The London School of Economics and Political Science

Leveraging the City: Urban Governance in Financial Capitalism

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A thesis submitted to the Department of Law of the London School of Economics and Political Science for the degree of Doctor of Philosophy

London, September 2020

Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

I declare that my thesis consists of 98,810 words.

Abstract

The project examines the proliferation of high-rise luxury towers and real estate investment to understand the transformations of urban governance under financial capitalism. For both the city and finance, urban space is of central importance. For the city, it is the place of interactions, public life and culture, markets, corporate activities, and residential life. For finance, it is the site that makes for valuable real estate invested directly through specific projects and indirectly through financial instruments. Both luxury towers and real estate investment are crucial sites of financialization of urban space which reveal the accompanying transnational transformations of urban governance.

The project makes three broad, interrelated claims. First, cities play a significant yet under-appreciated role in financial capitalism because of their power to regulate urban real estate. Second, the increasing integration of urban real estate into the global economy through financial instruments changes who is governing urban space and how it is being governed. Third, through the pursuit of urban space by the various actors acting in the interests of finance, the idea of the public itself is being re-imagined.

In making those claims, it first provides a conceptual account of financialization and urban governance in relation to real estate and urban space. It then tells a story of the loosening of global capital controls and the institution of property regimes to protect foreign investors, how much of that investment has "landed" in cities and in real estate in particular, and how urban spaces around the world are being turned into instruments of financial speculation at the same time that individual and cultural subjectivities are shifting towards that of finance. It substantiates the connection between financial capitalism and real estate by exploring various mechanisms through which capital was channeled into international forms of investment and securitized financial instruments which relied on real estate for their underlying symbolic or actual assets. It examines the transformation of urban governance through two case studies: Newham, United Kingdom, and Gurgaon, India, each illustrating different instantiations of the encounter between financial capitalism and local government.

Acknowledgements

The last six months of writing have been in the midst of the Covid-19 pandemic. As I close this project, Covid-19 continues to impose its uneven toll on both Global North and South. It is hard to say what will be considered important once the worst is past us, and once a new normality settles. One can only imagine that global pandemics and climate-related disasters, along with the inability of many states to manage them, will define that new status quo.

The pandemic has brought with it a deeper appreciation for human contact. The in-person, focused, conversations with colleagues based around the world that I was fortunate to have during this project now feel as if they are of another time. For that reason, I'm grateful to be able to memorialize them in some way here.

First, I am very grateful to the Law Department at the London School of Economics for the opportunity to pursue this project. Thank you so very much to the directors and professors of the program: Susan Marks, Gerry Simpson, Linda Mulcahy, and Meredith Rosner. For each of you, I consider myself very lucky to have learned from you and to call you a friend. Thank you as well to program administrator, Rachel Yarham, for her extraordinary attention to detail and regulatory guidance. The early process of delineating the project was quite a challenge - thank you very much to Tatiana Flessas and Siva Thambisetty for the engaged comments and to Stephen Humphreys for all of your supervisory support. To inhabit someone else's project, deepen its analysis, and strengthen its argument, all while remaining supportive through all the ebbs and flows of writing is an extraordinary generosity, and I am deeply grateful to Alain Pottage for his supervision.

Thank you to King's College London and the late David C. Caron for the wonderful support and for providing me another institutional home while I was in London.

For many thoughtful comments and for the camaraderie that being a student together brings, and that I hadn't expected to have again, thank you to Fatima Ahdash, Irene Claeys, Alex Damianos, and Bernard Keenan.

For meaningful discussions, comments, and support, thank you so very much to Emily Barritt, Vicki Been, Amy Cohen, Nestor Davidson, Kevin Davis, Yashraj Singh Deora, Luis Eslava, Alexandra Flynn, Navneet Grewal, Max Haiven, Dipika Jain, Sital Kalantry, Greta Krippner, Sarah Keenan, Antonia Layard, Nancy MacLean, Ralf Michaels, Sean McVeigh, Eduardo Peñalver, Shitong Qiao, Ananya Roy, Rose Parfitt, Gavin Sullivan, Joe Singer, Estair Van Wagner, Laura Underkuffler, Frank Upham, Ashwini Vasanthakumar, and Peer Zumbansen. Thank you in particular to my Progressive Property colleagues for providing valuable feedback and enthusiasm as the project progressed. For her insightful comments as well as her constant encouragement and support, special thank you to Eve Darian-Smith.

I had the opportunity to present various portions of the project at conferences and in front of faculties. I received invaluable feedback from the *Law at the Margins* Conference at Birkbeck, Law & Social Science Research Network (LASSnet) biannual conference, *Keywords* (Jindal Global Law School & Southwestern Law School), the Progressive Property Workshops, the Association for Law, Property, and Society Annual Meeting, Osgoode Hall Law Faculty, Duke Law Faculty, the Local Government Law Workshop (Fordham Law School), and the Cornell India Law Center.

Embarking on a PhD while already a professor with a home institution is no simple matter, and I will always be indebted to my Dean at Southwestern Law School, Susan Prager, for allowing me to be on leave and to my colleagues for filling in teaching gaps until I returned. Thank you also the Southwestern Law Library, Maggie Hall, David McFadden, Mauricio Ortiz, and Linda Whisman, for accommodating the many inter-library loans and due date extensions.

Thank you to the many people willing to have conversations with me about their work and to Ian Sinclair for letting me accompany him in his work. Thank you as well to the many, many friends and colleagues who sent me news and scholarly articles, particularly about the construction of new high-rises around the world.

I am grateful to the people who provided childcare for Sana (who happily arrived mid-way through the project!): Lee Wiggins Childcare Center at York University, Tanya Garcia & Angelica's Daycare in Los Angeles, and Smaranda, Lucy, and Trisha.

For constant support and encouragement, thank you to Simon Archer, Marilyn Lambert-Drache, Daniel Drache, Jay Gendron, Randy Gardner, and Vik Kanwar and Jaya Neupaney (for the many hours of childcare as well). Thank you, Hilary Wolkoff, for daily check-ins and well wishes.

My parents, Ved & Ila, taught me to read and along with Sanjay and Swati Gupta, Naani ji, Choti Naani, Chote Naana, Atul Mama, Pragya Mami, Soni Mama supported me in countless ways and provided a home when I was in New York or Delhi. Thank you.

Thank you to all of the kids, Malte, Bela, Ben, Aanya, Shaan, and Sana for your good energy and your company. Thank you especially to Ben for bringing all the good cheer, music, ice cream, and childcare during the last few months of writing.

Thank you finally to Peer Zumbansen. This could not have been done without you.

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“*Each of these tower-buildings houses all the facilities for the day's work; containing, in addition to the offices themselves, the necessary post office, bank, shops, restaurants, gymnasiums and so on. Each is, so to speak, a city in itself*.”

- Hugh Ferriss (1929)

In this book, I try to show that in the built environment we can find not only indicators of events that have already occurred, but also portends of what could or might still occur. In addition, I try to show how architecture in my country has played a vital role in creating, directing and heightening conflicts between warring factions, by facilitating poor choices and narrowing viable alternatives. I write about the shape of settlements and related economic systems, the moral code inspired by the architecture of a place, and the ways in which architectural choices can determinate questions of identity and home.”

