

A TWIN CRISIS OF CAPITAL IN AN URBAN AGE

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The world faces a twin threat from simultaneous economic and environmental crises. Human society, now heavily urbanised, will mostly encounter these threats in cities and large human settlements. The crisis of financial capital is a crisis of financial *capitals*, the urban hubs of neoliberal global order. In an era of globalised interdependency, the pain of the wealthy metropolitan centres will likely be the agonies of the world's poorer peripheries. David Harvey (2009) writes:

My guess is that half of the financial crises over the last 30 years are urban property based. The origins of this crisis in the United States came from something called the sub prime mortgage crises. I call this not a sub prime mortgage crisis but an urban crisis.

Australia and its cities remain on the margins of the crisis. We don't *yet* feel the searing pain that is so apparent in global pivots, like New York, or aspiring tigers like Dublin, where unemployment soars as public finances plummet. And yet our cities are already on the edge of social and environmental defaults that widened during the era of neoliberal rule (McManus, 2004). Australian author and social commentator, John Birmingham (2009) depicts 'The Coming Storm' whose advance clouds are already engulfing those in vulnerable employment sectors, like mining, business services and manufacturing, where retrenchment and reduced hours are the norm.

The tempests of global warming and resource (especially oil) volatility threaten the fundamental circulation and health of an urban process that produced ever higher velocities. This process pushed continuously

against the constraints of time. Time is the agent of delay, decay and debility which reminds us that we exist in nature not outside it. In doing so, as Harvey (1982) reminds us, the urban process in capitalism seeks ways of overcoming barriers to the realisation of value and profit. The city is a means for overcoming ‘the limits to capital’ presented by the time-space dimensions of nature. As capitalism has evolved – and suffered and survived crises – it has sought new pathways to the realisation of value in city processes. A key instance of this in the twentieth-century was the motorisation of urban mobility to reduce spatial frictions of the labour process.

Crisis Tendencies in the Neoliberal City

In general, in the neoliberal city we observed an urban process that sought to overcome nature and natural barriers through the *annihilation of time by space* – in this case, the space of the city. This is to reverse the formulation of Marx who a century and a half ago observed that capitalism was a volatile expansive force that deployed technological advance (railways, machines, *etc.*) to overcome all barriers, including topography and distance. In Marx’s era, through the expansion and improvement of steam shipping, railways, and telegraphic communication, technology was used to accelerate commercial time and overcome spatial barriers – overcoming the tyranny of economic distance.

This process has continued since and with increasing force. Consider economic globalisation and the air travel and telecommunications that have driven it forward. The internet, like nothing before it, is ‘instant time’ that annihilates spatial frictions and links communities and people in a great web of simultaneity. Of course, geography still matters – as geographers like to say – because even the internet cannot overcome political geography. Consider the filtering that many countries like China (and perhaps soon Australia) apply to the web.

Nested within this global crunching of space by time, we see, at the urban level during neoliberalism, the reverse – the use of urban space to speed governance, the economy and everyday life. Cities are spaces of

control, governed by governments and powerful corporations, who often act together to exert authority over change (Harvey, 2008). In the Australian system this view implicates State Governments, corporations and powerful development industry lobbies as the titans in an ‘urban game’. They can form cross-sectoral ensembles to wield power and protect mutual interests. Key examples are the road building coalitions who, with the States, have used devices like Public Private Partnerships to force through unplanned and unpopular changes to our cities: the tollways and tunnels that have torn up urban fabric and cost enormous sums of money.

Sydney’s tunnel debacles in the last few years only partly managed to expose what may be termed a ‘tollway industrial complex’ that has exerted enormous undemocratic power over our cities during the phase of neoliberalism. Brisbane is presently embroiled in a tunnel and tollway construction scheme of epic proportions. This ‘TransApex’ scheme will ultimately prove a very costly and unpopular act of folly. And yet, decades after broad acceptance of the danger and damage of car dependency, the production of roadspace in Australian cities continues unstopped, and seemingly unstoppable (Mees, 2000). It remains a deeply embedded, if increasingly faulted, strategy for overcoming mobility barriers to the realisation of value.

Arguably, metropolitan space, and the urban process generally, has been governed in the interests of those wishing to ‘speed things up’. Such interests wish to keep decision making – about infrastructure, about planning, about basic urban priorities – ahead of public comprehension, beyond the ordinary politics of democracy which neoliberal advocates tend to despise as a brake on the things that matter to them: growth and profit, narrowly conceived. In this way space – especially city space – is used to annihilate time, the time of democracy. As Harvey explains in his *A Brief History of Neoliberalism* (2008), neoliberals see democracy as a hoarding behind which lurk deliberation and dissent. These are regarded as infuriating societal tendencies that delay the supremely significant work of production and gratification.

