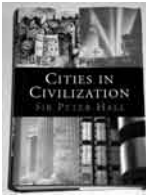
In *Cities in Civilization*, Peter Hall produced a multi-layered account of the interconnections between technological innovation and cultural production to explain the mysterious, complex and contradictory sense of order in everyday life.

At the centre of his account lay a palpable industrial heartbeat first detected by Nikolai Kondratieff and then later amplified by Joseph Schumpeter. To open up the debate about the way economic swings affect urban structure and culture, Peter Hall was invited to present this composite theory of economics, geography and history.

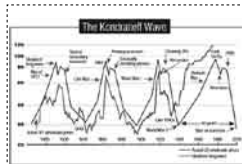
Hall argued that Schumpeter’s greatest achievement was to have adapted Kondratieff’s long wave theory, established in the 1920s, into a dynamic economic history of industrial capitalism. In the two-volume work *Business Cycles*, published in 1939, Schumpeter linked boom and bust with technological revolution. Punctuating waves of financial euphoria and depression, entrepreneurs, in places far from the centres of political and economic life, develop new innovations in industrial technology and social organisation. New modes of production, emerging in places like Manchester, Glasgow, Berlin and Detroit, centered on the installation of a low-cost social and technological input that increased production and reduced the cost of transportation and communication. The value created generated fantastic wealth for entrepreneurs and investors, whose success lay in their ability to harness the new idea to revolutionise production techniques.

Hall laid out the sequence Schumpeter established and other economists later developed:

“The first wave was in the late 18th century especially in England with developments in the cotton industry and the iron and steel industry. The second associated with rail and ship building and the Bessemer process in iron and steel that greatly cheapened steel production. The third from the 1890s associated with the new motor car industry and with chemicals, especially pharmaceutical industries, this



P. Hall, pp. 614-618, *Cities in Civilization: Culture, innovation and urban order* (London: Phoenix, 1999).



is when a lot basic drugs like aspirin came on the market for instance, and also the beginnings of the electrical industry. And the fourth was essentially associated with electronics but also with air travel; this was the wave that began with the mass production of television in the 1950s and went on to the development of the personal computer in the 1970s.”

pp. 29–30

According to this theory new technology and infrastructure influence change in social institutions, gradually altering the structure and character of places, inventing new routines of everyday life. The success of an innovation is measured then not only by its technological novelty but the entrepreneur’s ability to exploit the potential of new ideas in the production process. Thus,

“Henry Ford didn’t invent the motor car, this was invented in Germany in the 1880s, but he did invent the mass production of the car for everyone in Detroit in 1907 with the Model T.”

p. 30

Hall said this theory helps explain the last wave of development in the post-war period, where, in the area south of San Francisco now called Silicon Valley, a chain of critical innovations took place. From transistors to search engines, successive waves of technological discoveries took place in an area which up until the 1930s had served as agricultural land.



This process of continuous innovation Hall said had extraordinary parallels with “what happened in Lancashire in the first industrial revolution in the late 18th and early 19th industry centuries.” But while the pattern of economic development of industrial Lancashire and Silicon Valley may follow similar geographical processes of development, the competitive pressures of fresh technical and social innovation can degrade the social and economic resources of places historically dependent on the activity of less adaptable industrial structures (for example, Detroit on car manufacturing). The emergence of a technological revolution signals increasing competition for resources which can dislocate the economy of places unable to weather, what Schumpeter famously described as, the “gales of creative destruction” whipped up by technological revolution. The fixed nature of physical capital can lock places into paths of decline through the devalorisation of physical assets and institutionalisation of poor job prospects. Over time, places are depopulated, leaving sinks of deprivation with dependent populations trapped and stigmatised by their decayed landscape and decomposing skill sets. However, the development of new industries and new firms seeking sites for production can, through geographical concentration and new

modes of transportation and communication, transform the potential of abandoned places:

“as a result, urban space is revalorized: rural areas, previously almost valueless, suddenly become valuable, central areas with certain properties have suddenly new potential”.

