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Robert Fitch

**"Explaining New York City's Aberrant Economy:
Post-Industrial vs. Classical Perspectives"**

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History Conference Room, 6275 Bunche
UCLA

Explaining New York City's Aberrant Economy: Post-Industrial vs. Classical Perspectives.

by Bob Fitch

(DRAFT -- UCLA Center for Social Theory & Comparative History seminar, January 20,1994)

I. Dimensions of Decline.

While much of the U.S. undergoes a halting recovery from the "contained depression" of the early 90's, America's largest city has remained mired in its sharpest downturn since the days of Fiorello LaGuardia. New York's unemployment rate --which spiked in January,1993 at 13.4%-- has continued at double digit levels for nearly three years. In the rest of America, the recovery has produced 2 million new jobs. And the labor force has increased by 4 million. But New York's labor force has shrunk by 200,000. And it is now going into its fifth year of job shrinkage: almost 400,000 payroll jobs have disappeared. Truly, Gotham has become the Bermuda Triangle of job loss.

Times are tough of course throughout most U.S. central cities, but New York's labor market has become truly aberrant. In a recent ranking of the 343 main metropolitan areas in Canada and the U.S., the Prentice-Hall Almanac of Liveable Places ranked the city's job market 343d -- dead last. Most recently available figures on unemployment within the 272 largest U.S. metropolises show only seven with higher unemployment rates: they are almost entirely agricultural towns in California and Texas. No large city has a higher rate than New York.

Table 1

10 Highest U.S. Metropolitan Unemployment Rates*
(October 1993)

Oxnard-Ventura, CA	16.1
McAllen, TE	15.6
Fresno, CA	15.4
Bakersfield, CA	14.5
Stockton, CA	14.3
Sacramento, CA	12.1
Brownsville TE	11.7
New York City	10.3
Salinas, CA	10.3
Beaumont, TE	10.1

*source: see table 2

Table 2

Unemployment, 10 largest U.S. Cities*
(October 1993)

New York City	10.3
Los Angeles-Long Beach	9.6
Chicago	7.2
Philadelphia	6.5
Houston	7.3
Detroit	6.6
Dallas	6.3
Phoenix	4.6
San Jose	8.5
San Antonio	6.2

*source:United States Department of Labor, Bureau of Labor Statistics,State Employment and Metropolitan Area Unemployment: USDL 93-548.October 1993.

The city's unemployment rate averages many age,gender and ethnic outcomes. Analysis reveals even greater deviations from national norms. New York consistently ranks among the highest in the share of its youth who are unemployed and at the bottom in youth labor force participation. In New York, white youth participate in the labor market at a rate of about 20%. This is a fraction of the rate for black youth nationally. And in New York, black youth work at half the local white rate.

New York's anomalous labor market performance can't be explained in conventional terms. There is no "jobs-spatial-skills mismatch" in the New York area. The plentiful "information age" jobs in FIRE and business service -- for which the jobless were supposed to be mismatched -- are shrinking as fast as manufacturing jobs. And there are no jobs for city jobless to be matched up with "out there" in the suburbs. New York's suburbs now have an industrial structure very similar to the city's. And unemployment rates for suburban blacks are within a point or two of the rate for city blacks -- averaging nearly 20%.¹

Just to raise New York's labor force participation rate up to the national average of 66% and lower the city's unemployment rate down to the national average of 6.2%

¹See Port Authority of New York and New Jersey. Regional Economy. Review 1992. Outlook 1993. Table 6, p.20

would require roughly about 1,000,000 new jobs.

The harsh terms of its labor market -- New York also has one of the lowest manufacturing wage rates in the country-- explain why the city now has about 2 million people who are officially poor. This is an amount more than the entire population of Philadelphia...and throw in Pittsburgh. But the official estimate made by the Current Population Survey (CPS) in 1990 probably understates the number of New York City poor today. First of all, because the estimate was made before the city incurred most of its 400,000 job loss. Second, because the U.S. poverty line is drawn at a single level all across the country: \$14,279 a year for a family of four. New York, again according to Prentice-Hall, ranks 343d in cost-of-living. Evidently, it must be harder to live on a one-size-suits-all poverty budget in New York than elsewhere.

While it conflicts with much of the higher poverty discourse, which stresses attitudinal factors, the simple reality is this: because there are relatively few jobs, and the jobs available pay badly, millions of New Yorkers are poor. Because they are poor, they go on welfare. Welfare rolls have been increasing at the rate of over 11% since the '89 downturn began. The numbers of welfare cases seem to be roughly comparable to the last big downturn in the city's economy during the '75 fiscal crisis. But this is misleading because people who once counted as recipients-- those who receive Supplemental Security Income -- are no longer counted. If you count just the three basic forms of welfare -- leaving out food stamps -- the three forms which you have to be certifiably indigent to get, New York City has 1.79 million people on welfare. One out of every four New Yorkers is a pauper. In the Bronx, the total is about 40%.

Table 3

Welfare Recipients by Borough*
(October 1993)

	Cases
Bronx	448,291
Brooklyn	645,455
Manhattan	343,292
Queens	309,592
Staten Island	43,767
Total	1,790,397

*Including AFDC, General Assistance, Medicaid Only, and SSI. Phone interview with Jennie Siph, unpublished figures

A generation ago, New York's poverty and unemployment rates ranked substantially below those of the rest of the country. The labor force participation of its Harlem residents was roughly comparable to the national average. Now the Harlem and central Brooklyn rates are twenty points below the national average. While youth labor force participation for all races has fallen by more than half.

Altogether from the 1890's to the mid-1950's, the city boasted the most stable and diversified economy in urban America.² It could plausibly claim to be the richest city in the world. Now it is arguably the poorest in North America. As well as the least diversified. Since the late 'fifties, New York has been transformed essentially into a one-crop economy -- office and luxury construction based chiefly on tenants in "FIRE" -- finance, insurance and real estate.

2. New York's FIRE storm.

The aberrant performance of New York's economy ought not to be disassociated from this headlong structural transformation. No U.S. city has changed its industrial structure as dramatically as New York. In the 1950's, New York had two workers in manufacturing for every job in finance, insurance and real estate (FIRE). Now, New York has nearly reversed the ratio: with 1.5 jobs in FIRE for every job in manufacturing. As Table 5 indicates, no other major U.S. city has more jobs in FIRE than in manufacturing. No city comes even close to having so large a fraction of its jobs in FIRE.³

Table 4

Structure of Employment in 10 Largest U.S. Cities as % of total employment*

²Robert M. Lichtenberg, with Supplements by Edgar M. Hoover and Louise P. Lerdau. One Tenth of a Nation. Cambridge: Harvard University Press, 1960.

³See also Manuel Castells, The Informational City. (Oxford: Basil Blackwell, 1989), Table 3.5, p. 145. It shows that New York has the highest share of 'information intensive industries employment' of any U.S. city. For Castells, "information" employment ultimately amounts to the FIRE industries of finance, insurance and real estate. See below.

	const	mfg	t/u*	trade	FIRE	svc	govt
New York	3.2	9.5	6.3%	17.0	14.5%	32.6	17.0
Los Angeles	5.5	20.0%	5.2%	22.6	6.8	29.0	12.5
Chicago	4.0	17.5%	6.5%	23.7	8.4	27.9	11.8
Philadelphia	2.1	11.0	5.4	18.2	8.7	35.6	19.1
Detroit	3.3	22.9	4.6	24.4	5.8	26.9	12.1
Dallas	3.4	16.1	6.0	25.7	9.2	26.7	11.6
Houston	4.9	10.9	6.9	23.4	6.4	28.4	12.9
San Diego	6.3	13.8	3.7	24.0	6.8	27.8	17.8
Phoenix	5.6	14.0	5.9	25.2	7.7	28.0	13.5
San Antonio	5.6	8.6	4.2	25.0	7.7	27.0	23.1

*Source: Department of Labor, BLS, "Employment and Earnings," May, 1991.** mining omitted. "t/u"=transportation/utilities

Table 5

Ratio of Manufacturing Employment to FIRE employment*

10 Largest U.S. Cities

<u>City</u>	mfg/FIRE
New York	1.00:1.53
Los Angeles	2.94:1.00
Chicago	2.08:1.00
Philadelphia	1.21:1.00
Detroit	1.75:1.00
Dallas	2.02:1.00
Houston	1.81:1.00
San Diego	2.02:1.00
Phoenix	1.81:1.00
San Antonio	1.16:1.00

*Source: derived from Table 4

The rise of New York's FIRE sector however, is merely relative, not absolute. Common knowledge notwithstanding, there are no more FIRE jobs in New York today than there were a quarter century ago. Since 1969, when over-all employment peaked, New York has lost 600,000 manufacturing jobs, but except for brief speculative bouts, in the late '60's and the mid-80's when literally tens of thousands of securities and real estate brokers are hired and fired, the city has not succeeded in gaining any FIRE jobs. In other words, there aren't just 600,000 less manufacturing jobs than in '69. There are simply 600,000 less jobs: 3.8 million then, 3.2 million today. Contrary to

both the aims and claims of planning elites, there has been no real movement from manufacturing into "higher information industries".⁴ The change in the city's industrial structure has been less a qualitative transformation than a simple amputation.

Chiefly because FIRE jobs failed to keep pace with forced, state-planned and highly subsidized office construction, the New York has experienced a real estate collapse of 1930's proportions. Going into 1994, seven years after the great October crash, giant developers continue to file for bankruptcy. The fall in commercial real estate prices persists as old leases at high rents continue to expire. Nearly 65 million square feet of space still remain empty.⁵

What is chiefly significant about this total is not just that it space equivalent to 30 Empire State Buildings. It's rather that during the entire decade of the eighties, developers built only 53 million square feet. Not only did the city build too much space. It didn't need the space it had.

Nor do prospects for filling up the space seem bright. In the early 90's, brokers said, "Stay alive 'till '95." Now they say, "Find something to do until 2002."

The slogan "Let's wait 'till the millennium" expresses the optimist's case. New York has so much excess capacity that it's stock may have to be reduced. It's true of course, commercial real estate is in trouble all across America. But New York's condition stands out. Of the 16 largest real estate markets in the country, the Equitable ranks New York 15th.⁶ Downtown over-building has reached the point where the City Planning Commission -- at the behest of the Downtown Lower Manhattan Association -- (DLMA) is promoting a plan which would create incentives for owners to wreck their office buildings.

The proposed "land bank" would enable owners to save real

⁴For the widespread tendency to equate stock trading, lawyering, brokering, etc. as the principle urban industrial forms of "information" see Castells, (1989) 144-145 Saskia Sassen, *The Global City*. (New York: Oxford University Press, 1991), 248.

⁵Jones Lang Wootton USA, Investment Research. Manhattan Office Market. September 1992. (ii-iii) 40 million square feet in Midtown; and 25 million Downtown.

⁶Equitable Real Estate Investment Management Inc., *Emerging Trends in Real Estate*, New York, 1992, p.5.

estate taxes on both land and structures. The owner could take down the building, deposit his land in the bank, and then take it out if and when the property market revived. In the meantime, the Commission proposes to create "urban plazas" in place of the wrecked office buildings.⁷

Thus concludes nearly forty years of efforts initiated by the DLMA and David Rockefeller, which, in the words of the planners, "have reinvented a job base formerly dependent on maritime and blue-collar industries."⁸ Some re-invention: "urban plazas," land banks, and ten's of thousands of units of state subsidized housing for the rich,⁹ replace the mixed use transportation, industrial and financial center which provided the physical infrastructure for New York's once diverse economy.

Perhaps the single most striking feature of the entire FIRE-driven collapse of the 90's however, is how well income earned by the financial sector has held up in the last two years despite rapid shrinkage in over-all employment, consumption, jobs, and income. In employment terms, FIRE and related business services have led the City's downturn. Each has contracted more than 20%. But while shedding workers, Wall Street did record business--1993 was the first \$1 trillion year in history.¹⁰ From the record rate of initial public offerings, leveraged buy-outs, take-overs, etc., Wall Street earned record profits. One firm, alone --Goldman Sachs -- earned \$2.3 billion -- just in the first three quarters of 1992. The average yearly salary in the securities industry -- counting secretaries, receptionists, go-fers, everybody -- doubled in 1992. It zoomed to over \$130,000. Largely because of the securities boom, Wall Street in the narrow sense -- FIRE without allied business services -- earned more than a quarter of all the income earned in the city of New York.¹¹

⁷Department of City Planning, Plan for Lower Manhattan, October 1993. NYC DCP 93-24.

⁸Ibid, p.5.

⁹Yearly household income in the state-subsidized Battery Park City project averages \$140,000. The project receives a yearly tax abatement of \$126.3 million. (See City of New York, Executive Budget Fiscal Year 1993. Message of the Mayor, 84.

¹⁰Saul Hansell, "Wall Street Dares to Hope for More," The New York Times, January 3, 1994, C26.

¹¹Office of the State Comptroller, Office of the State Deputy Comptroller for the City of New York, Analysis of the New York City Economy. November 23, 1993, Technical

What this suggests is that FIRE --the "engine" of the local economy -- even when it is performing flat out, not only can't pull the rest of the city out of its decline, it can't even keep its own payrolls from going into reverse. In the first ten months of '93, FIRE lost 6,100 more jobs-- chiefly in banking, a dying industry not only in Manhattan, but in America.¹² Even the securities component of FIRE which gained 3,200, has stopped hiring since summer.¹³ Of course payroll maximization is not a goal of this industry.

Still, you have to wonder why New York City isn't getting at least some boost from the grim hydraulics of trickle-down economics. Why at least doesn't the sudden infusion of \$15 billion in local income from Wall Street have any noticeable effect? Indeed, why are personal income tax receipts in New York actually falling?¹⁴ Why have over-all retail sales in New York fallen for the fifth consecutive year -- down another 2.4% in the first half of 1993? (In America, during the same period, retail sales never actually fell. In '93 they rose 6%.) How finally do you explain the fact that despite record Wall Street profits, even the luxury housing industry has for all practical purposes simply disappeared. In New York, in '92, the public and private sector together produced fewer than 5,000 units of housing. And whereas in '85, Manhattan produced 12,000 of the city's 20,000 units, in '92 the total had fallen to 373 units. Even during the Great Depression, New York produced new housing units at the rate of 20,000 a year.¹⁵

Table 6

New Residential Buildings Permits Issued by Units*

Memorandum 2-94.p. 10

¹²See the Wall Street Journal's 1993 series on "The End of Commercial Banking as We Know It."

¹³See Charles Morris, "Navigating the Nineties," City Journal, Spring, 1993

¹⁴Office of the State Comptroller. Office of the State Deputy Comptroller for the City of New York. Analysis of the New York City Economy. November 23, 1993. Technical Memorandum. 2-94. pp.19=21..

¹⁵Since the crash, New York's output has been less absolutely than in cities like Las Vegas with one tenth New York's population. The rate of production per capita is .00068.

Year	Private		Public	
	Manhattan	NYC	Manhattan	NYC
1985	12,000	20,355	972	1,320
1986	1,622	9,744	109	486
1987	3,811	13,521	0	84
1988	2,403	9,800	224	516
1989	3,048	11,620	260	724
1990	2,398	6,797	139	541
1991	756	4,700	51	587
1992	373	3,882	431	1,022

*Source:Office of the State Comptroller, Office of the State Deputy Comptroller for the City of New York.Analysis of the New York City Economy. November 23,1993. Technical Memorandum 2-94,p.33.

The failure of burgeoning Wall Street incomes to trickle down --the falling retail sales, declining income tax receipts, even disappearing luxury housing construction -- can be understood partly in geographical terms. The people who have received the income increment work here, but they don't necessarily live here. New York's 700,000 commuters make upwards of 40% of all the income in the city. The commuters are disproportionately high income earners compared with residents. And like Long Island securities trader George Soros, who in '92 earned \$850,000,000-- i.e., more than the bottom 100,000 individuals in the Bronx -- they spend their income outside the city.

But the economies of the New York metropolitan region where the FIRE workers increasingly now tend to live aren't booming either. As the surrounding counties take on the structural characteristics of New York's economy, they begin to under-perform the rest of the country too. The marked shift towards FIRE industries in Long Island and Westchester --has also been accompanied by a shift towards disproportionately high unemployment rates and low labor force participation rates.¹⁶

¹⁶The Port Authority of NY &NJ,Regional Economy. April 1993, p.8.

3. The Meaning of New York's FIRE shift.

Call it a "higher information services" economy, a post-industrial economy, or a FIRE sector. It's not working. It's not working even in comparison to other U.S. central cities or in terms of New York's own history. The slow rotting of the structure, above all the inability to provide jobs which pay "the socially necessary cost of reproducing labor power" suggests the need to re-examine influential urban premises and paradigms.

The problem with urban theory goes beyond the irrelevance of jobs-skills-spatial mismatch theory whose core premise is that there are enough jobs in the city -- there's just a mismatch. What's truly at stake are over-all models and explanations. Urban theory can't explain change in spatial structures or in economic outcomes. Certainly not New York's -- a failure which turns out to be quite critical.