Economic velocity was axiomatic to neoliberalism – it was as if we needed ‘chronic activity’ to keep us busy, the system furiously humming to forestall any awareness and discussion of the mounting balance sheet

of social and environmental debt. This was achieved in an urban process – an *urban space* – that was sanguine of time. Cities were fortresses of speed, of youth, of debt deferred. By contrast, in many rural and regional areas time could not be vanquished as depopulation, decay and decline set in.

Recall the slogans and language of the neoliberal urban process: boundless mobility, frictionless exchange, easy credit, ‘can do’ governance, policy ‘going forward’, big build infrastructure. Its most memorable emblem was the Kennett Government’s (1992-99) slogan ‘*Victoria on the Move*’, emblazoned on everything for a time, including number plates and exits to Melbourne’s Tullamarine Airport. The State-wide claim proved misleading. It was ultimately shown to mean *Melbourne on the Move* as increasingly disaffected country folk watched rural services slow and decline. Meanwhile, back in the city it was ‘all go’: tollways and ring roads were rammed through the urban fabric, the sudden raising of a new city consumption palace, the Crown Casino, and the imposition of corporate events like the Formula 1 Grand Prix on inner urban communities. *On the Move*: this was not time for consultation and contemplation of alternatives. The ‘urban’, in short, was a space where time was refused. Williamson (2002) essayed and summarised the many deleterious consequences for urban democracy of the Kennett reform era:

The Kennett government’s economic liberal reform ensured that broad political participation in democratic government, social equity and community participation was subservient to the domination of public choice theory, competition and economic progress (2002:18).

This was an order that spoke much of time but did not *value* it. And yet ultimately time caught up with this space. The Global Financial Crisis is a temporal crisis, of flighty, fictitious wealth at last brought to ground by the claims of the ‘real economy’. The neoliberal order was also deeply Promethean, believing itself free of ecological limits. Resources, the stock of Nature, could be cheerfully priced and somehow thereby conserved sufficiently. This faulted assumption has been exposed by a series of resources crises (notably ‘peak oil’) and natural disasters which can at least partly be laid at the feet of freewheeling growth (see the

article by Dodson and Sipe later in this volume). The horizon of environmental threat has at last been reached: climate change stalks our cities and regions, perhaps as witnessed in the continuing great drought of south-eastern Australia and in the tragic Black Saturday fires that reached the edges of Melbourne in February 2009. The infinite resource time of neoliberal urbanism now looks unexpectedly morbid. A stop clock has been set above the oil pump. Metropolitan planning asserts boundaries and land rationing (*or tries to*). Water is more strictly allocated. By one means or another, energy is asserting its ‘real price’.

A Crisis of Overconsumption?

The election of the Rudd federal government in 2007 marked political recognition of the increasingly apparent contradictions of the neoliberal model. In 2009, the new Prime Minister published an essay in a national journal declaring the end of neoliberalism (Rudd, 2009). The new wisdom is that financial meltdown and the economic recession which emerged from its wings are crises of indebtedness: of over-consumption and under-saving. The environmental crises are even more straightforwardly the spawn of excess consumption. And yet, these assessments are missing something fundamental. Arguably, both forms of failure are *crises of production, not consumption*. This is not a minor point of language or economic emphasis. Claims of overconsumption may miss the origins of economic and environmental malaise and overlook the *underconsumption* of necessities, especially social values, under neoliberalism. Moreover, of deeper consequence than the immediate problem of consumption are two crises of production that intersect in the contemporary global failure: of social *reproduction* under neoliberalism and of *overproduction* under longer run ‘carbon capitalism’.

Neoliberal consumption was surely problematical for economic resilience but of less consequence for environmental crises, notably global warming, driven by two centuries of ‘carbon capitalism’. The latter betokens a political economy whose forces of production were assumed to be freed from nature via access to an infinitely abundant carbon legacy (Altavter, 1993). If the claim of ‘infinity’ was resisted in

some dismal quarters, there was always the promise of *technical improvement* which would ultimately render a finite source boundless. The result was always the same: nature assumed away to the margins of economic consciousness; and time refused.

There exists a looming default in the processes that reproduce the social conditions for production, and of the economy in general. As Harvey (2009) points out, 'since the 1970s the policies of neoliberalism have been about wage repression'. This has helped to effect the process of 'accumulation by dispossession' which Harvey (2005) earlier described as central to the neoliberal project. Since 1975 in Australia, labour's wage share of national income has decreased by over 12 per cent, whilst the share to profits has increased by nearly 50 per cent (Pusey 2003: 201, calculated from Table C.4).