Hall (1999) p. 616.

But often, this process of urban renewal generates new sets of winners and losers.

Lawrence Webb developed this point, arguing that the new forms of urban representation emerging in 1970s US cinema were a product of socio-economic contradictions inherent in real estate, industrial production and urban experience. Building on Michael Storper’s analysis of the restructuring of Hollywood in the late 1960s and early 70s, Webb argued that the interregnum in cinematic production opened for a brief moment a window of experimentation in mainstream film. The financial crisis, which precipitated the reconfiguration of film production, paralleled the urban crisis of industrial heartland cities such as Detroit and Baltimore. This, according to Webb, provided filmmakers with “an urgent subject for enquiry and an intriguing set of forms and surfaces to work with”.

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Webb applied the literary theories of Franco Moretti and Fredric Jameson to suggest that the New Hollywood processes of location shooting and de-dramatised narratives were attempts to represent the actually existing state of stagflation in that period. Using a pair of movies whose locations bookend a period of urban renewal in Atlantic City, Webb argued that *The King of Marvin Gardens* (1972) and *Atlantic City* (1980), in story line, aesthetic and production form respectively “plot out” the transition between two phases or periods of financial capitalism: “monopoly capitalism” and “casino capitalism”. The role of finance in the economic ‘plot’ underpinning urban culture comes into view. The development and cultural conditions of cities expand to the limits set by the “design, product and profit space” of an innovation and the new circuits of speculation set in motion by a new regime of finance capital.



C. Perez, *Technological Revolutions and Financial Capital: The dynamics of bubbles and golden ages* (Gloucester: Edward Elgar Publishing, 2003)

The geographical concentration of financial capital

In *The Global City*, the urban sociologist Saskia Sassen produced a benchmark account of the urban command and control of capital flows through a handful of core centres of financial production. For the workshop, Dariusz Wójcik took a fresh look at the notion of global cities with a geographical account of the financial sector’s recent decoupling from the ‘real’ economy.

S. Sassen, *The Global City: New York, London, Tokyo* (Princeton: Princeton University Press, 2001)



Wójcik argued that there was a need to explain both the intense concentration of financial services in London and New York, and how one of the basic financial innovations of the deregulation era—securitisation—has become a structural fault line, along which local suburban real-estate markets have shaken the global economy to its core.

The process of deregulation in Wall Street, in the mid 70s, and Big Bang in the City in 1986, meant these investment centres were freed up to exploit new markets. In this time of transition, a novel set of relationships developed between Wall Street and the City of London around new classes of investment products and processes (collectively known as structured finance).

The concentration in the City and Wall Street of services and expertise in dealing in transparent assets, which needed little place-specific activity like foreign currency, Wójcik argued, explains the pronounced rise in the US and UK global share of interest rate derivatives between 1995 and 2005—a period he called the ‘heyday’ for international capitalism.

The vast proportion of domestic debt owned in the US was also a critical factor in the growth of this field:

“the value of US domestic debt securities is 50% larger than the amount of all debt securities in international circulation in the whole world.”

By being the world’s single largest, most liquid financial market, the US became a laboratory to experiment in securitisation—complex processes to monetise debt.

One of the most significant innovations in this period was in asset backed securities; including the infamous mortgage backed securities upon which so many of the UK’s large banks and building societies came unstuck. The tremendous growth and scale of these markets, intensified by the growth of hedge funds (effectively unregulated banks), the climate of permissive regulation and bonus incentives, increased the extent of financial innovation and risk taking. Another notorious invention over this period has been that of credit default swaps—the trading securities that devastated the insurance firm AIG. These were created in Wall Street, produced by financial mathematicians known as quantitative analysts, and exported worldwide by the City of London, with the tremendous sums farmed out through a global archipelago of offshore tax havens (in the Cayman Islands, the Seychelles, etc.)