In the '80's, urbanology, theory made Gotham its supreme explicandum. New York would illustrate the magnificent dynamics of the global city in the information age. But now New York's economy is outperforming the nation's in reverse.

The theoretical stakes are high too because the structure of New York's economy is beginning to be replicated not only in the regional economy, but also in the national economy as a whole. If New York is America's most FIRE-dominated urban economy, no country in the OECD has a higher share of its GDP in FIRE than the U.S. Simultaneously, the U.S. has the lowest share of fixed capital investment of any of the OECD countries.

Table 7 Investment in Fixed Capital and FIRE
(1991)*

Country	% GDP in FIRE	% GDP in gross fixed capital investment
Australia	22.2	20.4
Austria	16.8	25.2
Belgium	5.3	19.8
Canada	18.5	19.9
Denmark	16.7	17.1
Finland	17.7	22.3
France	21.6	20.8
Germany	11.9	21.6
Greece	8.1	18.2
Iceland	13.2	19.0
Ireland	5.0	17.1

Italy	25.1	19.8
Japan	16.4	31.6
Luxembourg	13.9	29.0
Netherlands	17.2	20.8
New Zealand	22.2	16.8
Norway	14.0	18.4
Portugal	13.1	26.0
Spain	16.9	24.1
Sweden	18.4	18.9
Switzerland	n.a.	25.2
Turkey	8.8	22.8
UK	20.8	16.7
US	25.1	15.4

r=

x=16.0

x= 22.0

*source:OECD,Statistics on the Member Countries. Supplement to the OECD Observer No. 182. June-July 1993.

Smith & Co. on FIRE

While the share of economic structure given over to FIRE cannot by itself explain all the differences in comparative rates of fixed capital formation -- much less all the differences in job growth, the expansion of wealth, etc. Still, the strikingly inverse relationships ought to raise "classical" questions. Questions of the type stimulated by the premises of the classical economists -- Smith, Ricardo and Marx.

Ricardo wrote,"It must be understood that all the productions of a country are consumed: but it makes the greatest difference imaginable whether they are consumed by those who reproduce, or by those who do not reproduce another value."¹⁷ Trading stocks, selling bonds, suing people, etc., are activities which transfer rather than reproduce another value. Evidently, what Wall Street and its helpers in the so-called "producer services" produce is not value or wealth, but claims on wealth. How large can the sector producing claims on wealth grow before it begins to act as a drag on economic growth?

So far the question has only been asked in connection with the tiny fraction of unearned income received by the urban poor. But what about the vast production of elite claims on the social surplus? And the large amounts of labor devoted to producing these claims? (Large enough it might be suggested, to represent a drag on accumulation, but not

¹⁷The Principles of Political Economy and Taxation, p.163 Cited in Capital I, 589.

large enough evidently to fill up empty office buildings in global cities like New York.)

Table 8

Income Year	Interest Income, AFDC and Gross Domestic Investment*			Interest
	AFDC	1959-1991 (in billions)		
		Gross	Domestic Investment	
1959	0.9		79	22
1969	3.5		155	61
1975	9.2		226	123
1977	10.6		358	156
1979	11.0		480	223
1981	13.0		558	336
1983	14.2		547	398
1985	15.9		715	498
1987	16.7		749	548
1989	18.0		837	669
1991	21.8		725	719

*Source: Council of Economic Advisors, Economic Report of the President, (Washington, D.C.) 1992.

Compare the growth of AFDC, in Table 7 with growth of interest income. Just the increase in interest income between '87 and '89 was greater than all the income paid out to all the AFDC recipients in the U.S. during the three decades between '59 and '89.

Just as decisive as this increase, however, is the growth of a ratio Adam Smith devised in what remains the most controversial chapter of The Wealth of Nations.¹⁸ This is the chapter entitled "Of the Accumulation of Capital, or of Productive and Unproductive Labor".¹⁹ "Wherever capital predominates," he wrote, "industry prevails; wherever revenue, idleness." Given capital of a determinate size, the increase in the share which provides employment to

¹⁸Mark Blaug, Economic Theory in Retrospect 3d ed. (Cambridge, U.K.: Cambridge University Press, 1983), 56.

¹⁹Adam Smith, The Wealth of Nations, (ed) Edwin Cannan. (Chicago: University of Chicago Press, 1976), Bk II, Chapter III.

those increasing capital, promotes industry. The increase in the share paid out as revenue, promotes idleness. Call it the Industry/ idleness ratio. (I/i) That is, the proportion of revenue paid out of capital to actual capital formation.

Whereas in 1959 the I/i ratio was almost three dollars of investment to one dollar paid out in interest. By 1991, the increase in interest had so accelerated that the two magnitudes were nearly equal. Of course interest is only one of the forms of revenue which accrues to "fictitious capital." The other primary forms of fictitious capital--capitalized revenues which serve as claims on wealth rather than as means of production -- are interest on the national debt, stock dividends, and ground rent -- including the appreciation of assets devoted to real estate speculation.

From the standpoint of post-industrialism, the shift towards FIRE expresses a movement to a higher form of "service society." From the standpoint of the "informational mode of development" arising component of FIRE signalizes the advance of information processing, driven forward by global competition. But a classical perspective would question whether the structural predominance of FIRE can lead to much more than the growth of I/i.

In other words, instead of assuming that whatever life form comes later must represent a more evolved, more effective adaptation, urban post-industrialism can be interrogated in classical terms. We should ask, "Is the structural transformation of urban economies in behalf of FIRE to be understood essentially as a shift from the production of wealth to the production of claims on wealth? And what about the vast increase in those performing "producer services"? All those who service FIRE -- the legions of lawyers, accountants, public relations specialists, advertisers, etc.-- can't these information age elites be assimilated to the classical category of "unproductive laborers"? That is, workers who exchange their labor against revenue rather than capital and whose labor simply absorbs rather than creates new wealth or value.

Such classical questions and premises have not been at the core of the research agenda of those who analyze regional and urban economies. Some continue to allow that "manufacturing matters". And practically everyone, including the jobs-skills-spatial mismatch theorists, have deplored the loss of manufacturing jobs -- especially as they provided employment for central city poor and working classes. But seeing the loss of manufacturing as problematic is very different from seeing the gain of FIRE as problematic.

Assessing the effect of FIRE's growth on economic structures is rendered even more difficult by urbanology's anti-classical, post-industrial assumptions.²⁰ Generally speaking, urbanists so influenced have tended to blame poor secular economic performance in U.S. cities on the disproportionate presence of manufacturing industries or an incompleted transition to a post-industrial job structure.

Daniel Bell, for example, who in 1980 wrote the section entitled "New Perspectives on Urban America" for the President's Commission for a National Agenda, observed that the cities of the old industrial heartland were not dying, they were just "gradually evolving." Prosperity and stability would follow post-industrial restructuring. "The central city in the future will likely experience," he observed, "great increases in the number of white-collar office jobs to managerial, professional and 'knowledge' occupations."²¹

But New York has completed such a transition. It can scarcely become a lot more "post-industrial" than it is. As of 1994, the share of its workers engaged in manufacturing had fallen to 8%.²² Despite great expectations, billions in subsidies, and a remarkable series of zoning and planning favors, such as those promoted by the DLMA, and the Midtown Plan of 1982, the legions of information age elites forecasted -- except for cameo appearances at the height of speculative booms -- have failed quite notably to increase. The paradigmatic city of post-industrialism, the quintessential exemplar of informationalism, the metropolis thought to be uniquely positioned atop the global hierarchy of cities, has turned rather suddenly into the national

²⁰For an early presentiment of contemporary theory, see Hans Blumenthal on the concept of "urban export industries." Blumenthal criticized export base theory as over-concerned with production at the expense of consumption. It neglected the importance of unearned income; it ignored the role of services. "The Economic Base of the Metropolis," in *The Modern Metropolis*, (ed.) Paul . Spreiregen. Cambridge, Mass: The M.I.T. Press. 1972), 331-368.

²¹Report of the President's Commission for a National Agenda for the Eighties, (New York: New American Library: 1981), 74

²²Table 3 which compares the 10 largest cities in 1991 shows the city's share of manufacturing at 9.5%. The most recent figures show a drop to 8.8%. (New York State Department of Labor, unpublished data.)

basket case.

All this calls for re-examination of the post-industrial urban models which purported to explain "New York Ascendant."

II. New York City and the "New Urban Sociology"²³

New York's thirty year economic decline, which is coterminous with its structural transformation from industrial diversity to FIRE monoculture raises two inter-related sets of issues. One, is the nature of the capital making up its structure: Do urban "information industries," represent wealth creation or wealth transfer? Fictitious capital or real capital? What indeed is "information"? Are we talking about information that enables commodities to be manufactured more efficiently? Information that enables sellers to exploit the circulation process? Or the information that enables the informed to more readily appropriate surplus revenue? If this case, as the recent Prudential-Bache scandal shows once again, misinformation can often be more valuable than information.

These questions are crucial, since if we can understand these info industries as essentially FIRE or fictitious capital, if what we are dealing with is wealth transfer rather than wealth creation, it would go a long way towards explaining the major paradox we have described: how so much capital, growing so fast, generates not a dual city, but a dying city: declining employment, falling durable commodity consumption, plummeting rates of housing production, increasing poverty, etc.

The second problem is the nature of the agency which shaped New York's spatial and industrial structures. How do we account on the one hand, for the transformation of industrial structure, the rise of FIRE, whose physical expression is spread of speculative office buildings (SOB's)? Can the increase of SOB's designed to serve FIRE and business service elites be explained simply in terms of the structural requirements of the new global informational order? Can we understand, for example, the vast increase in space during the '80's in terms of the city's role as a global command and control center?

²³See J. John Palen, *The Urban World*. (New York: McGraw-Hill, 1992). Chapter 14 of this introductory text in urban sociology is entitled "The New Urban Sociology." See especially the sub-section on New York City, pp. 351-2. It summarizes the theses of "global control centers", global market determination of spatial outcomes, job-skills mismatch theory.

Similarly, can the egress of manufacturing from the same area be explained in similar structural terms? Can New York City's wholly disproportionate loss of 1,000,000 industrial jobs be explained simply in terms of objective, impersonal factors -- technological advances such as containerization, comparative labor costs, the availability of lower cost areas outside the city, the preference of manufacturers for single storey plants as opposed to multi-storey lofts? This view stressing factors no-one could have controlled, is the favored explanation of city officials and real estate speculators themselves.²⁴

Both sets of issues -- the nature of urban capital and the agency of urban spatial change -- are at the core of the "new urban sociology" (NUS) which emerged, complete with textbooks and classic articles in the 1980's establishing New York as the paradigm city of the Global Information Age.²⁵ Conceived initially as an attack on such diverse writers as, Wirth, Simmel, Lefebvre, and the Chicago School of urban ecologists, NUS derived from and over-lapped with an eclectic variety of sources. In descending order of abstraction, the three primary components were generally some variety of structuralism -- whether in the Althusserian or neo-Parsonian mode; the post-industrialism of Daniel Bell; and the boosterism of local FIRE and planning elites seeking to market of New York as the global capital of the information age.²⁶ But reveries from Marxism were also influential.

In Capital, Marx identified England as the "classic ground" of industrial capitalism. Britain would "show the future" to doubting Germans, tempted to shrug off the appalling conditions of British industrial workers. "De te fabula narratur." Marx insisted. The natural laws of capitalism would work their inexorable way across the continent. "The country that is more developed industrially only shows," he argued, "to the less developed, the image of its own future."²⁷

²⁴Seymour Durst, letter in forthcoming City Limits on my Assassination of New York. For the official view see Department of City Planning, Citywide Industry Study, January 1993.

²⁵See for example, J. John Palen, The Urban World. 4th ed. (New York: McGraw-Hill, Inc., 1992), 351-353.

²⁶See my Assassination of New York, (New York: Verso, 1993), 159-162.

²⁷Karl Marx, Capital, I. (Moscow: Foreign Language Publishing House, n.d.), 8-9.

More than a century later, New York was plugged into a similar model of inevitable structural change. You could almost hear the "click" in the heads of "post-Marxist" urban sociologists.²⁸ "New York," they reasoned, "is to post-industrialism what Great Britain was to industrialism."

"In short," wrote Daniel Bell, whose The Coming of Post Industrial Society, formed the theoretical nucleus of the NUS, "what is happening as a post-industrial cycle within the national economy is repeating itself on the larger stage of the world economy. New York, in relations to the rest of the American economy, is a headquarters city. More than a third of the largest 500 corporations in the country have their headquarters there, ...and the concentration of financial, legal, advertising and marketing services provides the basis of the white-collar employment in the city." The Manhattanization of the whole U.S. economy was at hand: "As American management and capital find their most efficient use abroad, and the employment of foreign labor for manufacturing, the United States, too," Bell suggested, "might become a 'headquarters economy.'" ²⁹

Although New York would lose two-thirds of its corporate headquarters, the NUS followed Bell in identifying New York's as what they would call "the command and control center" for the planet. Professor Castells, for example, argued that "worldwide capital flows concentrate the operations required for their processing in the directional centers of the higher level metropolitan areas, " "New York," he writes, "stands out as the archetypal global city resulting from the formation of the global capital market."³⁰

And as the center of the US economy shifts to "advanced corporate services" other major cities, are adopting New York's structure and function, Castells observed. Above all

²⁸The label "post-Marxist" for the neo-structuralist urbanologists comes from Peter Hall. (See "Three Systems, Three Separate Paths," APA Journal, Winger 1991, p16. Hall regards Castells work as the most significant of this school, and regards it as having made the biggest break with Marxism. (see p.17)

²⁹Daniel Bell, The Coming of Post-Industrial Society. (New York: Basic Books, 1973), 485. More recent writings suggest intriguing reservations.

³⁰Manuel Castells, The Informational City (Oxford: Basil Blackwell, 1989), 346.

L.A. With its connection to the Pacific region, he explained, as well as its strong basis in manufacturing, defense and information industries, L.A. "stands out clearly as the second global city in the country." 31 Chicago, S.F. Houston, Dallas and Denver are also developing the characteristic information age spatial and industrial profiles. Castells makes this distinction: whereas New York and L.A. are global command and control centers, Chicago, San Francisco et al serve as command and control centers for U.S. regions. But regionalism will soon be swallowed by globalism: as global flows predominate, all cities and regions begin to express "the changing geometry of their worldwide logic."32

Capital Theory and the New Urban Sociology.

Urban centers, like the whole transformation of society, were being driven by what Bell called in The Coming of Post-Industrial Society a "crescive logic." This logic was shaped fundamentally by Mind: the very rapid increase of theoretical knowledge which translated itself into technology, which in turn shaped the new knowledge-based relations of production. The spatial, economic, demographic consequences of this epochal transformation were essentially irreversible. And certainly not within the poor powers of local governments to add or detract.

Nor on this analysis, could there be any movements from below to force local government to stop the spread of CBD's into manufacturing districts or re-distribute economic rents from the FIRE elites. Such attacks would amount to mere Luddism. They would misunderstand the inevitable nature of the change and the transformation of capital itself.

Post-industrial thinkers reconceived both the nature of capital and its status as a social relationship. The old Victorian rationalizations for returns to capital had famously insisted on the importance of "abstinence". Rewards to capital were the consequence of the exercise of a time preference generated by "waiting" on the part of the individual who didn't consume his capital. (The pre-existing social relationships which enabled the abstinent individual's time to become so valuable were not elaborated.) Still, there was a strong sense, even in such orthodox economists as Bohm-Bawerk that capital was still something physical, a "stock" in the Smithian sense, i.e.,

31Castells, p.346.

32Ibi.

goods needed for the production of more goods.³³

A less Victorian post-industrial age however now insists that capital can be reproduced without any need for abstinence at all. While the act of capital creation, is still the lonely work of individual selves, capital today is precipitated not passively, through restraint, but actively through higher education. Capital must be understood as human or better as intellectual capital. Not as stored up as physical stuff. Robert Reich has shown in numerous best-sellers how the individual now creates his own capital through investments in educational formation. Extra income received during a lifetime could be understood in terms of premiums received from the tuition payments one wrote out to receive higher education. Post-industrial thinkers look at capital and see their own reflection.³⁴

In the new orthodoxy, no more than during the Victorian era, is post-industrial capital understood as a relationship involving owners and workers. But the new mode of wealth creation involves a projection of mind rather than an act of patience. And the extra increment surplus owners receive derives not from any exploitation of labor, or from the right of ownership, but directly from one's own efforts at self-formation. "Intellectual capital" has become the term of art for urbanologists analyzing the dominant form of capital in the new informational cities. ³⁵

³³See Frank Fetter, "Recent Discussion of the Capital Concept," Quarterly Journal of Economics 15 November 1900. reprinted in, Fetter, Capital, Interest and Rent. (ed) Murray N Rothbard. (Kansas City: Sheed Andrews and McMeel, Inc, 1977), 33-73.