- Marwa Al-Sabouni (2016)

***“Important:** Leverage amplifies possible returns, just like a lever can be used to amplify one's strength when moving a heavy weight.”*

– Investopedia.com (2020)

CHAPTER 1: High-rises, Real Estate Financial Instruments, and Urban Governance: "Machines that Make the Land Pay"

"*In your dreams, there is no pollution. Every road is an open highway. And you're the hero who saves the world from global warming. But then you wake up and the world still looks the same from your window.*

Not anymore."[1]

"*In all these ways and more, Urbana will pave the way for a new way of life. Where savings replace expenses, nature beats pollution, and growing up is more fun. Where you'll feel at home in the company of like-minded neighbours. And where the world outside your window looks a lot like it does in your dreams.*

Here's to change"[2]

"*When you're ready to retreat into your own private space, you'll find yourself truly at peace in your impressive master bedroom. Just like all other areas at The Crest, the bedrooms are generously sized to offer comfort and serenity. Large, double-glazed windows provide sweeping vistas of the city and beyond, while keeping you cut off from outside noise. Walk-in closets, modular wardrobes and ample storage spaces provide a place for everything and keep your home free of clutter. Gaze over at the glittering city skyline or the greenery outside your window and blur the lines between dreams and reality*."[3]

"*Savour a cup of tea, sip a glass of wine and relax as you gaze at the plush landscape or the endless greenery from your large terrace and outdoor living area. Consider it your private world, far away from it all, far above it all*."[4]

"*Leave the world behind with a visit to the clubhouse. Share quality time with friends and loved ones at the pool table. Enjoy a moment of solitude and quiet at the specially designated reading*

[1] Urbana Brochure, 1.
[2] Urbana Brochure, back cover.
[3] The Crest Brochure, 26.
[4] The Crest Brochure, 30.

room and library. Or choose to celebrate and showcase your lifestyle to your friends and loved ones by hosting special occasions at the grand community hall."[5]

"*The definitive aspect of living in Central Park Tower is the extraordinary views.*

The building was designed from the inside out to maximize these incomparable panoramas."[6]

"*More than just the world's tallest building, Burj Khalifa is an unprecedented example of international cooperation, symbolic beacon of progress, and an emblem of the new, dynamic and prosperous Middle East.*

It is also tangible proof of Dubai's growing role in a changing world. In fewer than 30 years, this city has transformed itself from a regional centre to a global one. This success was not based on oil reserves, but on reserves of human talent, ingenuity and initiative. Burj Khalifa embodies that vision."[7]

"If we could get every billionaire around the world to move here, it would be a godsend." [8]

"*Embracing a rewarding lifestyle.*"[9]

High life in the High-rises

Calcutta. Dubai. Gurgaon. New York. Panama City. Bahrain. London.

Luxury high-rises have fast proliferated in cities around the world. They have their geographical specificities. The ones in India are made for families. The ones in New York are made for anonymity. The ones in Panama City hide vast sums of un-reported wealth in plain sight. The ones in Bahrain are not actually "high" but they mirror the sensibilities of the high-rises in other ways. The ones in London have made the skyline nearly unrecognizable. But, more than these variations,

[5] The Crest Brochure, 40.
[6] Central Park Tower website, https://centralparktower.com/residences#definitive-views.
[7] Burj Khalifa website, https://www.burjkhalifa.ae/en/the-tower/vision/.
[8] NYC Mayor Michael Bloomberg quoted in Story and Saul, *The New York Times* (8 Feb. 2015).
[9] The Crest Brochure, 38.

they are similar in architecture and image and wealth and most of all, in the speed with which they have been built. [10]

Luxury residential high-rises have an interesting dual heritage. One can trace their physical embodiment of futurity and capitalism and work to the spectacle of early skyscrapers of the first part of the 20th century perhaps associated most notably with American cities such as New York and Chicago.[11] But at that same time in many cities, high-rise *living* was for the lower socio-economic classes, in crowded tenements with six floors to walk up. The skyscrapers represented new forms of office work, technological innovations in the form of elevators and electricity, as well as architectural spectacle. In 1913, the Woolworth Building in New York became the world's tallest building at 792 feet, earning it the appellation "the Cathedral of Commerce."[12] Its architect Cass Gilbert, in describing the process of financing and constructing a tall office tower, noted that "the building is merely the machine that makes the land pay," an idea that appears to endure.[13]

The rapid proliferation of these structures a hundred years on is likewise a reflection of the times. They tell stories of global flows of capital, a recklessness of regulatory omission after a global financial crisis ignited by real estate financial instruments. They also tell stories of dreams of futuristic city life, technology meeting security, connectivity and isolation, property prices and sovereignty, displacement, resistance, wealth and powerlessness. In other words, one can read both utopia and dystopia in their architectural form.

The advertisements quoted at the opening of this chapter paint different visions of that utopia. And yet in each, real estate is the wellspring of utopia. Real estate allures, in its style, comfort, ease, lush modernity, and in the promises it makes of one's ability to "Live magnificently."[14] These promises are not just about ownership, or profit, or even making a home. Rather, the promises paint a vision of complete self-fulfilment in life itself.

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[10] Three of the tallest skyscrapers in the world, Burj Khalifa, (under construction) Jeddah Tower, and Central Park Tower even share the same architect, Adrian Smith + Gordon Gill Architecture.
[11] In 1933, the Oxford English dictionary even defines skyscraper as "high building of many stories, esp. one of those characteristic of American cities." Oxford (1933) Vol. IX, 161.
[12] As quoted in Sutton (2013).
[13] Gilbert (1900) 1091. He went on to clarify that the "machine is none the less a useful one because it has a measure of beauty, and that architectural beauty, judged even from the economic standpoint, has an income-bearing value."
[14] The Crest Brochure.

I begin this story with these high-rises and their advertisements not only because they were what first drew me to this project, but to recognize how the 21st century imagined lifestyles around these towers both reflect and shape societal desires. Advertisements around residential properties have, across time and geography, variously extolled the virtues of the home as a haven, a quiet place away from the city, a place for the nuclear family, a responsible investment, and a place to build community.[15] They have also envisioned the home as secure – both as an investment and as a place for families. Over time those two ideas of financial and personal security have come together in ways that conceive of the home as essential to personal fulfilment.

In these images and others, we see powerful reflections of societal dreams and desires (and, as some would argue, nightmares). In some ways, the ads above echo the themes in earlier ones in other places for residential properties – the idea of home, family, lifestyle, and getting away from the messiness of the city. In other ways, however, they also reflect the uncertainty of this time.