Investors from all around the world called on London and Wall Street for products like interest rate swaps, because these cities were key marketplaces with concentrated knowledge and



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Flag of the Cayman Islands

expertise in macroeconomic information, such as international interest rates. But what was overlooked in the race to get these exotic assets was information on the firmness of the local real-estate markets these securities rested on. The break in the geography of information, the link between real estate in places like suburban Detroit and financial activity in the City, was, in Wójcik’s view, one of the critical failures causing capital markets to topple over.

The investment institutions that have congregated in these financial capitals form, in Wójcik’s terms, the “connective tissue” binding the contemporary international money system together. But despite the tissue damage, Wójcik concluded that due to the concentration of institutions it is unlikely that Wall Street and London will be seriously challenged for some time. From the point of view of history, Wójcik said,

“the significance of connectivity and mobile international bankers is, if anything, more true today than ever before”.

The recent wave of financial innovation has therefore consolidated the City of London’s reputation, established in the early 19th century, as the world’s leading financial centre. By extension, financial and business services have maintained the significance of the UK in the global economy despite an increasing diminution of production activity, which, Wójcik said, is consistent with the lessons of economic history.

The decline of London’s manufacturing and maritime functions has been to the City’s advantage. The disinvestment of London’s docklands opened up arable real estate for commercial banking activities. During this time of growth the City experienced its own form of urban renewal, with new tall buildings like Richard Rogers’ Lloyd’s Building, and more recently, Norman Foster’s 30 St Mary Axe (‘The Gherkin’), accommodating the global reinsurance firm, Swiss Re. The redevelopment of the City has been physically marked by a new set of financial clusters: a base of hedge funds in Mayfair, a concentration of international firms in Canary Wharf and, of course, the political core, the City of London. Furthermore, a new cultural and creative economy has taken root in the late Victorian-era workshops and studios on the fringes of the City. The presentations from Maria Kaika and Andrew Harris reflected on how this financial transformation has culturally and spatially taken shape.

Cultural instruments of financial manipulation

Maria Kaika built on Wójcik’s account with a combined institutional and architectural critique of the City’s recent

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evolution. Like many of the other presentations, her story began in the 1970s, with the Corporation of London described as a powerful but introspective city-state (“London’s Vatican” as Kaika put it). Recalcitrant in the face of the changing character of financial capitalism, the Corporation’s planners proudly repelled American towers from besmirching the City’s historic character. This resistance to corporate modernism was, Kaika argued, symptomatic of a club-like code blocking the promulgation of new technologies and overseas companies. But the cumulative effect of liberalisation - the entry of foreign firms awash with capital into the market, the complexity of new products and new communications technology—forced a crisis. The Thatcher government’s restructuring of the London Stock Exchange in 1986 meant a structural and cultural break with the City’s past, forcing it open to international competition.

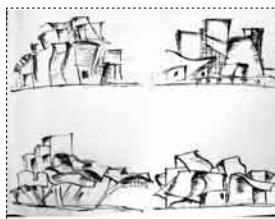
“In the years that followed the Big Bang, the Stock Exchange of London turned from the preeminent stock exchange in Europe to being surpassed by its European competitors, even the originally very successful LIFFE (London International Financial Futures and Options Exchange) experienced a deep plunge after the Corporation failed to move quickly to an electronic system.”

The shock of losing the European Central Bank to Frankfurt in the early 90s provoked an institutional moment of clarity. The Corporation finally began to transform; it accepted the need to adapt its urban layout and architecture to become a more viable location for international finance. This required new planning approaches to make room for change, but also a type of building and skyline attractive to global capital; a brief eventually fulfilled by the voluptuous form of Foster’s icon—30 St. Mary Axe, also known as The Gherkin.