This shift, reinforced by reforms that directly or indirectly effect wealth transfers (*e.g.*, privatisation of public assets, deregulation of labour), has been reflected in a new urban geography of polarisation (residential segregation) and disadvantage (homelessness) in the neoliberal Australian city. Fresh ruptures in the social fabric of reproduction have manifested as poverty sinkholes, 'crime hotspots', and rising social and health morbidities in poorer communities. Around 100,000 Australians are homeless, while over 700,000 have been consigned to the netherworld of the Disability Support Pension (Australian Government, 2008).

The current GFC is revealing a more generalised legacy of social vulnerability under neoliberalism. Mortgage failure is spreading amongst the suburban middle class, especially the lower 'aspirational' echelons who were encouraged into high levels of household debt. In September 2009 it was reported that nearly one-third of Australia – 33 per cent of postcodes – had fallen into a 'high-risk' category of financial distress, meaning they faced the highest risk of defaulting on debts (Ferguson, 2009). In the United States, one in five homeowners now has negative equity in their property (Rundle 2008).

A failure of planning will, and of public fiscal provision, has left middle and outer suburban regions without public transport in the face of soaring petrol and energy costs (Dodson & Sipe, 2008). The progressive

dislocation of urban and housing submarkets that was endemic to neoliberal urbanism, and based on the supposition of boundless mobility, has greatly intensified the consequences of this planning failure.

Ostensibly, the neoliberal project was to rescue the individual from long slumber in the twilight of the Welfare State. And yet, it did everything but that. An age of radical 'individualisation' (Bauman, 2000) denied human dependency only to reproduce it massively at the social scale. This scale is glimpsed in the vexed remarks of one neoliberal advocate, Des Moore (Director of the 'Institute of Private Enterprise'):

It is absurd to have 2.7 million, or 20 per cent of the working-age population, receiving income support compared with only 15 per cent at the end of the 1980s, and 4 per cent in 1969. Social assistance benefits now contribute 14.3 per cent of gross household disposable income. This compares with just 8 per cent under Whitlam (cited in Gleeson, 2006: 41).

In pursuit of structural economic reform, neoliberalism engendered a rate of social dependency that made the state more, not less, crucial to everyday life.

In Australia, before the great slide of 2008, the average 'sovereign consumer' could afford much of the staple coming from countries where wages were low and environmental costs ignored. But many critical mainstays of health and well-being were unaffordable. In the era of 'Made in China' affluence, a DVD player was inexpensive but basic dental care was beyond reach for many. The evidence was declining indicators of fundamental well being, such as oral health, in the general populace, but especially in the lower orders. To illustrate the point, it was recently reported:

More than 650,000 people are on public dental waiting lists across the nation...with the dental health of children worsening and rates of tooth decay and gum disease well above many other developed countries (Clayfield, 2009).

In the wake of the global crisis, much has been made of the overproduction and overconsumption of 'fictive economic value', including ephemeral housing wealth. Much of the consumer good

streams that were brought within reach of the middle and lower classes during the era of aspiration carried fictive *human* value, unrelated to basic human needs. The expanding flow of household consumer goods did little to aid the cause of social reproduction.

Fictive value was also manifest in the collective consumption areas recast by neoliberal reform. In particular, human services, including health, disability, childhood and aged care, were remade into forms that actually entrenched social vulnerability (see the recent assessments in King & Meagher, 2009). In the mental health and disability fields, state dependants were reconstituted as consumers. And yet, as the failures of 'reformed' (marketised) human services were revealed internationally, this was shown to be *subjectivity without agency*. The homeless army of mentally ill souls is testament alone to that proposition. In early childhood and aged support, publicly subsidised corporates produced miserable, and ultimately crisis prone, modes of care. The limits of subjectivity under neoliberalism were never more apparent than in care fields where the subject was a 'unit of profit'. Despite driving costs and conditions downwards, the corporates could not extract sufficient value from care, even with generous state subsidy.

The 2008 collapse of the Australian multinational childcare provider, ABC Learning, epitomized the widely failing cause of social reproduction under neoliberalism. The developmental needs of children, the next embodiment of society, were discounted by the lust for economic gratification. *Future social time* was thus discounted. The evidence presented by leading child health expert, Fiona Stanley, shows that Australian children were fatter, sicker and sadder than their forbears. The magnitude of the threat to reproduction was captured in the warning by child experts, including Stanley, that the 'present generation of children may be the first in the history of the world to have lower life expectancy than their parents' (Stanley *et al.*, 2005:52).