Gurgaon and Calcutta. The advertisements from India present their newly built environments as secure from all kinds of threats – that of pollution, that of other classes, and even that of gridlock, red-tape, and inefficiency. In a country and in a city known for extraordinarily unsafe pollution levels, they paint images of clean air and water, and safe spaces for women to socialize by pools, country clubs, and in other open (but not open to the public) spaces. Their floor plans are generally designed with the nuclear family in mind, a shift away from the extended familial configurations and live-in domestic service providers in which much of the older generations of wealthy Indians lived. The ads have to do with the things (certain classes of) people buy, the lifestyles they claim, the places they live, and the people they live with.

New York. On the other side of the world, in New York City, another kind of utopia is being built, both similar and different to those in India. In early 2015, a new luxury residential tower named One Riverside Park opened in the upper West Side of Manhattan, New York City.[16] In the race for increasingly luxurious amenities in New York, this one was a fierce competitor, with triple panelled windows overlooking the Hudson River, a bowling alley, and rock-climbing wall for residents. It also had an architectural distinction that caught the attention of city media and

[15] Gupta (2015); Harris (2013); The Crest Brochure; Urbana Brochure; Fishman (1987).
[16] One Riverside Park website.

residents: it had a separate entrance for residents of its few tax-mandated affordable housing units – a so-called 'poor door'[17].

Skylines. Since One Riverside Park was finished in 2015, the number of luxury high-rises has continued to grow in NYC.[18] They have been criticized for blocking the sunlight in Central Park and for receiving tax credits to the detriment of city budgets, they have inspired a resident-initiated re-drafting of building codes, and they even have their own mobile software applications (apps) and social media accounts.[19]

Global Actors. Extell, the developers who built One Riverside Park, have also built numerous other luxury buildings in New York, including One57, whose penthouses are over 10,000 square feet, one of which sold for over $90M. It is currently building Central Park Tower, NYC's current tallest project, in partnership with Shanghai Municipal Investment Group. The architect of Central Park Tower also built Dubai's Burj Khalifa – the current tallest building in the world. Blackstone, a global private equity firm, has been the world's largest real estate owner since 2015; in 2019 it launched the single largest real estate development fund of $20.5B.[20]

London. In London, one showroom of sample flats has a hallway of display cases, each with a luxury good inside: a high-heel shoe, a bottle of body lotion, a handbag. High-rise living took hold in London – *of* London – in ways that has affected daily life for so many – the newly minted real estate brokers fast-forming their own young professional class, the Tube commuters gazing into advertisements for developments-yet-to-be-built and financing and investments, even as their journeys lengthen and their fare increases, the homeless and near-homeless who have decreasing access to fewer council housing and who increasingly seek shelter against the walls around construction sites. It is almost unsurprising that many boroughs have established their own real estate development companies to get in on the profit to refill strained public coffers.

Advertisements. If in a hundred years an interested witness wanted a compendium of advertisements for high-rise utopias from one city, they might hope for a stack of Wednesday

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[17] Rooney, *CNN* (19 Feb. 2015).
[18] Plitt, *Curbed New York* (9 Mar. 2020).
[19] Westside Rag (11 Nov. 2018); Municipal Art Society of New York (2017). On social media, for example, One Riverside Park offers its own app (One Riverside Walk website), Central Park Tower has an Instagram account, with 65k followers as of August 2020 (https://www.instagram.com/centralparktower/?hl=en).
[20] *BisNow* (16 Nov. 2015); Oguh, *Reuters* (11 Sept. 2019).

editions of London's *The Evening Standard*. Each week, the *Homes & Property* supplement features advertisements, columns about real estate developments, financing, and feature stories that seems to serve both functions. The stories include profiles of new residential buildings and create the utopias in which the new high-rises are settled. New buildings along the south side of the Thames are deemed to be part of a "string of pearls" with smart features such as "“keyless" and remotely controlled heating and lighting as well as a touch-screen command to deliver their car from a stacker system underground.[21] Like the ads from NY, one rarely sees children in the advertisements, and there are no older people or people with darker skin. The ads in the Tube are for mortgages as well as real estate investments of other sorts. There also regular advertisements for "Indian property expos" where would-be Non-Resident Indians (NRIs) investors based in London can go to conference centres and learn about investment opportunities in India.

Films. Should the curious commuter venture further than the pictorial ads on the Tube and in the papers, they might find themselves on the websites of developers such as New York's Extell, or Gurgaon's DLF. There, they can immerse themselves in three-dimensional simulation videos of developments, with voice-over guides and music.[22]

Housing Crises

At the same time that these high-rises have been taking their places in cities around the world, housing crises and vast shortages of affordable housing units are being felt around the world. New York has the largest number of homeless people that it has ever had,[23] and London's number of 'rough sleepers' (people who sleep outside) doubled in five years before 2016 and continues to rise.[24]

[21] Spittles, *The Evening Standard* (14 Jan. 2015).
[22] See, for example, videos of Central Park Tower (https://centralparktower.com/#the-tower) and DLF Crest (https://www.youtube.com/watch?v=JcMP-2jKSgY).
[23] CBS New York (2016).
[24] Taylor, *The Guardian* (1 Jan. 2016); Hill, *The Guardian* (1 Dec. 2016).

Image 1.1: Waterloo Station image by author

The UN Special Rapporteur on adequate housing (2014-2020), Leilani Farha, issued a report on the "financialization of housing" in 2017 examining the "structural changes" in the financial economy which have reorganized housing and property prices around the world.[25] "Massive amounts of global capital have been invested in housing as a commodity, as security for financial instruments that are traded on global markets, and as a means of accumulating wealth," all of which has resulted in spatial segregation, increasing inequality, displacement, and exclusion.[26]

Perhaps unsurprisingly, there have been numerous acts of protest and resistance to housing crises and real estate development. In 2013 in Newham England, a group of single mothers established what is now one of the most active housing advocacy groups in London, Focus E15, providing support for council housing residents facing eviction all over the city.[27] In São Paolo, over 20,000 people marched in a protest organized by Brazil's Homeless Workers Movement (MTST) in 2017. In late 2019, two women occupied an empty home in Oakland, California, beginning a movement known as "Moms 4 Housing."[28]

[25] Special Rapporteur on Housing (2017).
[26] Special Rapporteur on Housing (2017).
[27] Focus E15 website.
[28] Holder and Mock, *Bloomberg CityLab* (28 Jan. 2020); Moms 4 Housing website.

Sky-high Investments in Real Estate

In 2018, there was more capital invested in the global real estate market than ever before: an astounding $1.8T.[29] Luxury high-rises as well as high-end commercial and retail buildings have become finance's new golden destination in the last decade. The increasing investment trend seemed to continue, despite – or perhaps, because of – it being not even 10 years after a financial crisis whose epicentre was real estate investment-backed vehicles. That the crisis seemed to spark even more real estate investment than before is perhaps best encapsulated by the CEO of BlackRock in 2015 who referred to "apartments in Manhattan, apartments in Vancouver, in London" as one of the two "greatest stores of wealth internationally today" (the other being art).[30] The National Association Real Estate Investment Trusts (NAREIT) calculates that of 2019, over 87 million people in the United States have invested in just one kind of real estate financial instrument - Real Estate Investment Trusts (REITs) - through mutual funds, pension funds, or other investment avenues.[31]

Tracing that investment draws a crisscrossed mesh of lines across the map – from origin to destination. Some places, like India, are often both. Other places, like Panama City, are notoriously popular destinations. Such a map would have to include not only cities and countries, but the investment entities that channel funds drawn from all over the world into investments in real estate developments also located in any number of places.