³⁴Perhaps not too strangely, college professors of all diverse political persuasions seem to find this doctrine persuasive.

³⁵Bell's picture of the corporate leadership strata wasn't too different from what his Harvard colleague Galbraith had argued in the sixties in The New Industrial State. (Boston: Houghton, Mifflin, 1967) the most popular book ever written by an economist. Galbraith spoke of an Educational and Scientific estate which controlled the corporation based on their knowledge. This theoretical knowledge powered technological development which in turn drove the productive forces which produced the social structure. The difference of course was that in Bell's formulation, industry had disappeared. More recent notions of intellectual capital as well as informationalism grew in this well-potted soil.

Still, although Bell talked about the absolute priority of theoretical knowledge in capital formation, this wasn't quite the same way capital formed under "the informational mode of development," Castells has argued. Professor Castells points to the "theoretical cleavage" within post-industrial theory he has created by his conceptualization of information.³⁶ This is true as far as his capital concept is concerned.³⁷

Whereas Bell's post-industrialism had eliminated capital ownership and control as levers of corporate power, Castells' "informational mode" advanced well beyond Bell in literally idealizing capital. The fundamental economic inputs of the system, are no longer capital, he argued, but "information." What's manufactured are "processes" not products.

In other words, it's not that theoretical knowledge produces capital. It's that information has taken the place of capital as the fundamental economic input. Even commodities, one important output of the productive process, have lost their old physical form. They should no longer be understood as things. They have been transformed into processes.

Moreover, since the seventies, we have seen the creation of a new motivational structure: forget capital accumulation. What's driving the informational mode of production is the accumulation of information for its own sake. The informational mode of development has replaced the capitalist mode of development. And as we have seen, New York has become its capitol.

Thus, if we analyze the informational industries in the archetypal city of the informational mode, we should be able to discover what "information" really is. It turns out however, that information industries don't have much to do with software or computers. Informational capital is expressed essentially in the form of FIRE and related business services. Of 14 industries Professor Castells

³⁶Manuel Castells, "The Space of Flows," Draft. University of California at Berkeley. October 1992.

³⁷ Castells also argues that Bell's post-industrialism relied too much on the notion of mere services. Whereas Castells himself grounded the movement towards services more narrowly in the rise of information processing industries.

identifies as New York's "information intensive industries", 7 are FIRE, two are related business services, two are in transportation. (See Table

Table 9

"Information-intensive industries"*

SIC Code	Industry
-	Central Administrative offices
45	Air transportation
47	Transportation services.
60	Banking
61	Credit agencies
62	Security and commodity brokers
63	Insurance carriers
64	Insurance agents, brokers
67	Holding and other investment offices
73	Business services
81	Legal services
82	Educational services (private)
86	Membership organizations
89	Miscellaneous services (accounting and engineering)

*Source: Castells, p.144

Since the fiscal crisis, these "information intensive industries" i.e., banking, finance, securities and insurance, underwent a "dramatic expansion" Castells observes. Why did FIRE grow? Castells argues that the process has to be understood in terms of "the growth of information-intensive industries that drives the demand for advanced information technologies."³⁸ Here Castells illustrates his view that the drive for information replaces the old accumulation process. But if the empirical referent of "information" turns out to be people suing each other and trading stocks, if this is the "new informational mode," what was the old mode? How do we distinguish 21st century New York from 17th c. Amsterdam?

The NUS and Urban Space

Let us turn to the second set of concerns at the core of NUS. How is the new mind-enriched capital connected to the spatial transformation of the city? By the means objective idealism always accomplishes these things. By means of "logic."

³⁸Castells, p. 144.

In his chapter "The Space of Flows" Castells talks about "this new spatial logic", "the emerging socio-spatial logic," the "organizational logic"(142)"hierarchical and functional logic:(167) He says elsewhere that the "growing internationalization of American economy reshapes cities and regions following the logic of the space of flows.," He deplores the "...subversion by a placeless logic of an internationalized economy enacted by means of information flows." 39

The NUS has invented more logics than Frege and Russell combined. But it's easy to assert axioms and lemmas. What's harder is to make them consistent. And to show that the deductions follow from the premises. Hardest of all is to show that the sequence of ideas expresses the sequence of events. These tasks have not been fulfilled by the NUS logic.

It asserts:

If A, (the global information revolution)
then B (The information age cohorts whose growth demanded New York's spatial transformation).

But what happens to the ineluctable spatio-economic logic when it becomes clear that B was a mirage?

Bracket A. For the moment, we don't need to analyze the functioning of world markets at all to get B if B -- the increase in info age workers never took place.

How do we explain what happened to the info age cohorts? There was temporary gain in FIRE workers during the 80's Just as there was in '60's. But the gain was just cyclical. It was caused by stock and real estate speculation. And it was made up chiefly in brokers, added by brokerage houses to sell stocks to a gullible public.(See below, Table) These employment increases, along with hiring by the city- - which also creates a demand for space, plus the flood of surplus revenue seeking to be transformed into fictitious capital creates the real estate boom and allows developers to venture into new areas for expansion.40

The logic crumbles into more pieces when we examine the supposed necessity of the inference.

Unbracket A. Suppose the global market increases its

39Castells,1989.

40For a more detailed exposition, see below, pp.

transactions. On Coasian as well as empirical grounds, there is every reason to suppose that fewer rather than more information elites will be needed in New York's office towers. If the spread of the global market is reducing the costs of transactions, if these transactions are occurring across corporate borders rather than being administered within the corporate shell, there is evidently less need for personnel engaged in command and control functions.⁴¹ Indeed, the ranks of corporate management have in fact been thinning out.

Not only has the share of the Fortune 500 employment in total U.S. employment fallen by half since 1970, but according to a recent study by the AMA, the ranks of middle and upper management have been cut disproportionately. At the same time, the main component of New York's FIRE industry -- commercial banking -- has been shrinking rapidly for a decade. With the loss of their primary lending function -- loans to U.S. corporations -- Commercial banks now hold less than a quarter of all U.S. financial assets. Citibank, once the world's largest bank is still No.1. in the U.S. But it has fallen to No.30 in international rankings. It is being hard pressed by the Bank of Siena (Siena's population:70,000). Understandably, given this decline, management employment has fallen.

Finally, the same increase in external transactions stimulated by global competition forces a reduction in the need for business services. The effectiveness of advertising, especially the main type of advertising involving the re-enforcement of brand-name purchasing, depends on non-price competition. Cigarette purchases used to be signally immune to price competition. But with the rise of generic cigarettes and the need for corporate brand name giants to compete with them, even so affluent a purchaser of corporate advertising as like Philip Morris -- the largest corporate headquarters operation in New York -- is cutting back advertising budgets. Public relations personnel are being reduced too on the same grounds. The need for good will from customers shrinks as price competition expands.

Conclusion: Insofar as a global "spatio-economic" logic explains elite employment outcomes in New York it should have reduced jobs not expanded them as the advocates of the command and control centers insisted. The new logic is in fact redolent of the old conservative dialectic which

⁴¹R.H. Coase, "The Nature of the Firm," in Sidney G. Winger and Oliver E. Williamson (eds) The Nature of the Firm, (New York; Oxford University Press, 1993), 18-33. Coase's article first appeared in 1937.

sided with the state and insisted that "whatever is real is rational."

Besides idealism in its notion of capital, and conservative dialectics, the NUS suffers from another basic malady--one which flows very much from the objective idealism of its approach to capital theory. This is the "internal relations" approach to understanding of urban structural change. "Everything is related to everything else" says the new urban sociology. This is perfectly correct. You can't truly understand the the structure of the city, unless you grasp how it functions within the whole global system.

But by turning their attention to the structural logic of global processes, the new urban sociologists lost focus on those forces that produce structural change within the city itself. Urbanology's internal relations approach simply dissolved urban history, most particularly the history of individual urban regions in an functionalist theory of global markets. Instead of drawing logical inferences from the Coasian theory of the firm, it embraced and promoted the benign conclusions of real estate think tanks like the Regional Plan Association.⁴²

Ultimately, the NUS wound up expressing the wish fulfillments of these enlightened mortgage bankers and office developers. What the higher real estate consciousness fervently hopes is that everything they don't like -- low rent blue collar workers, factories, poor people, etc. -- will go away. And what they do like -- high rent elite workers, office buildings, luxury residential buildings, etc. -- will be attracted to their property. This wish fulfillment was projected in the form of the theory of "command and control headquarters." So that inexorably, because of informationalism and world market forces, the egress of manufacturing would require the ingress of managerial and informational types to coordinate and control world production. By conveniently assimilating local desires to global necessities, urban theory wound up ignoring the fundamental question that relates industrial and spatial structure:

⁴²See for example, Regional Plan Association, The Region in the Global Economy. May 1988. This pamphlet which appeared the spring after the October Crash was produced by academic consultants including Saskia Sassen, John Mollenkopf, Mitchell Moss, Thierry Noyelle, and Bob Cohen did two things: it boiled down the basic theses of the NUS-- the informal economy, the command and control center notion, the importance of information, etc., And it laid out "Seven Reasons why the Region will Prosper." The main reason was the region had become the "brain" of global economy.

Why is it that urban industrial structure expresses itself in the form of a hierarchical structure of real estate values -- with FIRE, and elite business services in the core. And everything else extruded towards the peripheral?

But what about the loss of manufacturing? The NUS approach clearly can't explain New York's wild and crazy office development, but what about de-industrialization? Unlike the growth of information elites, this is no mirage. NUS along with local developers argue that objective forces, operating impersonally, and ultimately for the best, satisfactorily explains manufacturing's exit from New York. And on the face of it, the case seems unassailable -- who would argue that a different city policy could have saved all 750,000 lost manufacturing jobs? Who would deny that market and technological forces had an effect?

But orthodoxy explains too much. And too little. It can't explain: (i) the extent of the loss; (ii) the timing of the loss; (iii) the type of manufacturing which was lost.

(i) New York City's loss of manufacturing was wholly disproportionate. The scale of manufacturing loss in New York City greatly exceeded manufacturing losses in central cities and manufacturing in other central cities. Between 1960 and 1980, the U.S. added more than three million workers in manufacturing -- an increase of nearly 17%. In the same period, New York lost 450,000 jobs, i.e., nearly half the total.⁴³

Table 10

Manufacturing jobs loss, ten largest cities, 1966-1991*

(000's)

City	1966	1991
Phoenix	61	177
Los Angeles/Long Beach	761	797
San Jose	88	259
Chicago	974	534
Detroit	580	422
New York	850	308
Philadelphia (PMSA)	576	349

⁴³New York State Department of Labor unpublished figures. Economic Report of the President, 1992, p.344.

Dallas	78	135
Houston	110	127
San Antonio	27	20

*Source: U.S. Department of Labor, Bureau of Labor Statistics. Employment and Earnings. May 1966 and May 1991.

The pattern for central cities is more complex. But still, New York City's loss stands out. In the last twenty-five years, some cities -- Phoenix, San Jose, Dallas, have increased their total of manufacturing jobs. Others like L.A. and Houston have stagnated. Still others -- Chicago, Philadelphia and Detroit, have drastically shed manufacturing. But no performance is as bad as New York's.

(ii) The Timing of manufacturing job loss. New York loses manufacturing jobs precisely when the rest of the nation is experiencing gains. After the recovery from the downturn of the early eighties, manufacturing recovered in the rest of the country. increasing from 18.8 million to 19.4 million jobs. But New York continued to shed manufacturing at nearly the same rate as the 'seventies.

Those who invoke external factors and impersonal processes, fail to note that FIRE and planning elites embarked on the transformation of blue collar industries well before the events that they themselves like to point to as the reasons for their actions: containerization, increased transactions in global markets.

If job loss was inevitable because of global competition, how was it possible for L.A., in the 80's, to gain precisely the type of jobs New York was losing? L.A. nearly doubled its garment industry, while New York lost another quarter of its jobs in this industry. Moreover, as Scott shows, the industry located in exactly the same area -- the central business district -- from which New York jobs were exiting.⁴⁴

(iii) The type of manufacturing jobs which were lost. One of the most surprising features about de-industrialization in New York is the extent to which it goes against the grain. The type of jobs lost weren't footloose positions in auto assembly plants. They weren't Fordist jobs in steel and rubber of the type that were eliminated in Pittsburgh and Akron. They were post-Fordist jobs based on external

⁴⁴Allen J. Scott, Metropolis, (Berkeley: University of California Press, 1988), 94.

economies and flexible production.

The city's two biggest industries, then as now, were garment and printing. What printer wants to leave his downtown clients for a single-storey campus in the suburbs? Women's garments makers aren't suburban oriented either. They don't want to leave Seventh Avenue for the peripheral, as anyone who's paid the slightest attention to the mid-town zoning wars. 45 The Garment Development Industrial Corporation has identified real estate conversion pressures as one of the biggest threats to the survival of the industry in New York -- and even such locations as Long Island City⁴⁶ -- where Citibank and Lazard Freres have been particularly active.

Heavy manufacturing did leave the city for more space and cheaper land in the suburbs. But this trend was well under way at the turn of the last century. By the '40's, the chemical plants, slaughter houses, animal fat rendering plants had almost all disappeared. New York's manufacturing had come to rely entirely on small-scale, ecologically sensitive, light industry -- especially garment and printing. Even Roger Starr, a formidable adversary of manufacturing in the city, has acknowledged that the city's manufacturers were environmentally harmless: they "put ink on paper, stamped out small pieces of metal to make electrical fittings, prepared food, and brewed beer." The biggest danger the garment industry presented was a pedestrian might get bumped by a handcart.⁴⁷

Those who argued at the time that New York's manufacturing in the 'fifties was depleted and obsolete were right in many respects: its skilled workers in garment were getting older and not passing on their skills; the transportation infrastructure needed for manufacturing was crumbling; the whole sector was capital starved as banks began to merge and adopt a global focus. But these problems did not have to be fatal. And we can appreciate now, that New York's manufacturing sector had arresting potential.

In the 50's small businesses involved in non-standardized

45The Commission on the Year 2000, New York Ascendant. June 1987.

46See for example Garment Industry Development Corporation, Annual Report.1989-1990, p.12.

47 The Rise and Fall of New York City, New York; Basic Books, 1985:70-71. "The city," writes the man who invented planned shrinkage, "was genuinely sorry to see the garment manufacturers disappear."

production were seen as so much clutter that needed to be moved out of the way of office towers. The same manufacturers today are glamorized as "flexible producers." Their clustering together in specific areas is described now in terms of the formation of "intelligent regions."

But the the whole form of industrial life was practically invented in New York City. As early as the 40's the city's chief manufacturers were not producing standard, assembly-line products. Nor were New York City's industries vertically integrated giants. They were a bunch of little guys practicing "agglomeration" economies -- the cost savings that result from businesses' locating next to each other. The garment industry in particular was "post-Fordist" -- small inventories, design driven, relying on "external" rather than "internal" economies of scale. Instead of savings from long production runs, capital savings arise from not having to sink capital in expensive equipment that's available near-by.

Take the garment industry again. New York was not the only place where garment and textile industries were threatened by Asian competition. Throughout western Europe the garment industries there faced the same problem. Each country devised different solutions. Some, like the Netherlands went free market and simply shed the jobs. In others, Germany and Italy in particular -- with Emiglia Romanga being the most striking example -- the industries were saved. Small and medium-sized manufacturers, artisanal associations, with the assistance of city and regional government -- and completely without the help of the central government which was hostile -- went "up-market."⁴⁸ They produced more flexibly, became more attuned to fashion changes, created a product mix that emphasized less-standardized, more expensive garments. Among other services, local government provided the best child care in Italy. ⁴⁹On the basis of this strategy Emiglia Romanga became the richest region of Italy -- "the Third Italy" -- an intelligent region. On the basis of FIRE as its "engine of growth," New York grew increasingly de-industrialized and poor. And the impact was felt all throughout the northeast. The FIRE-ing of our pioneering CBD, with its premature emphasis on flexible production, devastated not only in the city, but throughout the north east which lost its incubator of innovation.

⁴⁸Philip Cooke and Kevin Morgan. The Intelligent Region. Industrial and Institutional Innovation in Emilia-Romagna. Regional Industrial Research Report Number 7. Cardiff. 1991.

⁴⁹Ibid. 66.

When the argument about manufacturing being suddenly sucked out of the city by the attraction of single-storey campuses in the suburbs fails, it is followed by the argument about global "cheap labor." This constitutes a much more formidable defense of the objective, impersonal forces position -- but it is far from decisive.

First of all, New York manufacturing wages are not necessarily all that high. Even by third world standards. In the Chinatown garment industry, wages of \$2.00 an hour are common. There are large tracts of the city --especially in Central Brooklyn and south Bronx contain neighborhoods -- where per capita income falls beneath \$7,000 a year. In Hong Kong and Singapore, per capita income exceeds \$17,000 a year.