London’s skyline refused to accept the 20th Century horizon of corporate modernism but eventually did solicit the haute-architecture of the 21st Century cosmopolis. For Kaika the obeisance to finance and neglect of the public raises a question of ethics for architectural practice. Animated by the objectives of pecuniary power, guided by the strategic logic of development, the leading edge of architecture has, knowingly or otherwise, rejected the public sphere and become, for Kaika, “autistic”—repetitively casting meaninglessly distinctive urban forms. The related phenomena of the star-architect and iconic architecture are, in Kaika’s critique, the fruition of a tendency which the architectural critic Manfredo Tafuri observed in the 70s: a capitalised avant garde whose freedom of expression correlates with the motivation of finance and real-estate actors.



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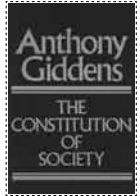


In fact, despite the Corporation’s resistance to change, the use of architecture to culturally mediate a new economic order was nothing new for the City. In *The Constitution of Society*, Anthony Giddens noted that the bankers of the 19th Century assumed the neo-classical tastes of Burlington-era aristocracy because of wealth accrued financing the industrial revolution. Their entry into the English social elite was an exchange for bailing out gentry threatened by an earlier long wave effect - the collapse of agrarian production. Culture has long played an instrumental role in economic transformation. Andrew Harris brought this story up to date by comparing the trajectory of British artist Damien Hirst’s career with the investiture of a new power-elite of hedge fund managers, Russian oligarchs and Gulf oil magnates. Using the conjuncture of two extraordinary events—the collapse of Lehman Brothers and Hirst’s Sotheby’s auction—Harris gave an exploratory account of the way this era of finance mobilised the value and influence of the art world. But instead of merely defining art as a passive target of speculation, Harris suggested contemporary art mediated and expressed the social relations of the new era of finance.

From a geographical perspective Harris also linked the simultaneous success of Hirst and finance to the growth of a creative economy on the City’s fringe. Not only were Hirst’s first major exhibitions funded by Canary Wharf development company, they also took place in areas of London, like Shoreditch, which would later see a revival of new economic activity. This links with Hall’s observation that the economic synthesis of art and technology, fuelled by speculative capital, can revive the urban core of cities. Thus, “terrains of disinvestment” like East London, or Baumwollspinnerei in Leipzig, or SoMa in San Francisco have, since the mid 90s, become sites for new ‘knowledge intensive’ industries. These enterprises rely on intangible, creative services such as branding, design and marketing to define the distinctiveness of high-value goods. Alongside this, core manufacturing cities such as Leeds have, over the past 15 years, adapted their economic resources to accommodate the growth of financial and business services, picking up activities outsourced from London. The substitution of new economies for traditional industries has not only changed the physical landscape, but new modes of reindustrialisation have altered the social and cultural character of places.

The new inner city has produced a new work experience blurring the boundaries of employment, culture and leisure. Again architecture has played an instrumental role in reshaping the economic life of places, designing flexible spaces and distinctive

A. Giddens, *The Constitution of Society: Outline of the theory of structuration* (Berkeley: University of California Press, 1986) p. 321.



pp.49-56



T. Hutton, *The Inner City as Site of Cultural Production sui generis: A review essay*, *Geography Compass* 3(2), 2009, pp. 600-629 (611)



images which contour new sites of production and consumption. Davida Hamilton and Max Nathan explained the changing style of work and use of space that have emerged over the last decade.

The demand for urbanness

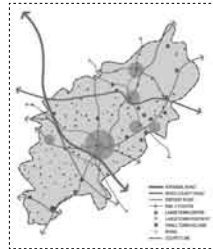
Davida Hamilton's presentation discussed the lifestyle changes new technology has stimulated and the spatial impact on those cities transformed by financial services. Hamilton's observations on the future industrial demand for work-space, based on analysis for Northamptonshire County Council, provided an insight into the changing time-space structure of labour. Communications technology and the need for proximity mean that workers are being pushed and pulled in many different physical directions. A diverse palate of physical and virtual places, such as cafés, websites and hotel lobbies, have become the new production floor of the knowledge economy, populated by users equipped with Wi-Fi enabled mobile phones, laptops, etc. Forces of technology, real estate, employment and industrial competition have led employers to 'expect' workers to be highly networked, with diverse skill sets and flexible attitudes to work. But zoning typologies of residential, industrial and office space, and management processes, are lagging the changing socio-economic character of work staged on a highly differentiated range of sites. Hamilton's analysis could be said to present the demand for space and labour for what Allen Scott described as the new "cognitive cultural economy".