To get a sense of the complex entwinement of real estate developers and investors, we might briefly look to Extell, the development company that built both One Riverside Park and Central Park Tower. Extell advertises that it has relationships with global public and private financiers, resulting in over $19.5 billion in loans from their partners. Those partners include a wide range of lending institutions from around the world, such as Bank of America (headquartered in U.S.A.), Bank of China (China), Barclays (U.K.), Blackstone (U.S.A.), Deutsche Bank (Germany), Helaba (Germany), HSBC (U.K.), Natixis (France),[32] as well as joint partnerships with a number of institutional investors from private equity groups to sovereign wealth funds.[33]

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[29] Savills Research (2019).
[30] Frank, *CNBC* (21 Apr. 2015).
[31] NAREIT (2019).
[32] Extell Brochure.
[33] Extell Brochure.

Drawing such a map of real estate financiers, projects, and flat owners would of course be impossible, not merely because of the complexity or the opacity of investment entities. While the public may be aware of the enormity of reported investments in real estate, much of the true volume is hidden through money laundering processes and vehicles or through financial instruments which do not lend themselves to aggregate calculation.

The Argument: Global Financial Capitalism Meets Urban Space

So far we have visited a number of phenomena: the proliferation of luxury high-rises; the uneven occupation of the flats in those high-rises; massive housing crises around the world; tax credits for developers even in locations with existing density; the provision of essential services by private actors such as real estate developers; the advent of city councils as real estate developers of private housing; the exponential growth of financial instruments which involve real estate; the global interconnections of real estate developers and investors; the massive distance between investor and actual projects mediated through financial instruments; the multitude of global investors with fates tied to real estate through pension funds, mutual funds, and other investment funds; money laundering through real estate; the depiction of real estate as imagined desirable lifestyle in ads, films, images and even in the built environment.

These diverse phenomena are intimately interdependent. This project tells the story of that entwinement and interdependence by examining the underlying engine that, it is argued here, propels their various transformations: the encounter between financial capitalism and urban governance. To understand this encounter, we have to tell a story of how finance became "ascendant" (to borrow Joseph Vogl's term). That ascendance refers to finance not just as a sector but also as a discourse, a rationality, and a culture. Relatedly, our story must also include how legal and policy reforms enabled capital to flow more freely around the world and directed it towards certain forms of financial instruments, particularly those that rely on real estate, and how this all happened in tandem with massive urbanization and a fixation on cities as "engines of economic growth."[34] As this story unfolds, urban real estate – particularly the high-end, exclusive kind -

[34] Illustrations of the rhetoric of cities as engines of economic growth from international economic development policy literature include World Bank (1999) 125-138; World Bank (2008); World Bank (2009); IIED (2015).

emerges as a central character, linking spectral financial structures and legal processes to urban spaces and resources, Global South and Global North.

The transition to finance capitalism involves at least two modes of political, economic, and social transformation: (i) an expansion of the financial sector, financial activities, and motives, and (ii) a growing constellation of immaterial rationalities and cultural ideologies that operate in tandem with this transformation. The ongoing permeation of these phenomena in global society have separately as well as together been referred to as a process of "financialization." While they are sometimes treated separately, in this project, the financial sector and financial rationality and culture are understood as two sides of the same coin: interrelated, and dependent on each other.

Financial capitalism and urban governance are deeply entwined, and their relationship manifests itself visibly in urban space. For both the city and the finance sector, urban space is of central importance. For the city, it is the place of interactions, public life, markets, corporate activities, and residential life. For finance,[35] it is the site that makes for valuable real estate invested directly through development projects and indirectly through financial instruments. The project argues that urban governance has fundamentally transformed during financial capitalism – but not (only) because finance has "acted upon" cities, but rather because both cities and the processes of financialization continuously transform each other in tandem.

As understood in relation to urban space, financialization operates both as (i) a sectoral force that is constructing new built environments and that is *dependent on real estate and real estate-related investments* at multiple levels of their operations, and (ii) a constellation of political, social, and cultural shifts that are manifested both in the new built environment, exemplified by the high-rises, and in *the myriad forms of governance* that enable these transformations. Urban real estate therefore serves a dual role in financial capitalism. First, it is essential to the financial sector as a primary site of its investment and returns – in other words, for its very existence and expansion. Investment in real estate occurs both (i) through direct financial investment in buildings that can be constructed, sold, appreciated, re-sold, or held in the belief that real estate is a safe store of value that will appreciate well; and (ii) through financial instruments, many of which have real estate holdings as their underlying assets.

[35] Finance as used in this project refers to the management of money and includes banking, credit and debt, capital markets, money, and investments.

Urban space is also central to the nature of everyday lives which are lived in cities and the formation of societal cultures and rationalities. As critical geographers have shown, space and the built environment in particular have a profound effect in ordering lives, social relations, and societies.[36] The ways that the public use space and participate in shaping city spaces and life are integral to the idea of the city as *polis*.[37] This means that the built environment, particularly the newly built environment in many cities in the past decade of financial capitalism, further inculcates the rationalities and cultures of financialization.

Law plays a crucial role in these transformations by making the privatization of urban spaces *possible* through property and local government law and by making privatization of it *attractive* through financial regulations. That privatization allows urban space to serve as real estate assets in various financial instruments. This role of law in relation to urban space is just one way in which law serves as an underlying structure and force that enables the transformation of the global economy toward finance capitalism. "Capital" does not just "find" its way to places, it is directed and guided, and enabled to take hold. In short, it is *governed*. The consequences of governing capital towards urban space are significant: which uses of land have been prioritized and justified, and who exercises agency in the city are reflected back in urban space.

While it is commonly taken for granted that the regulation of finance takes place at the level of national governments and through international institutions, local government is less often the focus. And yet, it is cities where financialization gains the traction of resources, space, investment returns, and – crucially – *societal imaginations* that continue its expansion. Local government exercises significant power to decide who gets to own and control urban spaces, making it a central actor in financialization. That power to govern urban spaces and its transformation during financial capitalism is the primary concern of this project. By exploring the role of local government in governing urban spaces, it becomes evident that what constitutes "local" as well as "government" are considerably complex, ever-shifting, multi-layered, and varied across time and place.

This project, therefore, turns our attention to myriad forms that that urban governance takes – from local government to national to transnational acting in judicial, executive and legislative capacities, to various other actors wittingly or unwittingly conducting themselves in the furtherance of

[36] Lefebvre (1982); Massey (2005).
[37] See Chapter 3.

financialization and real estate. Here, it is not just the state (city) that is exercising control over urban space and life but also the quasi-public entities, inter-governmental organizations, corporations, financial actors, and the public itself. This examination reveals a set of complex relationships implicating law, movement of people and capital, multiple levels of governance, and multiple and overlapping legal disciplines and regimes. It also reveals a series of societal concerns that seem prevalent in many places – security, inequality, health, and work/life divisions. That the proliferation of luxury high-rises and the welcoming of real estate investment is happening in many places at the same time is crucial to understanding the mechanisms, discourses, processes, and technologies through which it is unfolding.