Moreover, not all the city's industries have been affected by foreign competition. The Haitians aren't threatening our bakeries. And the Taiwanese don't offer competition to our printers. Yet these industries have shrunk at about the same rate as the garment industry which has been greatly weakened by cheap imports. Between 1972 and September 1992 -- the period for which comparable figures are available -- the bakery industry has shrunk 43%; printing services 45.7% and garment 47% 50

III Urban Space and the Accumulation of Fictitious Capital.

What does then explain simultaneous de-industrialization and SOB expansion?

Of course market forces exist. But there is more to markets than the circulation of commodities. There are also capital markets. And secondary capital markets. And on top of those, a "derivatives" market. New York's space economy is deeply conditioned by these capital markets. We need to grasp the dynamics of the forces which attract capital to local capital markets in explosive ways. And in a mode which not only has been highly destructive to the presence of the city's manufacturing but has reached a dead end in employment even for FIRE industries.

But the operation of markets is not enough to explain the process. Urban planning can't be simply ignored as a force shaping the city. The occlusion of the official planner's vision is no more obvious when they validate new plans

50. New York State Department of Labor, unpublished figures.

purely in terms of the results of market forces, but totally leave out their own historic role.⁵¹ Planning in the broadest sense, smooths the way for fictitious capital. It locates state facilities in target areas, grants abatements, mobilizes the capital budget for favored projects, withdraws zoning protection from competing industrial uses, exercises eminent domain, pre-empts competing office uses, all of which maximize the investment opportunities for the members of the local land cartel.

However banal it may seem to point this out, planning has to be understood in political terms and in terms of social class. No dimension is more strikingly absent from conventional accounts than any analysis of the congruence between urban planners, leaders of the FIRE industry and FIRE-influenced foundations like the Rockefeller Brother's Fund, the Ford Foundation, and the Manhattan Institute. How fictitious capital -- foundations are totally composed of fictitious capital and represent the lengthened shadow of its accumulators -- shapes the urban planning agenda in political and ideological terms has been totally ignored. Planning and FIRE elites mobilize elite opinion, promote academic schools based on its needs, finance research which advance immediate planning objectives.

Finally, we need to understand the market for urban space itself. Demand for space in urban real estate markets becomes an abstraction if we don't distinguish between three dimensions of demand: (i) functional demand. (ii) effective demand and finally (iii) politically derived demand.

(i) Functional demand. Industries can be divided along a continuum. At one end are those which have a strong need for centrally-located space to carry out their essential functions. And at the other are whose preference is weak. Essentially these needs can be correlated along the lines of Marshall's classic distinction between internal and external economies. But you can't assimilate all information industries to external economies. And all manufacturing industries to internal economies. Printing and garment industries as well as finance and securities industries contain large segments which depend on external economies.

(ii) Effective demand. My needs may be great, in functional terms, my industry may need centrally located space, but if my income is inadequate, in urban terms, I'm outta here. This has been true of garment, printing industries which

⁵¹See for example, Department of City Planning, City Wide Industry Study, January 1993, DCP 93-02.

were located in the path of the westward movement of the midtown CBD and the westward movement of the downtown CBD respectively. On the other hand, corporate headquarters may have had only a weak attraction for centrally located space -- depending often on such arbitrary factors as where in the region the corporate CEO happened to live -- but if they desire the space, they can outbid manufacturing. Garment workers in elite fashion industries earn upwards of \$10.00 an hour. They probably add at least \$10.00 in value added. But elite lawyers bill their corporate customers at a rate in excess of \$250 an hour. It's no contest.

(iii) politically derived demand. The westward expansion of the downtown central business as well as the westward movement of the midtown CBD were purely artificial creations of the state. Only heavy subsidies -- on the order of \$1.5 billion yearly in tax expenditures alone keep them in place. Add to this, the creation of new values by entities like the World Trade Center, which enables 50,000 employees to create demand for contiguous space. Eventually, assuming a perfectly laissez faire regime, manufacturing based on external economies would be driven from the city.

But as long as the industries received protection in the form of zoning they were hard to roust. Absent further state action, e.g., subsidies, abatements, clearances, etc. manufacturing might have remained indefinitely. Consider: if zoning weren't critical, if purely market forces, i.e. in the commodity sphere were sufficient, why would contemporary planners fight so hard to remove them? Why would enormous political mobilizations like that which preceded the big 1961 zoning change be required? In other words, why is it necessary to make manufacturing illegal in vast parts of the city, if the global commodity markets action were so thorough?

Contrariwise, political action could have de-celerated de-industrialization by expanding zoning protection; creating industrial parks; offering tax subsidies. Of course such measures have been taken, but only in small homeopathic doses. A recent election year initiative promised to provide help for a manufacturing revival in New York. Total city funds pledged to aide manufacturing amounted to \$10 million.⁵² A single office building tenant, Morgan Stanley, got an \$88 million tax break the same year.

In New York (i) explains very little, because even as late as the 1950's, the primary manufacturing industries which

52New York City Economic Policy and Marketing Group, Strong Economy, Strong City: Job Creation Strategies for the Global City of Opportunity. September 21, 1993.

were in the CBD wanted to stay here. We can only understand the transformation of the city, the simultaneous egress of manufacturing and the spread of SOB's in terms of (ii) effective demand. and (iii) politically derived demand.

We can very briefly summarize how (iii) was channeled into urban planning initiatives as follows: As early as the 1920's, the major real estate and financial interests banded together to form a kind of urban land cartel. Their successive plans have to be understood not as the expression of a "growth coalition", but rather as an effort to valorize particular portions of the city which they owned. 53

Their efforts could only be realized by sharply restricting growth in other (non-owned) areas. For example, the '82 midtown plan which added thirty million square feet of office space to the westside, depended entirely on restricting development on the east side. The RPA's regional sub-center plan of the late '60's depended explicitly on the limiting the number of sub-centers. And the entire concept of regionalism as developed by the RPA, rests on the idea of a few "centers" supported by transportation nodes which can then serve as monopoly locations for office buildings. Influential works in urban sociology notwithstanding, unrestricted growth is exactly what these planners are trying to stamp out.

Futilely harnessing state power and state subsidies to the conversion of contiguous areas -- chiefly downtown's coastal areas, away from the old Broadway "spine" and along the westside which contained the city's transportation infrastructure and manufacturing base -- the planners destroyed New York's economic diversity without being able to fill the new space with information age tenants at economic rents. In other words, there was no global structural necessity for their actions. Guided by the same speculative impulses as previous generations of city developers, they built directly on the planning framework that had been in place prior to the advent of globalism. They simply made a mess.

One advantage of focusing on local real estate markets as well as global markets for commodities, and re-enforcing this perspective with a grasp of the goals of the dominant land cartel is that it explains where expansion takes place, as opposed simply to the fact that it takes place. Perhaps it seems sub-theoretical to descend to this level.

53 See The Assassination of New York, (New York: Verso, 1993), Part II.

Who cares about Ninth Avenue? After all, in terms of the planetary functioning of the informational mode, what difference does it make whether office development takes place on Manhattan's west side or the east side? But the fact that FIRE seeks precisely manufacturing and industrial areas for its expansion, however, has a great deal to do with the shrinking of manufacturing jobs. It explains why the targets of development even today remain on westside, and industrial Long Island City, as well as on the waterfront -- the historic location for New York manufacturing.

Theory must be able to explain not only where development takes place but when. The NUS is indifferent to the business cycle, as a factor in development. But demand for space is not steady. It's what economic historians call "lumpy." How do we explain the protean expansions, followed by years, sometimes decades of lassitude?

Essentially, New York's spatial development must be grasped in terms of a speculative financial and real estate cycle that is driven by the presence of the national capital market. In the final phases of business expansion, it works flat out to convert real capital into fictitious capital; functioning capital into revenue and revenue into bonds, speculative real estate, and "derivatives." Thus the economic surplus which can't be re-invested into industry are channelled into increasingly exotic financial forms. But also into quite visible forms of real estate: SOB's.

Thus the expansion of the CBD and de-industrialization need to be understood as two sides of the same process: the self-expansion of fictitious capital. Aided mightily of course by urban planning. Many other U.S. cities are subject to similar planning influences. But what needs to be explained is the prodigious extent of speculative office development and de-industrialization in New York.

In this respect, we must recall the role the city plays in the wider national system of fictitious accumulation. (And to a lesser extent, the global system.) Periodically, surplus wealth can't be absorbed within normal channels of accumulation. Whether the silting up of these channels is the consequence of over-production or under-consumption is not the issue here. The issue is simply that the excess flow has to go somewhere. So it gets blown off in the form of "speculation" -- i.e., hoping to profit by a change in price of an asset, rather than from creating new value.

In functional terms, commercial office development serves increasingly as the channel of preference for the needed destruction of surplus capital. In the 80's, commercial

office development received nearly as much capital from commercial banks in the form of loans as manufacturing. Thus the billions that can't be usefully, i.e., profitably invested, are poured into the construction of what turn out to be empty offices. To make way for the empty offices, hundreds of thousands of manufacturing jobs are displaced and mostly destroyed. The destruction of vast amounts of surplus capital in development of this type enables the over-all business cycle to be renewed.

The problem with this particular channel, the problem with commercial real estate however, is that while it is highly effective at destroying national surplus capital, its very slow to re-emerge as an outlet for local investment again. New York serves the national system of accumulation but pays a heavy price itself. Nothing takes longer than to use up office building capital. It literally takes decades.

In the last twenty-five years, we have twice repeated the same destructive employment cycle driven by fictitious accumulation. A stock market boom stimulates demand for ten's of thousands of extra stock brokers. There are lots of others hired -- lawyers to vet the stock issues, analysts, financial public relations people, etc. But brokers constitute most of those hired in FIRE. This hiring in turn stimulates demand for office space. Land prices rise. Real estate hires more brokers. Prosperity is everywhere. Journalists announce the arrival of a new age -- post-scarcity in the '60's; the information age in the 80's. Academics write ponderous tomes on the same themes. The boom psychology spreads to City Hall, which starts to hiring. In the 60's government added 150,000 workers. From '77 to '87 government added about 100,000 workers.

Then comes the stock market collapse. Everyone goes into shock for about a month. Then they proceed as if nothing has happened. Developers keep on building SOB's because they've gotten the financing. The Mayors keep hiring more workers because there's an election coming up.

Call it the magic of the market. But consider how the two great office building peaks 1967 and 1987 co-incided with the two great stock market dives. In 1987, the year of the 500 point collapse, FIRE threw up a peak \$2.5 worth of office construction. That was up from the cyclical trough of '77 when only \$158 million was built. The previous '69 peak also co-incided with a 20% market collapse. In that year, the all-time record amount of space was built, a figure that will certainly not be matched in this millennium, and probably not in the next -- \$6.2 billion.

Table 11

Construction, NYC 1969-1992

	Total	Commercial and Office	Residential
1969	\$8,274	\$6,192*	\$1,292
1970	5,605	3,271	1,144
1971	3,941	1,838	1,574
1972	4,562	1,851	1,492
1973	3,849	1,417	1,447
1974	2,585	1,183	0,730
1975	1,657	0,857	0,285
1976	1,348	0,598	0,276
1977	1,145	0,518	0,289
1978	2,269	0,609	0,881
1979	2,317	0,875	0,761
1980	2,806	1,489	0,671
1981	3,328	2,058	0,608
1982	2,625	1,245	0,865
1983	3,307	1,507	0,747
1984	3,255	1,552	0,838
1985	3,890	1,447	1,464
1986	3,543	1,622	1,016
1987	4,743	2,488*	1,228
1988	3,476	1,424	0,924
1989	4,703	2,208	1,357
1990	3,934	2,038	0,871
1991	3,229	1,431	0,935
1992	3,274	1,797	0,590

*Source: Port Authority of NY & NJ. Regional Economy. April 1993. Table 10. remaining contracts for infrastructure.*indicates construction peak joined with Wall Street crash.(totals in constant dollars)

Evidently, what explains the movement in the speculative office building economy is not the "crescive logic" of theoretical knowledge, but by the casino economy. The signal for office expansion is given by the rise in FIRE workers. This increase is made up primarily by brokers.

To a significant extent, the fictitious capital which is tied up in speculation in New York City real estate also re-enforces the amplitude of the peaks and troughs. As Roger Starr observed during the fiscal crisis,

"Most of the Economic City's creditors have no idea of the extent to which they loaned their savings to New York.

Their money, entrusted to life insurance companies and major banks, was loaned by those institutions to finance the construction of office buildings, hotels, motels and luxury apartment houses in New York." 54

Essentially, here's what happened in employment terms during the 60's: for twenty years prior to 1960, the New York City economy see-sawed back and forth between 3.4 million and 3.6 million. The increase above the previous cyclical peak was only a couple of hundred thousand.

In the middle sixties though, the city's economy began a purely speculative boom -- a Wall Street boom and the all-time SOB boom -- the 30 million square foot year in '69. In employment terms however, all that really happens is that Wall Street hires a lot of brokers and then lets them go -- brokers accounted for two thirds of the FIRE growth and nearly 90% of the subsequent FIRE loss. As bulls gamboled on Wall Street and Lower Manhattan spoke in the silent language of cranes, government increased its expense budget -- at least in part to pay the wages of those at work on the infrastructural projects needed for real estate development. Nearly 40% of all the job growth in the economy came from just two occupations -- brokers and government service.

Table 12

Sources of NYC Job Growth and Loss :1958-1975*

	Manufacturing	FIRE	Brokers	Govt	total
1958	954	373	41	404	3,479
1959	963	378	46	403	3,518
1960	947	384	49	408	3,538
1961	914	394	56	415	3,526
1962	912	396	58	429	3,559
1963	879	393	53	448	3,532
1964	866	392	55	462	3,559
1965	865	399	56	483	3,577
1966	864	395	62	505	3,614
1967	847	409	70	526	3,661
1968	840	436	89	547	3,721
1969	826	464	105	563	3,798
(total	n/a	98	64	159	319)

*54 Roger Starr, "Making New York Smaller," New York Times, Magazine, November 11, 1975.

1970	766	458	91	570	3,746
1971	702	450	87	566	3,611
1972	676	445	88	578	3,566
1973	652	435	79	584	3,540
1974	602	425	69	573	3,446
1975	537	420	67	522	3,286

*Source: New York State Department of Labor, unpublished figures.

Eighty percent of the total employment increase comes from FIRE plus government workers. Sixty five percent of the increase in FIRE employment comes from the addition of brokers. There were more jobs in '69 than in '58. But not that many more. '58 was the trough of a recession and '69 was the peak of a boom.

Between '58 and '69 employment growth in just two occupations -- securities brokers and government -- adds up to more than 200,000. If you take total FIRE and government job growth the total is about a quarter of a million. It was not skill and knowledge that were the driving forces in this increase. The city was becoming increasingly dependent on stock and real estate speculation.

From '77 to '87 we had a rerun of the same process. In 1977, the trough year, employment stood at nearly -- 3.2 million. At the peak about 400,000 more jobs were added. Somewhat more than the 300,000 increase of the 60's. The composition of the increase was nearly identical: with FIRE and Government accounting for most of the increase. And brokers accounting for nearly two - thirds of the increase in FIRE.

Table 13

New York City Employment 1977-1987*
Sources of Growth
(000')

Year	Total (a)	FIRE (b)	Brokers (b')	Govt. (c)	a**
------	--------------	-------------	-----------------	--------------	-----

1977	3188	414	70	508	*
1978	3236	418	71	521	
1979	3279	430	76	517	
1980	3302	448	85	515	
1981	3357	473	97	517	
1982	3345	486	100	522	
1983	3356	493	112	536	
1984	3435	501	121	557	
1985	3488	508	126	574	
1986	3539	529	140	580	
1987	3590	550	158	596	
Total	402	136	88	88	55.7%
increase					

**Represents increase in FIRE plus government employees as a percent of increase in total employees.

b'/b = 64.7%

b'+c/a +43.8%

source: see table 12

Basically it's the same mechanism. FIRE hires. And government follows. FIRE fires and government follows suit. New York City

* * *

Conclusion: Can anyone imagine a poorer choice of industrial mix than Wall Street and SOB's? For resident income? For stability? For the creation of wealth?

Take two cities of comparable size and advantages. Each has an investing class which starts out with the same amount of capital. Every year both sets of investors in the two cities, re-invest a like portion of the proceeds of their revenues.

In Speculative City, the capitalists invest in urban land. They seek to rent it to developers who will construct trading floors. And on every trading floor \$200,000 a year (suburban) traders peer into their screens and trade. The landed capitalists continuously reinvest their rents and profits from land speculation, slowly driving the existing producers from the area by direct and secondary displacement.

In the Productive City, the government donates the land to the producers, and the investors sink their funds into machinery and labor. The manufacturers who pay no rent, re-invest their surplus in improving their plant and equipment, enhancing the skills of the workers. Housing costs are minimized through public investment. They seek

out the best market niches for their products on a world scale.