A feature of this new economy is, in Hamilton's view, the tremendous growth rate of microlevel organisations; firms of up to ten people, which are crucial sources of employment in city regions. Hamilton suggested that this trend of micro start-ups is likely to increase following the contraction of financial services, but worryingly, she pointed out that it is not clear how the knowledge economy can absorb the scale of job loss northern financial centres, like Leeds and Halifax, are likely to experience. The dot com bust has shown how sensitive the new inner city economies can be. Due to the dependency of the knowledge and cultural economy on volatile financial capital, the "durability of the community regeneration mission" freighted by policymakers on these new industries is, as Thomas Hutton suggests, doubtful.

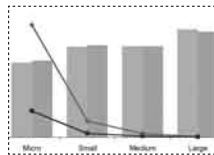
Max Nathan looked at the municipal dimensions of real-estate and culture-led regeneration, and in particular the way housing investment models have changed in a relatively short span of time—what Storper has called the "demand for urbanness".



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ibid. Hutton (2009) p. 625



Hutton (2009) p. 625

The lineaments of the UK's urban-housing-market failure are similar to those Wójcik identified; namely, investment problems in the geography of information.

“When housing markets are investor driven, when purchasers are geographically and systematically further away from the product, as city centre markets have turned out to be, they are particularly vulnerable to information problems around the housing product.”

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This is a critical area where the planning and regulatory system failed. While many on the ground knew the demand for housing products like one-bedroom flats was weak, the force of the business model that needed investors to bulk buy off-plan meant deals were taking place far removed from final demand.

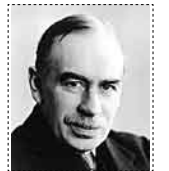
The aspirational desire for a particular product, encouraged by place marketing, iconic architecture and real-estate media, helped inflate a housing bubble, and constructed a new political and consumer sense of urban value. “The increasing commodification of urban experience via spatial concentration of consumer sectors, and the blurring of retail, leisure and tourism” was, Nathan argued, conditioned by the political economy of speculation, rather than the objective for good standard, long-term social infrastructure. The robust real-estate acumen of US city leaders was enthusiastically emulated by their UK counterparts. As Mike Storey, one time leader of Liverpool City Council, said of the advice received from his New York mentors:

ibid.

“You talk the city up to everyone you can, you sell it and sell it, and then you look for the big cranes on the skyline.”



The commercial role of architecture in places like Liverpool and Leeds was, as in the City, to excite effective demand so a speculative economy would take off. This business model responded to a demand for city-centre lifestyle 'packages' built on the new economic foundations of inner city restructuring. The risk of this model was assuaged by structured finance and permitted by central and local government eager to raise tax revenues and offset costs of physical and social infrastructure onto the private sector. New financial instruments, like mortgage backed securities, opened new routes for growth for banks. With that, the control over capital investment and urban development processes were assumed by those who, as Keynes said, “do not manage and have no special knowledge of the circumstances, either actual or prospective, of the business in question”. This produced an over-supply of built environment, like city-centre flats, the remnants of which may become the liberal market equivalent of post-war housing estates. And here we find the various threads of the story—technological innovation, financial



ibid. Perez (2003) p. 124

deregulation, financial innovation, revolutions in production, changes in consumption, redevelopment of urban fabric, cultural production, the changing space and time of the working day—converge to a critical point with a frenzy of speculation on the most common unit of architectural expression: the house.

‘What do these houses mean?’

Nietzsche’s question quoted by Lefebvre in *The Urban Revolution*

In 1970, the evening prior to dawn of deregulation, the philosopher Henri Lefebvre sensed that a new urban order was emerging. He speculated whether the advent, or ‘take-off’, of ‘global cities’ suggests that urbanism itself now plays the role of political economic ideology; an urban ideology that produced so many economic ‘models’ of development, which were, for many, barriers to the future.