On Leverage

The idea of "leverage," particularly as understood by cultural studies scholar Randy Martin, provides a useful concept through which to appreciate the power of financialization and the transformations of urban governance:

> "Leverage takes precedence over ownership, and the arbitrageur, one who preys on marginal fluctuations in price, balances with alacrity where once the entrepreneur stood fast. Whereas the entrepreneur decided for himself, the arbitrageur is embedded in the decisions of others, surfing the waves of decision and deriving unseen value from the undertow. The entrepreneur respects the boundary between property and speculation. The arbitrageur can no longer. No more moving property on and off the market, speculation has moved in full time. In the process of securitization, financial reason assembles these little bits of value, these tiny interventions, and links them to a universe of exchange."[38]

"Leverage" in this sense captures a key logic of urban governance under finance capitalism. While originally referring to the use of a lever to exert force on a heavy object, in its widespread 20th century usage as a verb, to "leverage" means "to speculate or cause to speculate financially on borrowed capital expecting profits made to be greater than the interest payable"[39] – meaning, to use borrowed capital in expectation of higher returns than the interest due for the loan. (Capital, it should be noted, is often lent in return for a security interest in already-owned assets.) Leverage

[38] Martin (2007a) 22.
[39] Oxford English Dictionary online, 'leverage'.

also is used colloquially, as in, “to use something that you already have, such as a resource, in order to achieve something new or better.”[40]

Martin shows how “leverage” represents a form of logic at work in daily lives in the 21st century. For Martin, leverage is one of many ideas from finance that have been exported into reasoning in everyday life and governance in the U.S. In finance, one might leverage one’s savings in exchange for a mortgage in hope not just for a place to live but for an eventual property appreciation, or one might become “over-leveraged” if the property value does not increase and interest rates do. The idea that one should use one’s resources – time, money, etc. – to trade one’s way to something better has become a commonly accepted logic in multiple spheres of life. The idea that one should risk what one already has for the possibility of greater gain is a logic that seems to increasingly permeate everyday life – it underlies an understanding of educational opportunities (which require money and time and effort) as an “investment” in one’s future and even physical activity as an investment in “human capital” which is “capable of delivering valuable returns” and which “produce[s] value that is realized” over time and in different spheres of life.[41]

While the logic of leverage has been a part of real estate since mortgage lending was initiated in that such lending assumed a kind of exchange, what we see now is a shift in the nature of risk and the time horizons of expectation of “return.” The particular form of leverage at work now is short-term, akin to arbitrage and serves a key role in a method of “risk management” shared by finance and other spheres of public life such as military operations, as Martin has shown.[42] In finance, Martin argues, risk management has come to mean the harvesting of “market volatility for gain.”[43] In that constellation, arbitrage implies small, precise interventions – leveraging - with the expectation of large payoffs. It is a turn away from longer-term horizons of ownership, entrepreneurialism, and decision-making. Leverage here implies a turn away from actual ownership, and towards *arbitrage* as a way to find profit. Rather than the investment in and appreciation of assets, leverage through arbitrage implies a *continual process of buying and selling*

[40] Cambridge Dictionary online, ‘leverage’.
[41] On physical activity as an investment in human capital, see Bailey et al. (2013) 289-291; OECD (2010).
[42] Martin (2007a).
[43] Martin (2007b) 16-17.

– a never-finished cycle of trading up for greater gain – all while "prey[ing] on marginal fluctuations."[44]

This form of leverage changes decision-making and decisionmaker alike. Rather than independent decisions of quintessential "free" and "self-possessed" entrepreneurs, investment (or military, in Martin's account) decisions are highly dependent on the decisions of others: they are, in a word, *embedded*. Leverage therefore denotes a world of these highly embedded small-scale decisions and the expectation of the extraction of value through those micro-interventions without actual ownership. Value is extracted and profits are collected through increasingly rapid transactions with increasingly distant connection to the underlying assets at stake.

This form of risk taking is reminiscent of the forms of arbitrage political economist Susan Strange explored in 1986:

> "*The Western financial system is rapidly coming to resemble nothing as much as a vast casino. Every day games are played in this casino that involve sums of money so large that they cannot be imagined…*As in a casino the world of high finance today offers the players a choice of games. Instead of roulette, blackjack, or poker, there is dealing to be done — the foreign exchange market and all its variations, or in bonds, government securities or shares. In all these markets you may place bets on the future by dealing forward and by buying or selling options and all sorts of other recondite financial inventions … Some of the players — banks especially — play with very large stakes."[45]

The current environment of real estate investment reflects Strange's metaphor of the casino not just in the "world of high finance" but in the invitations to the middle classes to take on the rationalities and culture of (what Strange refers to as) casino capitalism.

Martin's concept of "leverage" implicates the government as a central agent – the chief "arbitrageur" - in this process. In his various examinations of the sites of financialization – from daily life to military decisions – the U.S. government played a key role in the adoption of financial forms of reason and rationality. For example, he examines how the methods of warfare employed by the U.S. military reflected financial-like methods of rationality. From the deployment of micro

[44] Martin (2007a) 22.
[45] Strange (1986) 1.

interventions with the expectation of "high" returns and the emphasis on self-management, to pre-emptive action in response to perceived risk and to the blurring of the "not-yet and the now," Martin shows "[d]esigns for living as brought to us by imperial agencies trace their blueprints to the realm of finance."[46] This understanding of "finance" is based not on its form as capital, but as a *rationality*: "a set of protocols for organizing daily life" which are now being applied in exercises of war and daily life alike.[47]

Similarly, employing an analytic lens informed by Martin's insights, we can see "leverage" at work where we might not have expected it: the governance of cities. "Leverage," I propose here, captures a crucial logic of how urban governance practices in many geographies are using the city in an expectation of gain. What of the city is being leveraged and to what end? Through the welcoming of real estate finance, city resources such as urban space, municipal revenue, and even city life are being risked for an idea of return.[48] Indeed, the very institutions which constitute the public are put at risk – subjected to exchange – in hope of a large kind of return. That "return" is part monetary (i.e., higher property tax revenues for more valuable properties) but also part ideological. For example, the examination of Gurgaon in Chapter 6 shows how the city's leveraging of its farmland to urban development is ideologically driven by an idea of modernity.

Moreover, just as with investment generally, *to whom* such resources are being leveraged is an increasingly complex question. The increasing control of city space by diffuse, global investors subjects it to their interest in short-term gains. This implies not just that urban space is being further commodified in the sense of being treated as a product to be bought and sold, but that the nature of the commodification has changed. What is happening to urban space goes beyond traditional buyers and sellers of valuable common resources, and speaks to an acceptance of opacity, diffusion, and decreased public agency to govern. Urban space both illustrates and is a crucial site of this transformation through its subordination into various forms of real estate.