Examine these two cities after twenty years. In which city will the income extremes be greater? Which city will produce more wealth? Whose citizens will have more skills? Where will unemployment be higher? In the city where the capital is laid out in the form of means of production. Or in the city in which it is laid out in the form of fictitious capital?

Cities aren't laboratories. And citizens aren't fruitflies. So such an experiment like this will never be carried out. But logic and experience suggests that Speculative City will look a lot like Gotham today. From which the Productive City represents a distant ideal. Do we need another generation to test the hypothesis?

To hold up the mirror to a generation of stagnation in New York, to show that its cause is rooted in systematic misallocation of labor and capital; and urban planning that re-enforces the misallocation; to argue that the investment process needs to be wrested from those who now control it, is probably tantamount to self-marginalization. At a minimum it is to join the ranks of the despised "gloom and doomers." So what?

No-one was more derided as a "gloom and doomer" than David Ricardo. It's because of his predictions about the progress of industry under landlordism that economics was named "the dismal science." Ricardo was pessimistic about England's future. He thought landlords had the capacity to choke off industrial growth. Costs would rise constantly. Profits would stagnate. Industry would disappear. He insisted that "the interest of the landlord is always opposed to that of the consumer and the manufacturer." And he proposed an alliance between all the productive classes against the unproductive classes to break their hold over the country. What New York needs is a modern version of the Anti-Corn Law League.

*****end*****



CENTER FOR SOCIAL THEORY
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for:

Prof. Rifaa'at Ali-Aben-el-Haj

Dept of History

Cal. State - Long Beach

310 - 985 - 4531

from: Tom Hester



Center Schedule

Tom: please keep track of all the notes to myself that are listed here, underlined. we need to deal with virtually all of them this week. Thanks. RB.

Winter Quarter

The Information City Thursday (co-sponsored with Ed Soja's group NAME?)

Manuel Castells, UC Berkeley
905 Euclid Ave, Berkeley 94708
home fax: 510-528-3534/phone 524-0929

Robert Fitch, New York
211 E. 17th Street, New York, NY 10003
phone: 212-677-7394

*History Dept
6275*

discussants:

Eric Mann, Los Angeles Labor Community Strategy Center
phone: 213-931-9888 fax: 213-938-7984

Michael Storper, Urban Planning, UCLA
phone: 310-825-2718 (off.); 310-396-1529 (h.)

31 January 1994 The City and Economic Development in Historical Perspective (co-sponsored with Ken Sokoloff's group NAME?)

Van Grend Workshop in Economic & Entrepreneurial History
Jan de Vries, History Dept., UC Berkeley
phone: off. 510-642-2813, hist dept 642-1971, home 843-7067
fax: 510-643-5323

Hermann van der Wee, Centrum voor Economische Studien, E. van Evenstraat 2B, Catholic University of Leuven, B-3000 Leuven, Belgium

phone: 011-32-16-283102/283111
fax: 011-32-16-283361
from January: History Department, UC Berkeley

*History Dept
6275*

Discussants:

Rebecca Emigh, Soc, UCLA
phone: 310-206-9546 (off.), 310-208-1467 (h.)

David Ringrose, Department of History, UC San Diego
NEED TO CONFIRM

14 February 1994 Cities of Peasants (Co-sponsored with Program on Mexico, split cost of Monsivais travel and upkeep and pay own honorarium of \$500)

Bryan Roberts, Dept. Sociology, U.of Texas, Austin 78712-1087
Fax: 512-471-1748, phone: 512-471-8391 (popctr); 8391 (socdep)

Carlos Monsivais, San Simon 62, Col. Portales, Mexico, D.F. 03300
Phone: 525-539-4762 Fax: 525-539-0514

discussants:

Susanna Hecht, Urban Planning, UCLA
phone: 310-455-1923 (h.); 825-4676 (off.)

John Friedmann, Urban Planning, UCLA
phone: 310-825-4781 (off.); 310-454-1671 (h.)

Faculty Center

28 February 1994 The Specificity of Urban Evolution in the State Socialist Societies

Ivan Szelenyi, Sociology, UCLA

discussants:

Joshua Muldavin, Geography, UCLA
CALL HIM

Andrew Janos, Political Science, UC Berkeley
CALL HIM

Faculty Center

17 March 1994 Making the City/Making the Countryside: The New Environmental History Thursday

Mike Davis, 1950 Woodlyn Rd., Pasadena 91104
phone: 818-798-3909

Discussant:

William Cronon, Dept. of History University of Wisconsin, 455 North Park Street, 3211 Humanities Bldg., Madison, Wisconsin 53706
phone: 608-263-1800 (off), 608-238-7160 (h.)
fax: 608-263-5302

NEED TO CONFIRM DATE WITH CRONON BY LEAVING MESSAGE ON HIS PHONE

Faculty Center

Spring Quarter

11 April 1994 Spatial Perspectives on the City: Los Angeles and San Francisco (title change? TALK TO SOJA ON THIS)

Richard Walker, Geography, UC Berkeley
phone: 510-528-3266 (h.) 642-3901/3 (off.)

Ed Soja, Urban Planning, UCLA
phone: 310-825-4335 (off.); 310-398-7160 (h.)

Margaret Fitzsimmons, Urban Planning, UCLA
phone: 310-470-0280 (h.)

Allen Scott, Geography, UCLA
phone: 213-851-7381 (h.), 310-825-7344 (off.)

Faculty Center

25 April 1994 The City and Economic Development in Historical Perspective II (co-sponsored by Ken Sokoloff's group. NAME? \$400, although must ask Wrigley to do something for them)
CALL ROGER SCHOFIELD TO COMPLETE WRIGLEY TOUR FINANCING AND INVOLVE ROGER

Tony Wrigley, Cambridge Group for the History of Population, 27 Trumpington St., Cambridge
phone: 44-223-333181; fax 333183 (Camb Pop Stud),
home phone Cambridge 44-223-247614
Oxford phone 44-865-281402
FAX TO CONFIRM DATE

Faculty Center

discussant: Robert Brenner

9 May 1994 Women, the City, and Modernism (Co-sponsored by Center for the Study of Women/Kate Norberg, \$300 toward travel)

Elizabeth Wilson, 9 Camden Square, London NW1 9YU UK
phone: 011-44-71-485-7053 NEED TO CALL TO FURTHER DISCUSS PAPER TOPIC

discussant: NEED TO CALL AND CONFIRM DISCUSSANTS

Dianne Gerardo, USC

ANOTHER DISCUSSANT? TALK TO ELLEN DUBOIS IMMEDIATELY

South Center

23 May 1994 Urban Crisis and Black Politics Conference
THIS WHOLE THING NEEDS TO BE ORGANIZED

- i. Economics Julianne Malveau, San Francisco; Charles Jenning, UMass Boston; rep from UCLA Center for Urban Poverty
- ii. Politics Adolph Reed, Boston or Manning Marable, Columbia, Ray Sunshine, LA

Discussants:

Raphael Sonnenschein?

Faculty Center

MAYBE BUT PROBABLY WE WILL NOT HOLD THIS AND SIMPLY INVITE THRIFT
MAYBE NOT 30 May 1994 The City and the International Economy
(Co-Sponsored by Lewis Program \$100, Dept. of Geography/Entrikin \$200, Urban Planning Program \$200)

Nigel Thrift, Dept. of Geography, University of Bristol, author (with Duncan Forbes) of The Socialist Third World: Urban Development and Territorial Planning
NEED TO INVITE RECONFIRM WITH SPONSORS AND CALL HIM

Saskia Sassen,
FAX AND CALL HER

6 June 1994 Latinos and The City Conference
THIS WHOLE THING NEEDS TO BE ORGANIZED

- i. Latinos and Local Government
Fernando Guerra, Loyola University and Paula Cruz Takash, UC San Diego
- ii. The Future of Latino Politics in California
Gloria Romero, LA; Manuel Pastor, Occidental College

Faculty Center

$\Sigma_{g, a}$ Group
exact

Hann's group
exact

CENTER FOR SOCIAL THEORY AND COMPARATIVE
HISTORY

ANNUAL COLLOQUIUM SERIES

Manuel Castells

Department of City and Regional Planning
UC Berkeley

"The Space of Flows"

Thursday, 20 January 1994, 2:00-6:00 p.m.

History Conference Room, 6275 Bunche
UCLA

THE SPACE OF FLOWS
Elements for a Theory of Urbanism
in the Informational Society.

by MANUEL CASTELLS

Professor of City and Regional Planning University of California
at Berkeley.

Draft of a Paper to be published by the Princeton Papers in
Architecture, School of Architecture, Princeton University.

October 1992.

INTRODUCTION

Space is the expression of society. Thus, since our societies are undergoing a fundamental, structural transformation, it is a reasonable hypothesis to suggest that new spatial forms and processes are currently emerging. The purpose of the analysis presented here is to identify such forms and processes as they relate to the major transformations of the social structure. On the basis of such analysis I will make some remarks on the implications of these changes for architecture and design.

The task is not an easy one, because the apparently simple acknowledgement of the existence of a meaningful relationship between society and space hides a fundamental complexity in the form of such relationship. This is because space is not a reflection of society, it is its expression. In other words: the spatial forms and processes resulting from a given social structure and dynamics result from the workings of the overall social matrix, including the contradictory trends derived from conflictual values and strategies between social actors playing out their interests according to their place in the social structure. Furthermore, social processes influence space by acting on the built environment inherited from previous socio-spatial structures. Indeed, space is crystallized time. And because of the historical nature of such time and of the process of its crystallization in spatial forms, the production of the new space by new social tendencies is mediated, and thus profoundly shaped, by the spatial configuration of each local society.

Thus, the deconstruction-reconstruction of the new spatial logic of our type of society includes both the identification of the major social tendencies at work, and the taking into account of the historical-geographical specificity of their manifestations.

To approach in the simplest possible terms such complexity, let us proceed step by step.

THE HISTORICAL EMERGENCE OF A NEW, INFORMATIONAL SOCIETY.

I will, first, recall the major processes of structural transformation that characterize societies at the end of the second millenium of the Christian era, in contrast with the world we had known in the period 1945-74, the period of the American-dominated, unlimited growth utopia. All these trends are inter-related, and they should be in fact considered as different angles to view the same prism, the changing structure of our societies. But for the sake of clarity, it will help to present each trend by itself, to identify the specificity of each axis at the roots of the new world.

Together, they form a new social structure, that I call the informational society to set up a parallel between this concept and the theory of the industrial society. I name it "informational" rather than postindustrial to establish a theoretical cleavage with the early theories of postindustrialism (Alain Touraine in 1969, Daniel Bell in 1973) that, in spite of their pathbreaking efforts at understanding the new social structure, they could not be able to truly apprehend processes and events (such as some of the most important discoveries in information technologies) that had not taken place at the moment of the construction of these theories.

By informational society I understand the specific social structure (be it capitalist, Statist, or some other form of property/political relationships) in which the sources of productivity and power relie directly on the generation of knowledge and on the control and processing of information.

This new form of society has emerged historically in the last 25 years of the XXth Century through a set of inter-related processes that I will briefly describe to be able to relate the theory of new spatial forms and processes to the historically specific structure of this new, informational society.

The first major structural trend (and one that was not a fundamental component of the early theories about the postindustrial society) is the formation of a global, fully interdependent, world economy, working as a unit in real time.

This is a new historical reality. While a world system of economic transactions has existed since the origins of capitalism, what is new is the interpenetration of all economic processes throughout the world, and their functioning as an interdependent unit, in spite of spatial distance and political boundaries. Flows of capital, of information, of labor, of commodities, of intra-firms operations and transactions, and of decisions link up across the planet, constantly redefining the variable geometry of production, distribution, consumption, and management. This does not imply the end of national differences, or the unchallenged control of the world by multinational corporations: people, societies, governments, politics, and policies, cannot be reduced to the logic of economic functions. Yet, the fact that the basic productive and reproductive structure of societies is organized around this hard core of a global, interdependent economy, marks decisively the dynamics of each society, for if the degree of incorporation of societies into the global economy greatly varies with their relative importance in the international division of labor, they are all penetrated, asymmetrically, by the global logic of a powerful network.

The second major structural trend is the transformation of organizations and of organizational logic, understanding by organizations the structure of systems of means to reach a given set of ends, the characteristics of the ends defining the nature of the organization. Organizations (and their embedded logic) are a much neglected domain of broad social theories, although there are some good examples of organizational sociology and an abundance of literature on management of organizations, generally pretentious, simplistic, and descriptive rather than analytical. And yet, the organizational imperative has often resulted in being the most important factor in the ultimate fate of societal and individual projects about societies and institutions.

The two key features that characterize the new organizations are flexibility and networking. Because organizations have to face constantly changing demands from a complex environment, they must respond quickly to such demands by adjusting their strategies, their procedures, their internal workings. For the large organization, such as a multinational

corporation, a hospital or a major University, the requirement of flexibility often implies decentralization of decision-making and a greater degree of autonomy by its different centers of power (divisions, departments, and the like). Indeed, for all the fashionable writing about the resurgence of small business, the large private corporations are increasingly the main economic actors of advanced economies, and their size, wealth, power, and scope continue to grow. At the core of advanced economies we find a nucleus of major, multinational corporations which concentrate an ever greater share of capital, information, and technology. But it is precisely because there is a process of economic and political concentration that organizational decentralization becomes so important. Major corporations, and particularly the private, business-oriented, multinational corporations, have changed their organization from vertical bureaucracies to horizontal networks, although the hierarchy of power remains firmly entrenched in the power of final decision at the top.

Relationships between the different levels and departments of organizations are now more critical than ever, since the greater autonomy of each unit requires a greater coordination effort for the whole system to still work as a unit.

At the same time, the functioning of the economy and of institutions in advanced societies requires a constant interaction between different organizations. For instance, small and medium enterprises are indeed very important, but not by themselves: they constitute the ancillary networks that have become so crucial for major corporations. Furthermore, small and medium enterprises are also networked among themselves, and often belong to a variety of networks centered around a corporation. Besides, large corporations themselves are networked, with a variable geometry of connections, depending upon markets, periods of time, and lines of product, being at the same time competitors and allies on the basis of a pragmatic strategy that constantly reshapes the set of relationships in the economy.

The third fundamental trend defining our societies is, as it is now common knowledge, the historical revolution in information technologies, that affects every sphere of social

activity, as the industrial revolution (based on energy) transformed the entire social fabric. In my analysis, the revolution in information technologies (that includes genetic engineering) is not an independent variable: it does not determine by itself the overall process of restructuring and social change that we are witnessing. But it does constitute a fundamental element in the change of the overall social matrix, and an indispensable tool for the fulfillment of the tendencies rooted in the social, economic, and political structures. Thus, without today's information technologies it would be impossible for the economy to become global in its operation. Without the revolution in information technologies organizations could not go so far in their search for flexibility through decentralization. Neither could networks of organization be effective in keeping up with their current complexity. The revolution in information technologies is at the same time the material answer for the requests of the networking economy and society, and the technological insinuation of the new winning formulae for decision makers.

There is a fourth dimension of structural change that it is more difficult to grasp, precisely because it is too obvious.

It concerns the creation and perception of images in our society. So much has been said and written on the supersession of the Gutenberg Galaxy by the audiovisual universe of our new imaginary that it would seem by now to be a deep seated trend of our societies, fully assimilated in their social fabric, and thus hardly a part of the current process of social change. And yet, in recent years there has been a qualitative leap in the shaping of our perception and consciousness by new trends in the production and distribution of images/sounds. Here too we observe the simultaneous globalization and individualization of image making. On the one hand, the whole planet is (unevenly) connected in global networks of information and images that travel throughout the world instantly. Thus, for the first time in history we have watched live the internal debates of a historic revolution: the debates in the Supreme Soviet of the agonizing Soviet Union in August 1991. But we have also watched live a truly bloody high-tech war in the Gulf without actually seeing much of the carnage that took place. News and entertainment have teamed up. Simultaneity and globality have added a new dimension. The age of satellites and portable transmitters has given a new meaning to television.

On the other hand, the media are less and less mass oriented. Markets and audiences (ultimately the same) have been segmented and specifically targeted. The emergence of specialized networks, through cable television or through satellite transmission, depending on societies, is not only a major challenge to traditional television networks: it is a new form of image distribution and reception. Together with specialized radio stations, they are forming a new media system that looks for specific audiences or specific moods and tastes of general audiences. Video is also becoming a powerful instrument of individualization, since it is decreasingly used for renting movies and increasingly used, in most countries, for videotaping movies or events, thus selecting (or believing in selecting) available images without adapting the organization of private life to the time and conditions of image delivery. The walkman device (that will in the near future have its equivalent in video) reaches the ultimate individualization for the reception of messages, clearly moving from the mass media to the individual consumption, and segmented distribution of a flexible, global production of audiovisual messages. To some extent, now the message is the medium, since it is the message that determines the medium to be used, how, where, when, and for whom.