Nearly 40 years later, Alan Greenspan reflected on the failure of his ideology which no longer identified a path towards anything. He described this state of being as “distressing”. “Everybody has an ideology, it’s how you relate to the world.” Given that economic rationality has, as Greenspan said, defined the way the world worked, some account of how this era of finance crystallised out through the materiality and space of cities is still an urgent question—perhaps more so now. Could Greenspan’s flaw be perceived in the critical functioning structures that define the built environment?

To answer this question we need to be careful—an overhasty treatment of Greenspan’s predicament may contaminate the evidence, so to speak. In teasing out the urban dimensions, let us be clear about the ideology Greenspan worked with. A recent online forum on Greenspan’s legacy, hosted by *The Economist*, provides a useful guide to understand what is meant by the term ‘financial architecture’.

“Previous financial crises did not cause us to seriously question our informational architecture like this one has. This crisis has wiped out or discredited major sources of financial-market information that are crucial for credit markets to function. The ratings agencies are an obvious example. They are supposed to solve an asymmetric information problem between borrowers and lenders by giving those doing the lending a reliable assessment of the riskiness of financial investments. They failed in that mission.”

In *The Architecture of Markets*, the economic sociologist Neil Fligstein called normative market trends and policies reflexive ‘conceptions of control’, which co-ordinate the widely distributed actions of economic actors such as firms and households.



H. Lefebvre, *The Urban Revolution* (Minneapolis: University of Minnesota Press, 2003 (1970)) p. 162



Mark Thoma, professor of economics at the University of Oregon, economist.com/blogs/freexchange/greenspan_roundtable/ (last accessed: 15 July 2009)



N. Fligstein, *The Architecture of Markets: An economic sociology of twenty-first century capitalist societies* (Princeton: Princeton University Press, 2002) p. 77

In times of financial crisis these ‘collective identities’ and ‘social movements’, which concentrate in a boom around particular sets of markets, are often destabilised. What the urban dimensions of this financial crisis reveal is the way buildings and cities intermediate, but do not define, the ideology—or conceptions of control—which condition the order of everyday life today. With sub-prime urban areas became asset farms to be exploited by new financial practices of securitization; but the astonishing gains were dependent on systematic ignorance of their social and historical realities. The liberal financial architecture, according to Greenspan’s world view was founded on the, “self interest of banks and others [...] such they were best capable of protecting their own shareholders.” But to feed the self interest of lenders and shareholders the financial architecture was over-cranked to exact rent from the vulnerable. Dariusz Wójcik’s conclusion clinically summarised the results:

“The crisis has been triggered by a failure of mismanaged and unregulated globalisation of non-transparent financial assets. Residential real estate that otherwise belongs to the realm of local markets by its nature. By refinancing mortgages, securitising them (creating mortgage backed securities), creating insurance contracts on these securities (the infamous CDS), selling and buying these securities and contracts on a global basis, financial institutions maximised the international financial system’s exposure to what is otherwise very localised risks ... effectively what they did was tie their fortunes and the fortunes of the global economy to the change in prices of ordinary homes in places like suburban Detroit and Kansas City, etc.”

From a cultural perspective, art and architecture have played an active role in manipulating perceptions of value. The City of London not only offered a permissive business climate but also a supplicant guild ready to craft icons like Foster’s Gherkin or Hirst’s For The Love of God; architecture and culture have both instantiated and encapsulated new routes to growth. The instrumental economic role of culture suggests a tendency where normative conceptions of welfare, structured through our experience of space and society, are increasingly conditioned by a global information network of finance, politics and media. For example, in terms of housing, the surpluses of speculative products like one bedroom flats, are perhaps indicative of structural flaws in the information architecture of