The original meaning of leverage – that of a lever enabling control over a heavy object – is ever-present here in its implicit implication. Here, city governments may think they are utilizing precise

[46] Martin (2007a) 3.
[47] Martin (2007a) 3.
[48] One obvious example of this logic at work is municipal bonds, but the project is about the logic of "leverage" in a broader sense.

tools to amplify their control over the massive object of financial capitalism but what we find instead is the overbearing heavy object itself determining the use of those levers of the city.

Three Claims

This project presents three interrelated claims. First, cities play a significant yet under-appreciated role in global financial capitalism because of their power to regulate urban real estate. Second, the increasing integration of urban real estate into the global economy through financial instruments changes who is governing urban space and how it is being governed. Third, through the pursuit of urban space by the various actors acting in the interests of finance, the idea of the public itself is being re-imagined.

1. **Cities – specifically, the various actors who participate in urban governance - play a significant and under-appreciated role in global financial capitalism**

That real estate is integral to the financial sector is not an accident. The current dominant mode of capitalism in the global economy is undergoing a massive transformation from industrial capitalism to financial capitalism. Most place the beginning of that transformation sometime in the 1970s (and, as I argue in detail in Chapter 2, globalization is key to understanding this transition). The transformation towards financial capitalism is proceeding in a way that implicates real estate in an existential way.

At the same time, from the 1970s onward, a constellation of actors – intergovernmental organizations, development institutions, governments, and cities themselves – have made urbanization a planetary project (or object) of economic growth. This is a story that involves cities in both Global North and South and in between, and it is one that is not often acknowledged in narratives of 21st century financialization. The simultaneous transformations of capitalism and of urbanization mean that the actual land in cities is sought after as an investment and as a place to build investment-driven developments. Financialization may be thought of as global, and real estate as local, but as much of the real estate that has been both directly invested in and securitized by global investors is located in cities, financialization is far from placeless.

Therefore, a key question in financialization is how *urban space and real estate are governed.* The lead actor in that story of governance is one of the most unsung actors in financialization/ financial capitalism literature: Local Governments. The primary thread through this story is how urban space is governed by local governments in an era of finance capitalism, and in doing so, how cities regulate financialization.

2. Private actors govern urban space through their real estate developments

Ownership of land bestows a considerable amount of control over how that land is used and who gets to use it. In other words, it bestows a form of governance power over that land. With many luxury developments, developers work with institutional investors to decide what to build. On one level, those developers and institutional investors control that urban space once they have purchased it, subject to zoning and other land regulation. However, their funding sources are not neutral in what they seek from that space. Who – or rather how – are they being funded? What is driving their decisions – who is the space being built for? Through institutional investors, ownership and control of real estate is highly fractured into myriad financial instruments which are in turn hedged against through derivatives. Shareholders or investors appear in various forms – middle-class, REITs, private equity, private investors, sovereign wealth funds. This means that owners / shareholders are distanced from the actual city space which their resources are rebuilding both because they are geographically far away, but also because – through financial instruments- they are highly diffuse.

The forms of investment and control over urban land in many places make agency dissipated and difficult to trace. It makes it near impossible to hold anyone accountable for the negative aspects of luxury high-rises (and other forms of exclusionary uses of urban space) – the exclusion, the inequality, the evictions and the injustice. Not only are the actors who might have exercised agency diffuse and distant, but decisions are not made through any kind of democratically traceable process.

This diffusion of agency does not render financial capitalism immaterial, as it is often portrayed. It is tied to – it depends on – physical structures and land. It depends on cities being inhabited in certain ways that accept the further construction and sale and (under-occupation) of these buildings. It is administered by multiple levels of law – transnational, national, and local – and in increasingly complex shared governance arrangements between public and private actors.

3. The "public" is being re-imagined in the image of financial

Why do so many local governments govern in a way that welcomes and perpetuates the construction of luxury high-rises? I argue that cities have largely embraced the proliferation because the rationalities and cultures of urban governance have been transformed through the pursuit of urban space by financial capital and the increasing power of finance as a sector and in social imaginations. In other words, the norms that inform various exercises of regulatory power which allocate urban space and resources are increasingly reflective of financialization. This is happening globally, with numerous variations and adaptations.

The rationalities and cultures of financialization do not manifest themselves uniformly across geographies. A primary example of a prevalent rationality is that land should be used as a financial investment. Seeing land that way is not new in it of itself - see David Harvey's decades-long work arguing against this treatment of land as a space for global capital. However, what is unfolding in relation to the luxury high-rises and other forms of real estate is not just about enclosure and land-grabbing or hoarding in the traditional sense. It is "new" in that it utilizes the form of financial instruments and the logic of financialization – urban spaces become material for speculative investments all while agency for decisions on how to use space is diffused. The acceptance – the welcome – of these forms of investment and control implies that the public itself is governing city spaces into speculative forms of investment with little expectation of democratic accountability. Cities were already primed to welcome investment through the processes of urbanization. But now, despite the particularly destructive form of these investments, cities continue in 'must woo capital' mode – even when they do not know the name of investors, even when they don't end up with the tax revenue that justified the development, even when decisions about valuable city centres, spaces, and infrastructure are being made far from their control, and even when affordable housing requirements are negotiated away.

The utilization of financialized rationalities in the legal and regulatory treatment of land by public institutions proceeds both indirectly through the welcome of this form of ownership/ control/use as well as directly through their own use of space as an investment. This duality will be demonstrated through various examples, and with more specificity in two geographies: Newham, United Kingdom and Gurgaon, India. In Newham, the city council decided to "invest" public funds in its own private real estate development company to build and manage profitable up-market housing and act as landlord for private renters. This innovation has taken off across councils in the United Kingdom, who have treated the implementation of such a model with urgency. In Gurgaon, India *after* urban governance had been all ceded to real estate developers over several decades, a late-arriving "facilitator" local government has been established. This local government is likewise being celebrated as a model for other cities across India.

Both of these places have been treated as examples to be followed in their national jurisdictions. Both also re-conceptualized the role of local government in allocating property and development rights and the values that informed that allocation. The increasingly wide acceptance of the modes of control and speculation and the ways of inhabiting city spaces in the image of finance in governance institutions and in societies demonstrates the narrowing of societal imaginations towards a bereft idea of public. What is *imagined as ideal for the public* is now increasingly reflective of what is ideal for finance – short-term returns, increased private property values, competition-for-capital, individualized gains with publicly borne costs. In short, a leveraged city for short-term financial gain. As this Chapter discussed at the outset, this circumstance is unfolding at the very moment of massive housing crises around the world.

That newly imagined public is the result of the activities of both public and private actors. Private actors are even further empowered to act (and govern) like public ones. This ceding of power to private actors goes beyond previous exercises of privatization. The nature of financial investment in real estate has changed the nature of the relevant private actor here: the securitization of real-estate related financial instruments means that investors are innumerable, fast-shifting, and often nearly untraceable, and the global circulations of investment means that investors are located around the world, and may be sophisticated institutions or may be individual members of a middle class. These two dimensions result in the agency for decisions around the use of urban space being diffused if not nearly dissolved.