Through these various social processes and technological changes emerges a society dominated by flows. Flows of messages, flows of images, flows of sounds, flows of capital, flows of information, flows of instructions, flows of technology, flows of commodities, flows of labor. There are also, increasingly flows of life and death: human flesh flying around (traffic of babies and women, of human organs for transplant); flows of weapons and killer drugs, redesigning entire countries and shaking up the financial system; and relief operations that rescue or do not rescue countries from famine according to the ratings of the evening news, and to the last political opinion polls.

Thus, we have reached an extremely powerful form of civilization. But the machine has become so powerful that the control over its operation has ultimately been lost. The flows of power are now being subdued by the power of flows.

The experience of the collapse of the European Monetary System in September 1992 provided the evidence that the Central Banks of the wealthiest nations on earth could not sustain the assault of speculation against their currencies in the financial markets. Who were these "speculators"? Flows. They were not specific groups, concerting their efforts to reap the benefits of political and economic confusion in Europe. There was the force of a market triggered by guesses, strategies, rumors, informations, bets, maneuvers, interconnected at the world level, and operating at a pace of split-second operations. Of course, they still are powerful capitalist corporations, ruling classes, political leaders, media masters, and the like. And of course, these flows of wealth and power are their creation and are at they serve their structural interests, in the last analysis. But the complexity of the mechanisms set in motion, the pace of the technologies that have been put at work, and the globality of the interdependences that have been created are such that no one, nor anything, truly holds power in front of this abstract force of a system of flows whose effects are being felt in every dimension of our life. And, first of all, in space.

THE SPACE OF FLOWS

Time and space are the fundamental material dimensions of human life. Physics has taught us the complexity of such notions, their evolving characteristics, as we make progress in the endless path of scientific discovery. School children know that space and time are related. And some mathematical theories (actually originated, again, at Princeton) have proposed the hypothesis of the existence of added spatial dimensions to the three dimensional space, dimensions that could be sort of "folded" inside the dimensions we experience.

There is of course no place for such discussion in our theory that is directly concerned with the social meaning of space and time. But the reference to such complexity is not rethorical pedantry. It invites to consider social forms of time and space that are not reducible to what have been our perceptions, based upon socio-technical structures superseded by our current experience.

The social perception of time has been solved in theory in a very simple formula: time is history. And historical analysis has always been able to link past, present, and future, through periodization, historical trajectories, historical conjunctures, and time-framed perspectives, thus actually introducing in our perception of society, simultaneity, origins, sequence, and historical horizons, as part of our thinking.

Geography could not perform a similar intellectual task in theorizing space. By attempting a wholistic vision of everything that would take place in a given territory (thus, the whole of society and human activity), the intellectual courage of geographers actually undermined their cause, by making the discipline loose its specificity: the spatial dimension. The concept of territory does not apprehend space.

It is both too specific and too broad. It is too broad because since the territory, in social terms, is always man-made, its understanding requires in fact a multidimensional,

interdisciplinary approach to all social practices that take place in the territory. And it is too specific, because it limits spatial forms and processes to those spatial manifestations which take place in a physically defined surface. What is precisely the problem when it comes to understand our type of society.

In fact, we need a social theory of space able to embrace all spatial manifestations in all forms of societies. We must be able to place social structures and social processes in specific sets of space as history places societies in time, that is in specific epochs, periods, conjunctures, and sequences.

I do not pretend to sketch here and now such theory. Yet, for the sake of the analysis attempted in relationship to the spatial dimension of the informational society, I need to define space as an element of the social structure.

From the point of view of social theory, space is the material support of time-sharing social practices. I immediately add that any material support bears always a symbolic meaning. By time-sharing social practices I refer to the fact that space brings together those practices that are simultaneous in time. It is the material articulation of this simultaneity what gives sense to space vis a vis society. Traditionally, this notion was assimilated to contiguity. Yet, it is fundamental that we separate the basic concept of material support of simultaneous practices from the notion of contiguity, in order to account for the possible existence of material supports of simultaneity that do not rely on physical contiguity, since this is precisely the case of the dominant activities of the informational society.

I have argued in the preceding section that our type of society is constructed around flows. Flows are not simply one element of the social organization: they are the functional expression of the processes dominating our economic, political, and symbolic life. If such is the case, the material support of the dominant processes in our societies will be the ensemble of elements supporting such flows, and making materially possible their articulation in simultaneous time. The space of flows is the material organization of time-sharing social practices that

work through flows. By flows I understand purposeful, repetitive, programmable sequences of exchange and interaction between physically disjointed positions held by social actors in the dominant economic, political, and symbolic structures of society. By dominant structures I understand those arrangements of organizations and institutions whose internal logic plays a strategic role in shaping social practices and social consciousness for society at large.

The abstraction of the concept can be better understood by specifying its content. The space of flows, as the material form of support of dominant processes and functions in the informational society, can be described (rather than defined) by the combination of at least three layers of material supports that, together, constitute the space of flows.

The first layer, the first material support of the space of flows is actually constituted by a circuit of electronic impulses (microelectronics+telecommunications), computer processing, and high-speed transportation (also based on information technologies) that, together, form the material basis for the processes we have considered as being strategically crucial in the informational society. This is indeed a material support of simultaneous practices. Thus, it is a spatial form, as much as it could be "the city" or "the region" in the organization of the merchant society or of the industrial society. The spatial articulation of dominant functions does take place today in the network of interactions made possible for information technology devices. In such network, no place exists by itself, since the positions are defined by the flows. Thus, the network of communication is the fundamental spatial configuration: places do not disappear, but their logic and their meaning become absorbed in the network. The technological infrastructure that builds up the network defines the new space, very much like railways defined "economic regions", and "national markets" in the industrial economy or the boundary-specific, institutional rules of citizenry (and their technologically advanced armies) defined "cities" in the merchant origins of capitalism and democracy.

But of course, such technological infrastructure is itself the expression of the network of flows determined by the powers that be in our world.

The second layer of the space of flows is constituted by its nodes and hubs. The space of flows is not placeless, although its structural logic is. It is based on an electronic network, but this network links up specific places, with well defined social, cultural, physical, and functional characteristics. Some places are exchangers, communication hubs, playing a role of coordination for the smooth interaction of all the elements integrated into the network.

Other places are the nodes of the network, that is the location of the strategically important functions that build a series of locality-based activities and organizations around a key function in the network, whose location in the node links up the locality with the whole network. Both nodes and hubs are hierarchically organized according to their relative weigh in the network. But such hierarchy may change depending upon the evolution of the activities processed through the network. Indeed, in some instances, some places may be switched off the network, their disconnection resulting in instant decline, and thus in economic, social, and physical deterioration. The characteristics of nodes are dependent upon the type of functions performed by a given network. Some examples of networks, and their corresponding nodes, will help to communicate the concept:

The easiest type of network to visualize as representative of the space of flows is the network constituted by the decision-making functions of the global economy, particularly those relative to the financial system. The analysis by Saskia Sassen of the "global city" as the production site of the postindustrial, global economy, has shown the critical role of such global cities in our societies, and the dependence of local societies and economies upon the directional functions located in such cities. But it would be a mistake to consider that only London, Tokyo, and New York, are global cities. Sassen's analysis insists, rightly, on the fact that the "global city" notion actually refers to the articulation of directional functions across the globe, with different emphases and varying importance depending upon the place of each city in the global network of interaction. Thus, Paris, Frankfurt, Zurich, Milan, Hong Kong, Singapore, also play an important role in such global network. And beyond the main global cities, other

continental, national, and regional economies have their own nodes that connect to the global network. Each one of these nodes requires an adequate technological infrastructure, a system of ancillary firms providing the support services, a specialized labor market, and the system of services required by the professional labor force.

What is true for top managerial functions and financial markets, is also applicable to high technology manufacturing (both to industries producing high technology and to those using high technology, that is all advanced manufacturing), as it has been shown during the 1980s by a string of studies on the spatial logic of high technology manufacturing produced out of the UC Berkeley's Institute of Urban and Regional Development. The spatial division of labor that characterizes high technology manufacturing translates into the worldwide connection between the milieux of innovation, the skilled manufacturing sites, the assembly lines, and the market-oriented factories, with a series of intra-firm linkages between the different operations in different locations along the production lines, and another series of inter-firm linkages among similar functions of production located in specific sites that become production complexes, in a renewed version of the old industrial districts. Thus, American microelectronics companies articulate their space through connections between the high-level, R&D functions in Silicon Valley; the skilled manufacturing in California, Texas, Oregon, Colorado or Arizona; the assembly work in Southeast Asia; and the final testing and distribution in central sites of each regional market. Ford Motor Company produces its European cars (its most profitable business) in 22 different locations, that exchange parts, material, labor and technology. American automobile companies are increasingly spatially split, yet functionally integrated, between different R&D centers and production sites, including various U.S. locations, Northern Mexico, and Europe. And Japanese electronic companies, while they started out from their nest in the Greater Tokyo area, have adopted in the last decade a model of industrial location similar to that of American companies, with decentralization of skilled manufacturing to Kyushu, of assembly operations to Thailand, Taiwan, and Malaysia, and penetration of European and American markets

through disguised assembly manufacturing. In every case, directional nodes, production sites and communication hubs are defined along the network and articulated in a common logic by communication technologies and programmable, microelectronic-based flexible integrated manufacturing.

The functions to be fulfilled by each network define the characteristics of the places that become their privileged nodes. In some case, the most unlikely sites become central nodes because of historical specificity that ended up centering a given network around a particular locality. For instance, it was unlikely that Rochester, Minnesota, or the Parisian suburb of Villejuif would become central nodes of a world network of advanced medical treatment and health research, in close interaction with each other. But the location of the Mayo Clinic and of one of the main centers for cancer treatment of the French Government, in both cases for historical reasons, have articulated a complex of knowledge generation and advanced medical treatment around these two very odd localities, that ended up attracting researchers, doctors, and patients, from around the world.

Again, each network defines its sites, according to the functions and hierarchy of each site and to the characteristics of the product or service to be processed in the network. Thus, one of the most powerful networks in our society, narcotics production and distribution (including its money laundering component) has constructed a specific geography that has redefined the meaning, structure, and culture of societies, regions, and cities connected in the network. Thus, in cocaine production and trade, the coca production sites of Chapare Valley in Bolivia or Alto Huallanga in Peru are connected to the raffineries and management centers in Colombia, depending from Medellin or Cali headquarters, themselves connected to the financial centers such as Miami, the Cayman Islands, and Luxembourg, and finally to the major distribution points in the main metropolitan areas of America and Western Europe. None of these localities can exist by itself in such network. The Medellin and Cali cartels, and their close American allies, would soon be out of business without the raw materials produced in Bolivia or Peru, without the chemicals provided by Swiss and German researchers, without the semi-legal financial networks of free-banking paradises, and without the distribution networks in Miami, Los Angeles, and New York.

Thus, while the theory on global cities provides the most important illustration of the place-based orientation of the space of flows in nodes and hubs, such logic is not limited by any means to capital flows. All fundamental processes in our society are articulated in non-contiguous networks that link up different places and assign to each one of them a role and a weigh in a hierarchy of wealth generation, information processing, and power making that ultimately determines the fate of each locale.

The third important layer of the space of flows refers to the spatial organization of the dominant elites (rather than classes) that exercise the directional functions around which such space is articulated. The theory of the space of flows starts from the implicit assumption that societies are asymmetrically organized around the dominant interests specific to each social structure. The space of flows is not the only spatial logic of our societies. It is however the dominant spatial logic because it is the spatial logic of the dominant interests/functions in our society. But such domination is not purely structural. It is enacted, indeed conceived, decided, and implemented by social actors. Thus, the technocratic-financial-managerial elite that occupies the leading positions in our societies will also have specific spatial requirements regarding the material/spatial support of their interests and practices. The spatial manifestation of the informational elite constitutes another fundamental dimension of the space of flows. What is this spatial manifestation?

The fundamental form of domination in our society is based on the organizational capacity of the dominant elite that goes hand in hand with its capacity to disorganize those groups in society that, while constituting a numerical majority, see their interests partially (if ever) represented only within the framework of the fulfillment of the dominant interests. Articulation of the elites, segmentation and disorganization of the masses seem to be the twin mechanisms of social domination in our societies. Space plays a fundamental role in such mechanism. In a sentence, elites are cosmopolitan, people are local. The space of power and wealth is projected throughout the world, while people's life and experience is rooted in places,

in their culture, in their history. Thus, the more social organization is based upon a-historical flows, superseding the logic of any specific place, the more the logic of global power escapes the socio-political control of historically specific local/national societies.

On the other hand, the elites do not want and cannot become flows themselves, if they are to preserve their social cohesion, develop the set of rules and the cultural codes on which they can understand each other and dominate the others, thus establishing the "in" and "out" boundaries of their cultural/political community. The more a society is democratic in its institutions, the more the elites have to become clearly distinct from the populace, so avoiding the excessive penetration of political representatives into the inner world of strategic decision-making. However, my analysis does not share the hypothesis about the improbable existence of a "power elite" a la Wright Mills. On the contrary, the real social domination stems from the fact that cultural codes are embedded in the social structure in such way that the possession of these codes opens the access to the power structure without the elite needing to conspire to bar access to its networks.

The spatial manifestation of such logic of domination takes two main forms in the space of flows. On the one hand, the elites form their own society, and constitute secluded communities, defining community as a spatially-bound, inter-personally networked, subculture. I propose the hypothesis that the space of flows is made up of personal micro-networks that project their interests in functional macro-networks throughout the global set of interactions of the space of flows. This is a well-known phenomenon in the financial networks: major strategic decisions are taken over business luncheons in exclusive restaurants, or in country house week-ends over golf playing, as in the good old times. But let's be aware that such decisions still will have to be executed in instant decision-making processes over telecommunicated computers that can trigger their own decisions to react to market trends. Thus, the nodes of the space of flows include residential, and leisure oriented spaces that, along with the location of headquarters and their ancillary services, tend to cluster dominant functions in carefully segregated spaces.

Segregation happens both by location in different places and by security control of certain spaces open only to the elite.

From the pinnacles of power and their cultural senders, a series of symbolic socio-spatial hierarchies are organized, so that lower levels of management can mirror the symbols of power and appropriate such symbols by constructing second-order spatial communities that still will tend to isolate themselves from the rest of society.

A second major trend of the cultural distinctiveness of the elites in the informational society is the attempt at building a life style and formal treatment of space that would unify the symbolic environment of the elite around the world, thus superseding the historical specificity of each locale.

Thus, there is the construction of a (relatively) secluded space across the world along the connecting lines of the space of flows: international hotels, whose decoration, from the design of the room to the color of the towels are similar all over the world to create a sense of familiarity with the inner world and an abstraction vis a vis the surrounding concrete world; airports' VIP lounges, designed to maintain the distance vis a vis society in the highways of the space of flows; constant access to telecommunications networks, so that the traveler is never lost; and a system of travel arrangements, secretarial services, and reciprocal hosting that maintain a close circle of corporate elite together through the worshipping of the same rites in all countries.

Furthermore, there is an increasingly homogenous life style among the informational elite that transcends the cultural borders of all societies: the regular use of SPA installations (even when travelling) and the practice of jogging; the mandatory diet of grilled salmon and green salad; the "pale chamois" wall painting color intended to create the cozy atmosphere of the inner space; the laptop computer; the combination of business suits and sportswear etc. All these are symbols of an international culture whose identity is not linked to any specific society but to the membership in the medium and high managerial levels of the informational society across the cultural spectrum of all societies.

The call for cultural connectedness of the space of flows between its different nodes is also reflected in the tendency toward the architectural uniformity of the new directional centers in various societies. Paradoxically, the attempt by postmodern architecture to break the molds and patterns of architectural discipline has resulted in an overimposed postmodern monumentality, that became the generalized rule of new corporate headquarters from New York to Kaoshiung during the 1980s. Thus, the space of flows includes the symbolic connection of homogeneous architecture in the places that constitute the nodes of each network across the world, so that architecture escapes to the history and culture of each society and becomes captured into the new imaginary of the wonderland world of unlimited possibilities that underlies the logic transmitted by the new media: the culture of "zapping", as if we could reinvent all the forms in any place, on the only condition of leaping into the indefiniteness of the flows of power. The kidnapping of architecture into a-historical abstraction is the formal frontier of the space of flows.

ON ARCHITECTURE AND DESIGN IN THE SPACE OF FLOWS.

If the space of flows is truly the emerging spatial form of the informational society, architecture and design are likely to be redefined in their form, function, process, and value, in the coming years. Indeed, I would argue that all over history, architecture has been the "failed act" of society, the mediated expression of the deeper tendencies of society, of those that could not be openly declared but yet were strong enough to be casted in stone, in steel, in glass, and in the visual perception of the human beings that were to dwell in such forms.