The simultaneous escalation of national wealth and childhood morbidity has been registered in many developed countries. The Canadians Keating & Hertzman have described this as 'Modernity's Paradox'. In the US, the psychologist Myers believes that compared to the 1950s, contemporary Americans:

...are twice as rich and no happier. Meanwhile the divorce rate doubled. Teen suicide tripled...Depression rates have soared, especially among teens and young adults. I call this conjunction of material prosperity and social recession *the American paradox*.

To summarise, the crisis of social reproduction under neoliberalism reflected a gross *underconsumption* of social values. By condemning consumption generally, the new 'progressive' politics emerging in the wake of neoliberalism neglects two things:

- the looming crisis of reproduction that is the principal social legacy of neoliberalism; and
- the immiseration and underconsumption endured prior to the neoliberal default by many social groups, notably, the homeless, the mentally ill, the unemployed and the swelling ranks of casualised labour.

The Question of Overproduction

Finally, the threat of climate warming, already manifest, is a root consequence of overproduction, not overconsumption. In capitalism the market is a dynamic, self valorising force. Market relations are characterised by relentless, convulsive expansion, not equilibrium or 'steady state' optimality. The unplanned nature of capitalist competition means that, periodically, 'individual capitals, industries, sectors, experience difficulty in selling their entire output' (Bottomore *et al.*, 1991: 405). It is 'only by accident, or by theoretical idealization, that a situation of equilibrium can prevail in all branches, with output matching demand...' (*ibid.*) Market relations thus relentlessly drive aggregate output beyond social need and thus ever towards the precipice of overproduction. Harvey (2008: 24) writes:

Capitalists have to produce a surplus product in order to produce surplus value; this in turn must be reinvested in order to generate more surplus value. The result of continued reinvestment is the expansion of surplus production at a compound rate...paralleled by the growth path of urbanization under capitalism...The

perpetual need to find profitable terrains for capital-surplus production and absorption...presents the capitalist with a number of barriers to continuous and trouble-free expansion.

This inexorably drives a twin territorial expansion: for the *extraction* of resources (human and natural) and for the *absorption* of waste – or in a word, *globalisation*. In the converging fields of contemporary climate science and climate debate, the question of ‘absorption’ comes starkly into focus. The constant expansion in productive capacity ‘puts increasing pressure on the natural environment to yield up necessary raw materials and absorb the inevitable waste’ (Harvey, 2008: 24). Economic globalisation, given new impetus by neoliberalism, produced new terrains for resource extraction but it did not expand the atmosphere. Therein lays the source of the problem of climate change, which has arisen from historical overburdening of the atmospheric terrain.

The dream of green reform – of industrial ecology, of ecological modernisation – is that economic growth can be decoupled from this twin territorial expansion. This strongly cherished but weakly embraced ideal may never be meaningfully falsified. The global ecological crisis – of declining resource reserves and of failing waste absorption – betrays a systemic disinterest in reform, whatever its theoretical possibilities. The *limits to growth* was circumvented by the growth path of globalising capitalism. Wright (2004) observes:

Ecological markers suggest that in the early 1960s, humans were using about 70 per cent of nature’s yearly output; by the early 1980s, we’d reached 100 per cent; and in 1999, we were at 125 per cent. Such numbers may be imprecise, but their trend is clear – they mark the road to bankruptcy.

Australia encounters the twin global economic and ecological crises after seventeen years of continuous growth. This unprecedented expansion – the ‘The Longest Decade’ (Megalogenis, 2008) – has not, however, bequeathed a legacy of affluent resilience. In many social departments there are no excess stocks to run down. Social malnourishment is nowhere more apparent than in the interstitial spaces of the nations’ cities where the unhomed lurk in quiet desperation.

Decades of green censure have done little or nothing to reset the path of consumption, which remains set on ceaseless expansion. We may recall Erich Fromm's (1942) warning that the destructive contradictions of individuation would drive the flight to mass consumption but that this would provide no solace for the drudgery of everyday life. Cultural critic Terry Eagleton provides another critical view of work and consumption in contemporary market societies:

One of the most powerful indictments of capitalism is that it compels us to invest most of our creative energies in matters which are purely utilitarian. The means of life become the end. Life consists in laying the material infrastructure for living. It is astonishing that in the twenty-first century, this material organization of life should bulk as large as it did in the Stone Age (2007:155).

Neoliberalism has generated, however, a new crisis in the provision of this 'material infrastructure for living', which is now denied to many. It also hastened at the same time an overproduction of 'material organisation' that now threatens the world with natural default, especially in the form of global warming. This twin crisis opens an urban age. Its consequences may extend far beyond the contemporary Global Financial Crisis. The new social and ecological crises facing the world's cities may be our greatest species challenge yet.

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