On the other side, we see public actors acting like private ones in their reliance on market-related principles and other financialized rationalities for decision-making. Both public and private end up governing, but the difference between is not just blurred, the entire constellation of governance – or how "public" is imagined is significantly moved towards the motives of the "private" with little acknowledgement of what is lost in terms of public life in urban space and social institutions.

The transformation towards the financialization of urban space documented in this project is much more than a "corruption of public institutions" to financial ends. Rather, it is a re-configuration of what is thought of as the public. If a particular public institution is corrupt, we know because we hold it up as inadequate to an image of its better self. It is that image that is being transformed into the financial. Where can one look, if the public ideal itself is re-imagined in the image of finance - if the public dissolves into private on the inside, as both Newham and Gurgaon demonstrate, but still operates through the shell of public institutions? If financialization is narrowing societal imaginations in a way that corrupts the ideal of the public, it is suggested here that one way to see outside of its frame is to read resistance – particularly those efforts centred around urban space that demonstrate other ways of inhabiting it and other justifications for claiming it – as forms of regulation informed by alternative imaginations and norms. Because urban space is crucial for both financialization and for city life, those alternative uses of it become even more crucial in our current moment.

Simultaneous Critical Examinations

What we need, therefore, is an examination of the mutual constitution of forms of urban governance and financialization on both a technical level – the kinds of agency local councils and cities exercise, how they interact with the national and global levels, and how they reach decisions around variances from city plans – as well as on a more conceptual level of urban governance: how local governance determines the populations and lifestyles that the city should serve, how are those values embedded in the technical processes of local government, and how local governments cede agency and responsibility to private actors for the provision of previously public services.

In examining the changes in cities through the lens of financial capitalism, there is a normative shift employed in the move from a reference point of 'finance' to 'financialization'. It represents a shift of focus from a profession or a sector to a process of economic change; with that shift of focus, so too comes an effort to understanding that process as inherently political and non-neutral. Much of the literature on financialization shares an underlying appreciation of that process as far more than an economic one – as a societal one, a political one, or perhaps a historical one. Once we begin to see it as a process, it opens up space to also explore the different forces and influences and actors that have played roles over time. It complicates neat understandings of finance, financial products, financial activities and actors. For example, it becomes crucial to see the state as a heterogeneous set of actors – by turns local, national, or global – each with their own ways of extending policies, law, and regulation. And, significantly, to see how the state(s) acts both with and against, constituting and also shifting, finance. The state is not finance's handmaiden, and yet it is far from being 'in control' of it. It exercises different agency at different times, in different places, and in a variety of ways.

Appreciating a *globalized* view of development policy and thought reveals the current coalescing of two sites of development practice: cities have been touted as sites of economic growth for decades and enabling capital to 'flow freely' has been celebrated as a necessary element to establishing conditions for that growth. Even more precisely, the use of securitization and financial instruments have also been promulgated as an alternative to apparently slow, corrupt state-centric forms of development.

Examining the physical form of these high-rises and related real estate instruments against their varied political economic and legal contexts shows us the *multiple* scales of law and governance that enable this distribution of space and resources in multiple geographies. What becomes clear immediately in this study of financialization is that multiple material and immaterial transformations and ideas are at play in cities around the world, implicating activities that go well beyond a circumscribed view of the state and state activities and that involve multiple actors and practices. That this is happening in many places at the same time, and with the engagement of multiple levels of governance is not coincidence.

This project, while aiming to articulate patterns observable more generally, focuses primarily on India, the United Kingdom, and the United States, while offering a 'multi-sited' variety of illustrative examples. The sites of primary examination are partly a result of space and time limitations, but also a recognition of their common legacies through common law, colonialism and development, the shared history of the British Empire, and more recently, their tightly woven relationships of investment and migration and legal practice. The project does not aim to be an ethnography, but does use a multi-sited ethnographic method of interviews, newspapers and media examination, blogs, and participant observation as well as doctrinal analysis.[49] It is meant to be

[49] **Appendix 1 further describes this multi-sited methodology and collection of materials.**

primarily a *legal* account of urban governance and financialization, appreciated in a wider disciplinary context of geography, postcolonial theory, urban sociology, and political economy.

A South-North Geography of Financialization & Urban Governance: A Word on Transnational Methodology

This leads us to the final question of this Chapter: how can we talk about financialization and urban governance in the Global North and South at the same time while avoiding the common prejudice of generalities based on experiences of cities in the Global North?

Global North and South circulations and entwinements

Global urbanization, capital directed toward real estate and "emerging markets," international financial institution (IFI) development loans for urban infrastructure, globalized flows of ideas, culture, and media entwine cities and actors in the Global North and South in multiple ways. Colonial legacies and ongoing quasi-colonial relationships further complicate understandings of interdependency and local differentiation. A significant challenge in tracing the transnational linkages between Global North and Global South cities is addressing the various landings of capital in cities around the world while also not reducing individual, plural stories to an all-powerful Capital operating linearly through a single, seemingly inevitable story. To say this another way, telling individual accounts of cities and real estate finance while at the same time recognizing the transnational capital and policy linkages as well as the legacies of Global North-South relationships that tie their fates requires a balance of attention: both wide-framed as well as narrowly focused. It also requires a recognition of all the ways in which global capital does not operate in a vacuum, but rather in ever-evolving social, cultural, political, local and global constellations.

Such an endeavour requires simultaneous attention to both the particular and the pattern(s). While paying too much attention to the local would give us a bereft, myopic understanding of capital that misses the power accumulated when ideas, resources, and people travel around the world, telling a grand, global narrative of capital risks subjecting every event to an acontextual understanding of its power. The grand narrative would also risk falling trap to reinforcing narratives that frame the

Global South as a place that has been *acted upon* by colonial and other Global North forces, rather than a diversity of geographies that *generate* theoretical categories.[50]

Postcolonial scholar Dipesh Chakrabarty has sought to "destabilize" the universality of the abstract human central to Marx's critique of capital through an appreciation of historical difference and belonging while also furthering an understanding of capital on a global scale.[51] Key to that abstract human is the (hidden) universalism of many narratives of global capital, against which Chakrabarty argues: "No historical form of capital, however global its reach, can ever be a universal… The universal, in that case, can only exist as a placeholder, its place always usurped by a historical particular seeking to present itself as the universal..."[52] One can observe this dynamic of universalism and replacement in the evolution of understandings of what land should be used for. At one time, agriculture was seen as its "highest and best" use in common law; later, industrial uses replaced that idea; more recently and as argued here, wealth-creating uses of the kind of that financialization promulgates are being increasingly understood as the "highest and best" use in many cities. The global nature and transnational circulations of capital and of understandings of property and urban land reflect the ongoing legacies of the historical and colonial relations between Global North and South as well as multi-directional circulations of ideas, policy, and capital.[53]