Alan Greenspan, quoted by Paul Mason, <http://paulmason.typepad.com/MASON%20CRUNCH%20KPMG%20PREZ.ppt> (last accessed 17 July 2009)

pp. 46–47

On the political economic influence of communication networks see Manuel Castells latest book *Communication Power* (Oxford: Oxford University Press, 2009)

Crane collapses onto an apartment building in Liverpool city centre, <http://blogs.liverpooldailypost.co.uk/dalestreetblues/2009/07/crane-collapses-onto-a-building.html>

markets, reproduced through the designed environments of cities. What the findings of the workshop suggest is that financial crises disclose critical systemic interdependencies between social, spatial and institutional actors in capitalist economies today; interrelations that combine, through financial markets, and concentrate, around particular groups of assets, to create effects of wealth creation and destruction which are distributed, in highly uneven ways, through the social fabric of the built environment.

The transformative power of finance to quickly scramble institutional and cultural codes was vividly captured in the following quote from a Wall Street insider captured in the Financial Times in March 2008: “[t]he most compelling evidence that we are going through a crisis is that we have already redefined the meanings of words and symbols that were part of our cultural archetypes.” However, even if the crash of 2008 has shaken to the core the economic culture of the past few decades, the new cadre of global cities and economies suggest a growing demand for speculative urbanism. Nevertheless, the crisis does open up new opportunities to understand better how capital is reproduced, reshaped and redistributed through processes of architecture and urbanisation. The requirement then is not only to study extraordinary urban agglomerations like Dubai and Shanghai, but also to research linked phenomena—such as the economic anaemia of fading industrial territories like, for example, Detroit or Stoke.

Efforts could take inspiration from Lefebvre’s challenge to “put things the right way around”—critiquing the political economy of urban devalorisation and the logic preventing development, movement and centrality—what he famously called, *the right to the city*. This ‘right’ involves the recasting of urban physical and economic dimensions so that speculative logic is subsumed to habiting and labour for itself. The notion resonates with Pierre Bourdieu’s work on the social structures of the economy and, in particular, his own call for an economic anthropology which explains that “the economic field is a field of struggles.” In many ways this is what is distinctive about the practice of Teddy Cruz—an architecture which engages with informal housing to reveal the broader economic struggles defining what consists, and who lives in, the margins of urban society.

In the aftermath of sub-prime (and other varieties of residential capitalism), and the growing critique of the ‘social utility’ of the financial sector, urban practice could find a renewed political impetus to create the critical resources to explain and counter-act the “mis-scaled urbanism” (to borrow Neil Smith’s phrase) of development, and ‘real-estate-politik’ of urban governance, indicative of the last period of growth.

[Financial Times](#), 11 March 2008.



ibid. Lefebvre (1970) p. 85

P. Bourdieu, [The Social Structures of the Economy](#) (Cambridge, UK: Polity Press, 2005)



www.thenation.com/doc/20090216/cruz?rel=hp_currently2005

N. Smith, [New Globalism, New Urbanism: Gentrification as global urban strategy](#), *Antipode* 34(3), 2002, pp. 427-450

The workshop tried to initiate a preliminary survey of the spaces, institutions and actors that shaped cities in the lead up to, what HSBC Chairman Stephen Green called, the “first crisis in the era of globalised securitisation.” Perhaps the next step is to develop this type of inter-disciplinary, investigative process—to understand the urban and spatial pathology of this jaded era of structured finance. The task involves not just the study of how ‘all that is solid melts into air’, but to explain the re-assertion of economic gravity, that, as Marx also said, returns debt to earth, causing a person’s house to collapse.

The reason for this reduction is that in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially necessary to produce them asserts itself as a regulative law of nature. In the same way, the law of gravity asserts itself when a person’s house collapses on top of him.³⁰

www.hsbc.com/1/2/newsroom/news/news-archive-2009/hsbc-holdings-plc-2008-final-results-highlights (last accessed: 15 July 2009)

K. Marx, [Capital, Volume One](#) (London: Penguin Books, 1976) p. 168

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