Panofsky on the Gothic cathedrals, Tafuri on the American skyscrapers, Venturi on the surprising kitch American cities, Lynch on the various city images, are some of the best illustrations of an old, well established intellectual tradition that has used architectural forms as one of the most penetrating codes to read the basic structures of the dominant values of society. To be sure, there is no simple, direct interpretation of the formal expression of social values. But as research by scholars and analysts has revealed, and as works by architects have demonstrated, there has been a strong, semi-conscious connection between what society (in its diversity) was saying and what architects wanted to say.

Not any more. My hypothesis is that the coming of the space of flows is blurring the meaningful relationship between architecture and society. Because the spatial manifestation of the dominant interests takes place around the world, and across cultures, the uprooting of experience, history, and specific culture as the background of meaning is leading to the generalization of a-historical, a-cultural architecture.

Some tendencies of "postmodern architecture", as represented for instance by the work of Philip Johnson, under the pretext of breaking down the tyranny of codes, e.g. modernism, attempt to cut off all ties with specific social environments, creating a mixture of elements that creates harmony out of trans-historical, stylistic provocation. Yet, in fact what this variant of postmodernism does is to express, in almost direct terms, the new dominant ideology: the end of the

history and the supersession of places in the space of flows. Because only if we are at the end of history can we now mix up everything we knew before. Because we do not belong any more to any place, to any culture, this extreme version of postmodernism will impose its codified code-breaking logic anywhere something is built. The liberation from cultural codes hides in fact the escape from historically rooted societies. In this perspective postmodernism could become the architecture of the space of flows.

The more societies try to recover their identity beyond the global logic of the uncontrolled power of flows, and the more they need an architecture that exposes their own reality, without faking beauty from a trans-historical spatial repertoire. But at the same time, oversignificant architecture, trying to give a very definite message or to express directly the codes of a given culture, is too primitive a form to be able to penetrate our saturated visual imaginary. The meaning of its messages will be lost in the culture of "zapping" that characterizes our symbolic behavior. This is why, paradoxically, the architecture that seems most charged with meaning in societies shaped by the logic of the space of flows is what I call "the architecture of nudity". That is, the architecture whose forms are so neutral, so pure, so diaphane, that they do not pretend to say anything. And by not saying anything they confront the experience with the solitude of the space of flows. Its message is the silence.

For the sake of communication, I will take two examples drawn from Spanish architecture, an architectural milieu that is widely recognized as being currently at the forefront of the new design. The Spanish fairs of 1992 provided the occasion for the construction of major functional buildings designed by some of the best architects. Thus, the new airport of Barcelona, designed by Bofill, simply combined beautiful marble, tinted glass, and transparent glass panels of separation in an immense, open space. No cover up of the fear and anxiety that people experience in an airport. No carpeting, no cozy rooms, no indirect lighting. In the middle of the formal beauty of the airport passengers have to face their terrible truth: they are alone, in the middle of the space of flows, they may lose their connection, they are suspended in the emptiness of transition. They are, literally, in the hands of Iberia Airlines. And there is no escape.

Let us take another example: the new Madrid AVE (high speed train) station, designed by Moneo. It is simply a wonderful old station, exquisitely rehabilitated, and made it into a beautiful indoor palm trees park, full of birds that sing and fly in the enclosed space of the station. In a nearby structure, adjacent to such beautiful monumental space there is the real station with the high speed train. Thus, people go to the pseudo-station, to visit it, to walk through its different levels and paths, as they go to a park or a Museum. The too obvious message is that we are in a park, not in a station. That in the old station, trees grew, and birds nested, operating a metamorphose. Thus, the high speed train becomes the oddity in such space. And such is in fact the question that everybody asks to him/herself in the world: what is a high-speed train doing there, just to go from Madrid to Seville, with no connection whatsoever with the European high-speed network, at a cost of US\$ 4 billion? The broken mirror of a segment of the space of flows becomes exposed, and the use value of the station recovered, in a simple, elegant design that does not say much but makes everything evident.

Granted: I am forcing Bofill and Moneo into discourses that are certainly not theirs. But the simple fact that their architecture would allow me, or any other observer/critic, to relate forms to symbols, to functions, to social situations, means that their strict, retained architecture (in two formally different styles) is in fact full of meaning. Indeed, architecture and design, because their forms resist the abstract materiality of the dominant space of flows, could become essential devices of cultural innovation and intellectual autonomy in the informational society through two main avenues. Either the new architecture builds the palaces of the new masters, thus exposing their deformity hidden behind the abstraction of the space of flows; or it roots itself into places, thus into culture, and into people. In both cases, under different forms, architecture and design may be digging the trenches of resistance for the preservation of meaning in the generation of knowledge. Or, what is the same, for the reconciliation of culture and technology.

European Cities, the Informational Society, and the Global Economy

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European Cities, the Informational Society, and the Global Economy

Urban Sociology, Today

An old axiom in urban sociology considers space as a reflection of society. Yet, life, and cities, are always too complex to be captured in axioms. Thus, the close relationship between space and society, between cities and history, is more a matter of expression rather than of reflection. The social matrix expresses itself into the spatial pattern through a dialectical interaction that opposes social contradictions and conflicts as trends fighting each other in an endless supersession. The result is not the coherent spatial form of an overwhelming social logic – be it the capitalist city, the pre-industrial city or the a-historical utopia – but the tortured and disorderly, yet beautiful patchwork of human creation and suffering.

Cities are socially determined in their forms and in their processes. Some of their determinants are structural, linked to deep trends of social evolution that transcend geographic or social singularity. Others are historically and culturally specific. And all are played out, and twisted, by social actors that oppose their interests and their values, to project the city of their dreams and to fight the space of their nightmares.

Sociological analysis of urban evolution must start from the theoretical standpoint of considering the complexity of these interacting trends in a given time-space context. The last twenty years of urban sociology have witnessed an evolution of thinking (including my own) from structuralism to subjectivism, then to an attempt, whatever imperfect, of integrating both perspectives into a *structural theory of urban change* that, if a label rooted in an intellectual tradition is necessary, I would call Marxian, once

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history has freed the Marxian theoretical tradition from the terrorist tyranny of Marxism-Leninism.

I intend to apply this theoretical perspective to the understanding of the fundamental transformations that are taking place in Western European cities at the end of the second millennium. In order to understand such transformations we have to refer to major social trends that are shaking up the foundations of our existence: the coming of a technological revolution centred on information technologies, the formation of a global economy, the transition to a new society, the informational society, that, without ceasing to be capitalist or statist, replaces the industrial society as the framework of social institutions.

But this analysis has to be at the same time general and structural (if we accept that a historical transformation is under way) and specific to a given social and cultural context, such as Western Europe (with all due acknowledgement to its internal differentiation).

In recent years, a new trade mark has become popular in urban theory: capitalist restructuring. Indeed it is most relevant to pinpoint at the fundamental shift in policies that both governments and corporations have introduced in the 1980s to steer capitalist economies out of their 1970s' crises. Yet, more often than not, the theory of capitalist restructuring has missed the specificity of the process of transformation in each area of the world, as well as the variation of the cultural and political factors that shape the process of economic restructuring, and ultimately determine its outcome.

Thus, the deindustrialization processes of New York and London take place at the same time that a wave of industrialization of historic proportions occurs in China and in the Asian Pacific. The rise of the informal economy and of urban dualism takes place in Los Angeles, as well as in Madrid, Miami, Moscow, Bogota, and Kuala Lumpur, but the social paths and social consequences of such similarly structural processes are so different as to induce a fundamental variegation of each resulting urban structure.

Therefore, in these lectures I will try to analyze some structural trends underlying the current transformation of European cities,

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while accounting for the historical and social specificity of the processes emerging from such structural transformation.

The Thread of the New History: Major Social Trends Affecting European Cities at the Dawn of the 21st Century

Urban life muddles through the pace of history. When such pace accelerates, cities – and their people – become confused, spaces turn threatening, and meaning escapes from experience. In such disconcerting, yet magnificent times, knowledge becomes the only source to restore meaning, and thus meaningful action.

At the risk of schematism, and for the sake of clarity, I will summarize what seem to be the main trends that, together and in their interaction, provide the framework of social, economic, and political life for European cities in this particular historical period.

First of all, *we live in the midst of a fundamental technological revolution*, that is characterized by two features:

a) As all major technological revolutions in history, their effects are pervasive. They are not limited to the industry, or to the media, or to telecommunications or transportation. New technologies, that have emerged in their applications in full strength since the mid-1970s, are transforming production and consumption, management and work, life and death, culture and warfare, communication and education, space and time. We have entered a new technological paradigm.

b) As the industrial revolution was based on energy (although it embraced many other technological fields) the current revolution is based upon information technologies, in the broadest sense of the concept, that includes genetic engineering (after all, the decoding and reprogramming of the codes of the living matter).

This technological informational revolution is the backbone (although not the determinant) of all other major structural transformations:

- It provides the basic infrastructure for the formation of a functionally inter-related world economic system.
- It becomes a crucial factor in competitiveness and productivity for countries, regions, and companies throughout the world,

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ushering in a new international division of labour.

It allows for the simultaneous process of centralization of messages and decentralization of their reception, creating a new communication world made up at the same time of the global village and of the incommunicability of those communities that are switched-off from the global network. Thus, an asymmetrical space of communication flows emerges from the uneven appropriation of a global communication system.

It creates a new, intimate linkage between the productive forces of the economy and the cultural capacity of society. Inevitable knowledge generation and information processing are at the roots of new productivity, the ability of a society to accumulate knowledge and manipulate symbols translates into economic productivity and political-military might, anchoring the sources of wealth and power into the informational capacity of each society.

While this technological revolution does not determine per se the emergence of a social system, it is an essential component of the new social structure that characterizes our world: *the informational society*. By such concept, I understand the social structure where the sources of economic productivity, cultural hegemony, and political-military power depend, fundamentally, on the capacity to retrieve, store, process, and generate information and knowledge. Although information and knowledge have been critical for economic accumulation and political power throughout history, it is only under the current technological, social, and cultural parameters that they become directly productive forces. In other words, because of the interconnection of the whole world and because of the potential automation of most standard production and management functions, the generation and control of knowledge, information, and technology is a necessary and sufficient condition to organize the overall social structure around the interests of the information holders. Information becomes the critical raw material of what all social processes and social organizations are made. Material production, as well as services, become subordinate to the handling of information in the system of production

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and in the organization of society. Empirically speaking, an ever growing majority of employment in Western European Cities refers to information processing jobs. The growing proportion of employment in service activities is not the truly distinctive feature, because of the ambiguity of the notion of 'services' (e.g. in Third World cities a majority of the population also works in 'services', although there are indeed very different kind of activities). What is truly fundamental is the growing quantitative size and qualitative importance of information processing activities in both goods production and services delivery. The contradictory, but ineluctable emergence of the informational society shapes European cities as the onset of the industrial era marked for ever the urban and rural spaces of the nineteenth century.

The third major structural trend of our epoch is the formation of a *global economy*. The global economy concept must be distinguished from the notion of a world economy, that reflects a very old historical reality for most European nations, and particularly for the Netherlands that emerged as a nation through its role as one of the nodal centres of the 16th century's world economy. Capitalism has accumulated, since its beginnings, on a world-wide scale. This is not to say that the capitalist economy was a global economy. It is only now becoming such.

By global economy we mean an economy that works as a unit on real time on a planetary scale. It is an economy where capital flows, labour markets, commodity markets, information, raw materials, management, and organization are internationalized and fully interdependent throughout the planet, although in an asymmetrical form, characterized by the uneven integration to the global system of different areas of the planet. Major functions of the economic system are fully internationalized and interdependent on a daily basis. But many others are segmented and unevenly structured depending upon functions, countries, and regions. Thus, the global economy embraces the whole planet, but not all the regions and all the people in the planet. In fact, only a minority of the people are truly integrated in the global economy, although all the dominant economic and political centres from where

people depend are indeed integrated in the global economic networks (with the possible exception of Bhutan...). With the disintegration of the Soviet Empire, the last area of the planet that was not truly integrated in the global economy, it is restructuring itself in the most dramatic conditions to be able to reach out to the perceived avenues of prosperity of our economic model (China already started its integration in the global capitalist economy in December 1979, while trying to preserve its Statist political regime).

This global economy increasingly concentrates wealth, technology, and power in 'the North', a vague geopolitical notion that replaces the obsolete West-East differentiation, and that roughly corresponds to the OECD countries. The East has disintegrated and is quickly becoming an economic appendix of the North. Or at least such is the avowed project of its new leaders. The 'South' is increasingly differentiated. East Asia is quickly escaping from the lands of poverty and underdevelopment to link up, in fact, with the rising sun of Japan, in a model of development that the Japanese writers love to describe as 'the flying geese pattern', with Japan of course leading the way, and the other Asian nations taking off harmoniously under the technological guidance and economic support of Japan. China is at the crossroads of a potential process of substantial economic growth at a terrible human cost as hundreds of millions of peasants are being uprooted without structures able to integrate them into the new urban-industrial world. South and South East Asia struggle to survive the process of change, looking for a subordinate, yet livable position in the new world order. Most of Africa, on the contrary, finds itself increasingly disconnected from the new, global economy, reduced to piecemeal, secondary functions that see the continent deteriorate, with the world only waking up from time to time to the structural genocide taking place in Africa when television images strike the moral consciousness of public opinion and affect the political interest of otherwise indifferent policy makers. Latin America, and many regions and cities around the world, struggle in the in-between land of being only partially integrated into the global economy, and then submitted to the tensions between the

promise of full integration and the daily reality of a marginal existence.

In this troubled world, Western Europe has, in fact, become a fragile island of prosperity, peace, democracy, culture, science, welfare, and civil rights. However, the selfish reflex of trying to preserve this heaven by erecting walls against the rest of the world, may undermine the very fundaments of European culture and of democratic civilization, since the exclusion of the other is not separable from the repression of the civil liberties and the mobilization against the alien cultures. Major European cities have become nodal centres of the new global economy, but they have also seen themselves transformed into the magnets of attraction for millions of human beings from all around the world who want to share the peace, democracy, and prosperity of Europe in exchange for their hard labour, and their commitment to a promised land. But the overcrowded and aged Western Europe of the late twentieth century does not seem to be as open to the world as was the young, mostly empty America of the beginning of the century. Immigrants are not welcome, as Europe tries to embark into a new stage of its common history, building the supra-national Europe without renouncing to national identities. Yet, the cultural isolationism of the pan-European construction is inseparable of the affirmation of ethnic nationalism that will eventually turn not only against the 'alien immigrants' but against European foreigners as well. European cities will have to cope with its new global economic role while accommodating to a multi-ethnic society that emerges from the same roots that sustain the global economy.

The fourth fundamental process under way in European cities is *the process of European integration*, into what will amount in the 21st Century to some form of Confederation of the present nation states. This is an ineluctable process for at least 15 countries (the current 12 EC countries plus Sweden, Austria, and Switzerland) regardless of the fate of the symbolic Maastricht Treaty. If, as it is generally accepted, the European Community is heading toward a common market, a common resident status for all its citizens, a

common technology policy, a common currency, a common defense, and a common foreign policy, all the basic prerogatives of the national state will be shifted to the European institutions by the end of the Century. This will certainly be a tortuous path, with the nostalgics of the past, neo-fascists, neo-communists, and fundamentalists of all kind, fighting the tide of European solidarity, fueling the fears of the ignorance among people, building upon demagoguery and opportunism. Yet, whatever difficult the process, and with substantial modifications to the current technocratic blueprints, Europe will come to existence: there are too many interests and too much political will at stake to see the project destroyed after having come this far.

The process of European integration will cause the internationalization of major political decision making processes, and thus it will trigger the fear of subordination of specific social interests to supranational institutions. But most of these specific interests express themselves on a regional or local basis rather than at the national level. Thus, we are witnessing the renewal of the role of regions and cities as locuses of autonomy and political decision. In particular, major cities throughout Europe constitute the nervous system of both the economy and the political system of the continent. The more national states fade in their role, and the more cities emerge as a driving force in the making of the new European society.

The process of historical transition experienced by European cities leads to an *identity crisis* in its cultures and in its people, that becomes another major element of the new urban experience. This identity crisis is the result of two above mentioned processes that, whatever contradictory among themselves, jointly contribute to shake up the foundations of European national and local cultures. On the one hand, the march to supranationality blurs national identities and make people uncertain about the power holders of their destiny, thus pushing them into withdrawal, either individualistic (neo-libertarianism) or collective (neo-nationalism). On the other hand, the arrival of millions of immigrants and the consolidation of multi-ethnic, multi-cultural societies in most Western European countries, confronts Europe head on with the

reality of a non-homogeneous culture, precisely at the moment when national identity is most threatened. It follows a crisis of cultural identity (with the corollary of collective alienation) that will mark the urban processes in Europe for the years to come.

More to the point: major cities will concentrate the overwhelming proportion of immigrants and ethnic minority citizens (the immigrants' sons and daughters). Thus they will also be at the forefront of the waves of racism and xenophobia that will shake up the institutions of the new Europe even before they come into existence. As a reaction to the national identity crisis we observe the emergence of territorially defined identities at the level of the region, of the city, of the neighbourhood. European cities will be increasingly oriented toward their local culture, while increasingly distrustful of higher order cultural identities. The issue then is to know if cities can reach out to the whole world without surrendering to a localistic, quasi-tribal reaction that will create a fundamental divide between local cultures, European institutions, and the global economy.

European cities are also affected by *the rise of the social movements of the informational society*, and in particular by the two central movements of the informational society: the environmental movement, and the women's movement.

The environmental movement is at the origin of the rise of the ecological consciousness that has substantially affected urban policies and politics. The issue of sustainable development is indeed a fundamental theme of our civilization and a dominant topic in today's political agendas. Because major cities in Europe are at the same time the nodal centres of economic growth and the living places for the most environmentally-conscious segment of the population, the battles for the integration between economic growth and environmental conservation will be fought in the streets and institutions of major European cities.

The structural process of transformation of women's condition, in dialectical interaction with the rise of the feminist movement, has completely changed the social fabric of cities. Labour markets have been massively feminized, resulting in a change in the conditions of work and management, of struggle and negotiation,

and ultimately in the weakening of a labour movement that could not overcome its sexist tradition. This also points to the possibility of a new informational labour movement that because it will have to be based on women's rights and concerns, as well as on those of men, it will be historically different from its predecessor.

At the same time, the transformation of households and of the domestic division of labour is fundamentally changing the demands on collective consumption, and thus urban policy. For instance, child care is becoming as important an issue as housing in today's cities. Transportation networks have to accommodate for the demands of two workers in the family, instead of relying on the free driving service provided by the suburban housewife in the not so distant past.

Some of the new social movements, the most defensive, the most reactive, have taken and will be taking the form of territorially-based counter-cultures, occupying a given space to cut themselves from the outside world, hopeless of being able to transform the society they refuse. Because such movements are likely to occur in major cities, that concentrate a young, educated population, as well as marginal cultures that accommodate themselves in the cracks of the institutions, we will be witnessing a constant struggle over the occupation of meaningful space in the main European cities, with business corporations trying to appropriate the beauty and the tradition for their noble quarters, and urban countercultures making a stand on the use value of the city, while local residents try to go on with their living, refusing to be bent by the alien wind of the new history.

Beyond the territorial battles between social movements and elite interests, *the new marginality*, unrelated to such social movements, is spreading over the urban space. Drug addicts, drug dealers, and drug victims populate the back alleys of European cities, creating the unpredictable, waking up our own psychic terrors, and tarnishing the shine of civilized prosperity at the daily coming of darkness. The 'black holes' of our society, those social conditions from where there is no return, take also their territory, making cities tremble at the fear of their unavowed misery.

The occupation of urban space by the new poverty and the new

marginally takes two forms: the tolerated ghettos, where marginalized people are permitted to stay, out of sight of the mainstream society; the open presence in the core area of cities by 'street people', a risky strategy, but at the same time a survival technique since only there they exist, and thus only there can they relate to society, either looking for a chance or provoking a final blow.

Because the informational society concentrates wealth and power, while polarizing social groups according to their skills, unless deliberate policies correct the structural tendencies, we are also witnessing the emergence of social dualism, that could ultimately lead to the formation of a dual city, a fundamental concept that I will characterize below, when considering the spatial consequences of the structural trends and social processes that I have proposed as constituting the framework that underlies the new historical dynamics of European cities.

The Spatial Transformation of Major European Cities

From the trends we have described stem a number of spatial phenomena that characterize the current structure of major metropolitan centres in Western Europe. These centres are formed by the uneasy articulation of various socio-spatial forms and processes that I find useful to specify in their singularity, although it is obvious that they cannot be understood without relating to each other.

First of all, the *national-international business centre* is the economic engine of the city in the informational-global economy. Without it, there is no wealth to be appropriated in a given urban space, and the crisis overwhelms any other project in the city, as survival becomes the obvious priority. The business centre is made up of an infrastructure of telecommunications, communications, urban services, and office space, based upon technology and educational institutions. It thrives through information processing and control functions. It is sometimes complemented by tourism and travel facilities. It is the node of the space of flows that characterizes the dominant space of informational societies. That is, the abstract space constituted in the networks of exchange of capital flows,

information flows, and decisions that link directional centres among themselves throughout the planet. Because the space of flows needs nodal points to organize its exchange, business centres and their ancillary functions constitute the localities of the space of flows. Such localities do not exist by themselves but by their connection to other similar localities organized in a network that forms the actual unit of management, innovation, and power.

Secondly, the informational society is not disincarnated. New elites make it work, although they do not necessarily base their power and wealth in majority ownership of the corporations. The new managerial-technocratic-political elite does however create exclusive spaces, as segregated and removed from the city at large as the bourgeois quarters of the industrial society. In European cities, unlike in America, *the truly exclusive residential areas tend to appropriate urban culture and history, by locating in rehabilitated areas of the central city, emphasizing the basic fact that when domination is clearly established and enforced, the elite does not need to go into a suburban exile, as the weak and fearful American elite needed to do to escape from the control of the urban populace (with the significant exceptions of New York, San Francisco, and Boston).*

Indeed, *the suburban world of European cities is a socially diversified space, that is segmented in different peripheries around the central city.* There are the traditional working class suburbs (either blue collar or white collar) of the well kept subsidized housing estates in home ownership. There are the new towns, inhabited by a young cohort of lower middle class, whose age made difficult for them to penetrate the expensive housing market of the central city. And there are also the peripheral ghettos of the older public housing estates where new immigrant populations and poor working families experience their exclusion from the city.

Suburbs are also the locus of industrial production in European cities, both for traditional manufacturing and for the new high technology industries that locate in new peripheries of the major metropolitan areas, close enough to the communication centres but removed from older industrial districts.

Central cities are still shaped by their history. Thus, *traditional working class neighbourhoods*, increasingly populated by service workers rather than by industrial workers, constitute a distinctive space, a space that, because it is the most vulnerable, becomes the battleground between the redevelopment efforts of business and the upper middle class, and the invasion attempts of the counter-cultures trying to reappraise the use value of the city. Thus, they often become defensive spaces for workers who have only their home to fight for, becoming at the same time meaningful popular neighbourhoods and likely bastions of xenophobia and localism.

The new professional middle class is torn between the attraction to the peaceful comfort of the boring suburbs and the excitement of a hectic, and often too expensive, urban life. The structure of the household generally determines the spatial choice. The more women play a role in the household, and the more the proximity to jobs and urban services in the city makes central urban space attractive to the new middle class, triggering the process of *gentrification of the central city*. On the contrary, the more patriarchal is the middle class family, and the more is likely to observe *the withdrawal to the suburb*, to raise children, all economic conditions being equal.

The central city is also the locus for the ghettoes of the new immigrants, linked to the underground economy, and to the networks of support and help needed to survive in a hostile society. Concentration of immigrants in some dilapidated urban areas in European cities is not the equivalent however to the experience of the American ghettos, because the overwhelming majority of European ethnic minorities are workers, earning their living, and raising their families, thus counting on a very strong support structure that makes their ghettos strong, family-oriented communities, unlikely to be taken over by street crime.

It is in the core administrative and entertainment district of European cities where urban marginality makes itself present. Its pervasive occupation of the busiest streets, and public transportation nodal points, is a survival strategy destined to be present, so that they can receive public attention or private business, be it welfare

assistance, a drug transaction, a prostitution deal, or the customary police care.

Major European metropolitan centres present some variation around the structure of urban space we have outlined, depending upon their differential role in the European economy. The lower their position in the new informational network, the greater the difficulty of their transition from the industrial stage, and the more traditional will be their urban structure, with old established neighbourhoods and commercial quarters playing the determinant role in the dynamics of the city. On the contrary, the higher their position into the competitive structure of the new European economy, the greater their role of their advanced services in the business district, and the more intense will be the restructuring of the urban space. At the same time, in those cities where the new European society reallocates functions and people throughout the space, immigration, marginality, and counter-cultures will be the most present, fighting over the control of the territory, as identities become increasingly defined by the appropriation of space.

The critical factor in the new urban processes is, however, the fact that urban space is increasingly differentiated in social terms, while being functionally inter-related beyond physical contiguity. It follows the separation between symbolic meaning, location of functions, and the social appropriation of space in the metropolitan area. The transformation of European cities is inseparable of a deeper, structural transformation that affects urban forms and processes in advanced societies: the coming of the Informational City.

The Informational City

The spatial evolution of European cities is a historically specific expression of a broader structural transformation of urban forms and processes that expresses the major social trends that I have presented as characterizing our historical epoch: the rise of the Informational City. By such concept I do *not* refer to the urban form resulting from the direct impact of information technologies on space. The Informational City is the urban expression of the

- whole matrix of determinations of the Informational Society, as the Industrial City was the spatial expression of the Industrial Society. The processes constituting the form and dynamics of this new urban structure, the Informational City, will be better understood by referring to the actual social and economic trends that are restructuring the territory. Thus, the new international and inter-regional division of labour ushered in by the informational society leads, at the world level, to three simultaneous processes:
- The reinforcement of the metropolitan hierarchy exercised throughout the world by the main existing nodal centres, that use their informational potential and the new communication technologies to extend and deepen their global reach.
 - The decline of the old dominant industrial regions that were not able to make successfully their transition to the informational economy. This does not imply however that all traditional manufacturing cities are forced to decline: the examples of Dortmund or Barcelona show the possibility to rebound from the industrial past into an advanced producer services economy and high technology manufacturing.
 - The emergence of new regions (such as the French Midi or Andalusia) or of new countries (e.g. the Asian Pacific) as dynamic economic centres, attracting capital, people, and commodities, thus recreating a new economic geography.

In the new economy, the productivity and competitiveness of regions and cities is determined by their ability to combine informational capacity, quality of life, and connectivity to the network of major metropolitan centres at the national and international level.

Thus, the new spatial logic, characteristic of the Informational City, is determined by the preeminence of the space of flows over the space of places. By space of flows I refer to the system of exchanges of information, capital, and power that structures the basic processes of societies, economies, and states between different localities, regardless of localization. I call it 'space' because it does have a spatial materiality: the directional centres located in a few selective areas of a few, selected localities; the telecommuni-

cation system, dependent upon telecommunication facilities and services that are unevenly distributed in the space, thus marking a telecommunicated space; the advanced transportation system, that makes such nodal points dependent from major airports and airlines services; from freeway systems, from high speed trains; the security systems necessary to the protection of such directional spaces, surrounded by a potentially hostile world; and the symbolic marking of such spaces by the new monumentality of abstraction, making the locales of the space of flows meaningfully meaningless, both in their internal arrangement and in their architectural form. The space of flows, superseding the space of places, epitomizes the increasing differentiation between power and experience, the separation between meaning and function.

The Informational City is at the same time, the Global City, as it articulates the directional functions of the global economy in a network of decision making and information processing centres. Such globalization of urban forms and processes goes beyond the functional and the political, to influence consumption patterns, life styles, and formal symbolism.

Finally, the Informational City is also the Dual City. This is because the informational economy has a structural tendency to generate a polarized occupational structure, according to the informational capabilities of different social groups. Informational productivity at the top may incite structural unemployment at the bottom or downgrading of the social conditions of manual labour, particularly if the control of labour unions is weakened in the process and if the institutions of the welfare state are undermined by the concerted assault of conservative politics and libertarian ideology.

The filling in of downgraded jobs by immigrant workers tends to reinforce the dualization of the urban social structure. In a parallel movement, the age differential between an increasingly older native population in European cities and a younger population of newcomers and immigrants, builds two extreme segments of citizens polarized along lines of education, ethnicity, and age simultaneously. It follows the potential surge of social tensions.

The necessary mixing of functions in the same metropolitan area leads to the attempt to preserve social segregation and functional differentiation through planning of the spatial layout of activities and residences, sometimes by public agencies, sometimes by the influence of real estate prices. It follows the formation of cities made up of spatially coexisting, socially exclusive groups and functions, that live in an increasingly uneasy tension vis à vis each other. Defensive spaces emerge as a result of the tension.

This leads to the fundamental urban dualism of our time. The one opposing the cosmopolitanism of the elite, living on a daily connection to the whole world (functionally, socially, culturally), to the tribalism of local communities, retrenched in their spaces that they try to control as their last stand against the macro-forces that shape their lives out of their reach. The fundamental dividing line in our cities is the inclusion of the cosmopolitans in the making of the new history while excluding the locals from the control of the global city to which ultimately their neighbourhoods belong.

Thus, the Informational City, the Global City, and the Dual City are closely inter-related, forming the background of urban processes in Europe's major metropolitan centres. The fundamental issue at stake is the increasing lack of communication between the directional functions of the economy, and the informational elite that performs such functions, on the one hand, and the locally-oriented population that experiences an ever deeper identity crisis, on the other hand. The separation between function and meaning, translated into the tension between the space of flows and the space of places, could become a major destabilizing force in European cities, potentially ushering in a new type of urban crisis.

Managing the Transition to the Informational City: the Global and the Local. Back to the Future?

The most important challenge to be met in European cities, as well as in major cities throughout the world, is the articulation of the globally-oriented economic functions of the city with the locally-rooted society and culture. The separation between these two

levels of our new reality leads to structural urban schizophrenia that threatens our social equilibrium and our quality of life. Furthermore, the process of European integration forces a dramatic restructuring of political institutions, as national states see their functions gradually voided of relevance, pulled from the top toward supranational institutions and from the bottom toward increasing regional and local autonomy. Paradoxically, in an increasingly global economy, and with the rise of the supranational state, local governments appear to be at the forefront of the process of management of the new urban contradictions and conflicts. National states are increasingly powerless to control the global economy, and at the same time they are not flexible enough to deal specifically with the problems generated in a given local society. Local governments seem to be equally powerless vis à vis the global trends but much more adaptable to the changing social, economic, and functional environment of cities.

The effectiveness of the political institutions of the new Europe will depend more on their capacity of negotiation and adaptation, than on the amount of power that they command, since such power will be fragmented and shared across a variety of decision making processes and organizations. Thus, instead of trying to master the whole complexity of the new European society, governments will have to deal with specific sets of problems and goals in specific local circumstances. This is why local governments, in spite of their limited power, could be in fact the most adequate instances of management of these cities, working in the world economy and living in the local cultures. The strengthening of local governments is thus a pre-condition to the management of European cities. But local governments could only exercise such management potential if they engage in at least three fundamental policies:

- The fostering of citizen participation, on the basis of strong local communities, that feed the local government with information, present their demands, and lay the ground for the legitimacy of local governments, so that they can become respected partners of the global forces operating in their territory.

- The inter-connection and cooperation between local governments throughout Europe, making it difficult for the global economic forces to play one government against the other, thus forcing the cooperation of the global economy and the local societies in a fruitful new social contract. New information technologies should make possible a qualitative upgrading of the cooperation between local governments. A European Municipal Data Bank, and a network of instant communication between local leaders could allow the formation of a true association of interests of the democratic representatives of the local populations. An electronically connected federation of quasi-free communes could pave the way for restoring social and political control over global powers in the informational age.

- Managing the new urban contradictions at the local level by acting on the social trends that underlie such contradictions requires a vision of the new city and of the new society we have entered in, including the establishment of cooperative mechanisms with national governments and European institutions, beyond the natural, and healthy, partisan competition. The local governments of the new Europe will have to do their home work in understanding their cities, if they are to assume the historical role that the surprising evolution of society could call upon them.

Thus, the historical specificity of European cities may be a fundamental asset in creating the conditions for managing the contradictions between the global and the local in the new context of the Informational society. Because European cities have strong civil societies, rooted in and old history, and in a rich, diversified culture, they could stimulate citizen participation as a fundamental antidote against tribalism and alienation. And because the tradition of European cities as city states leading the pace to the Modern Age in much of Europe is engraved in the collective memory of their people, the revival of the city state could be the necessary complement to the expansion of a global economy and to the creation of a European State. The old urban tradition of

Amsterdam as a political centre, as a trade centre, and as a centre of culture and innovation, suddenly becomes more strategically important for the next stage of urban civilization that the meaningless suburban sprawl of high technology complexes that characterize the informational space in other areas of the world.

European cities, because they are cities and not just locales, could manage the articulation between the space of flows and the space of places, between function and experience, between power and culture, thus recreating the city of the future by building on the foundations of their past.

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Note: this bibliography does not provide specific references to the arguments presented in this text. The characteristics of these lectures did not seem to be appropriate for the standard procedure of references, since the analysis was deliberately placed at a general, theoretical level, based on the author's own elaboration of ideas and hypotheses. However, since no theory develops in a vacuum, the selected titles cited below refer the interested reader to further elaboration of the themes evoked in these lectures, either in the works of the author or in other recent, related writings, whose mention does not indicate anything other than the author's own intellectual interest.

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