Moreover, cities in the Global South have faced the disruptions of globalization in ways that are under-examined in scholarly accounts. As postcolonial urban geographer Jennifer Robinson has powerfully argued, the historical divisions in urban studies literature and societal understandings between that which represents the "modern" and that which is "developing" remain powerfully entrenched. This division reflects and reinforces a belief in "developmentalism" which situates geographies in a linear narrative of historical progression and progress. Some cities (primarily in the Global North) become understood as "creative" and others (primarily in the Global South) as "deficient" or even "primitive," further reinforcing the "fantasy of (Western) urban modernity."[54] The further power of this hierarchy is that it places some cities in privileged places of analytical

[50] Comaroff and Comaroff (2012); Robinson and Roy (2016); Roy (2009; Roy (2016); Bhan, Srinivas, and Watson (2017).
[51] Chakrabarty (2000) 18.
[52] Chakrabarty (2000) 70.
[53] Gupta (2020).
[54] Robinson (2006) 13.

inquiry and assumes that others are not (yet) worthy of such inquiries. The privileged places are assumed to be sites of the production of theory and innovation and creativity, the other ones are not. This scholarly and popular attention and assumptions reinforce negative stereotypes of cities in the Global South as more often "poor megacities" and less often sites of global activity and local creativity and innovation.[55]

Urban scholar Ananya Roy has critiqued the formation of theory exclusively from the Global North urban experience, arguing that it is not that such theory needs reconfiguring, but that the episteme itself should be informed by the experiences of the Global South, as well as the North.[56] She argues that "while it is necessary to articulate a 'relational' theory of place, such an articulation is well served by the production of theory in the context of the global South. Such an enterprise does not entail 'adding' the experience of the global South to already existing frameworks of the city-region..." but rather re-thinking the entire frames and references of analysis.[57]

How then to talk about the Global North and South in the context of financial capitalism - while re-centring the South? As a first matter, the Global South is not merely a "geographical entity." Attempting to draw a geographically distinct line between Global North and South through geography would be, in Vanessa Watson's words, "to set up a false binary across regions of the world which are highly interconnected, diverse and consist of multiple and changing cores and peripheries."[58] The Global South, then, becomes a relational configuration, as Gautam Bhan has argued.[59] In this project therefore the term refers to "an entire history of colonialism, neo-imperialism, and differential economic and social change through which large inequalities in living standards, life expectancy and access to resources are maintained…"[60] In this understanding of the South, racialized structures of capitalism – within the Global North as well as between North and South – are foregrounded. In this project, the extraction of the wealth and labour of people of colour in both Global South and in the "South within the North" is particularly relevant for the sustenance of real estate construction, sales, and finance.

[55] See Robinson (2006); Roy (2009).
[56] Roy (2016); Roy (2009). See also Robinson (2002).
[57] Roy (2016).
[58] Watson (2017).
[59] Bhan (2017).
[60] Dados and Connell (2012) 13) quoted in Watson (2017).

We can now turn briefly to several methods of generating theory related to financialization and urban governance from the South. First is an emphasis on generating context-specific understandings.[61] Specificity, argues Bhan, "allows the idea of 'southern urban theory' to be both relational yet specific, and to speak – both accurately and inaccurately – of a set of locations at once as 'cities of the global south'."[62] Context-specific studies, then, can be "connected to a wider and global frame" that recognizes "[d]ifferences caused by past and ongoing global relations of dominance and dependence."[63]

In addition to an attention to specificity, Bhan proposes an "ethos of inquiry."[64] Crucial to this ethos is that questions are formulated and asked *from* the located site of examination *outward*, rather from outside, in. He eloquently encapsulates what this ethos meant in his own work on bastis (housing that is sometimes conflated with slum housing in Delhi): "to look at the basti from within planning theory or practice is to tell a tale of exception. To look at planning from the basti is to tell a tale of the fiction of the rule."[65] This recognition of the inconsistencies of law is essential to appreciating how property and other related laws have reinforced power and resource differentials, all while masked by the myths of neutrality and consistent enforcement. For example, an examination of "informality" – a term commonly associated with the Global South[66] - as applied to property title reveals its instrumentalization in Global North and South alike: in the United States, in the context of the selective recognition of electronic mortgage transfers;[67] in Delhi, with the selective use of title as a justification to uproot the already marginalized without clear, formalistic title, but not the rich who also lack clear, formalized title.[68]

History and comparison aid in this endeavour. On historical context, postcolonial scholars have argued persuasively that the legacies of colonialism are ever-present in cities[69] and in capitalism.[70] While it may be fairly obvious, attention to the historic and geographic context from which specific

[61] Watson (2017); Bhan (2017).
[62] Bhan (2017).
[63] Watson (2017).
[64] Bhan (2017).
[65] Bhan (2016) 34–35.
[66] See Roy (2009).
[67] See discussion of MERS in Chapter 3.
[68] Gupta (2014).
[69] Abu-Lughod (1989); King (2004); King (2009).
[70] Birla (2009).

concepts emerged is crucial to moving away from assumptions of universality. Comparative methods can also be powerful in shifting one away from assumptions.[71]

In the effort here to see financialization as it operates transnationally as well as locally in urban settings from a perspective from the South, I propose an analytic approach centred around transnational *practices* of urban governance. This method of analysis moves away from efforts to categorize entire cities as "global" or "world" or other, and attempts instead to draw our attention to the methods, rationalities, and cultures of urban governance in financial capitalism that are similar, different, and local and global. The insights of the global/ world city literature remain crucial to conceptualizing how finance constitutes itself in tandem with cities, so first a brief account on that constellation of literature.

We're all Global Cities Now

In the past several decades, the idea of the "Global" or "World City" has come to prominence. That idea refers to certain cities as "a set of global command and control centres that are connected in transnationally networked hierarchies of economic, demographic and sociocultural relationships."[72] Understanding cities based on this categorization has been a powerful way to appreciate the imprints of different economic phases on geography. The approach here, while sharing many of the concerns of the world/ global city literature, departs from its impetus for categorization. As further explained below, here, globalization and financialization are understood as processes found in many seemingly "non-global" localities, including but far from limited to Global or World Cities.

In her seminal work on The Global City in 1991, Saskia Sassen outlined the nature of certain cities in the international economy. Her concept of the "Global City" identified certain "major cities" as having at least four new functions: as "highly concentrated command points in the organization of the world economy"; "as key locations for finance and for specialized service firms"; "as sites of production"; and as "markets for the products and innovations produced."[73] Understanding the then "new or sharply expanded role" of these cities in the world economy required attention to two dimensions in particular: (i) the growth and complexification of globalized economic activity

[71] Mufti (2005); Frankenberg (2016).
[72] Sassen (1991) 5.
[73] Sassen (1991) 3-4.

which in turn led to the proliferation of multinational headquarters and outsourced advanced corporate services, and (ii) the growth of specialized services including insurance, banking, real estate, and legal in all industries.[74]

As a result of this transformation of certain cities, regulation, information, capital, and production processes must be understood as global processes subject to multi-layered regulatory regimes and with uneven spatialized landings. Sassen uses the city to understand globalization itself – not just as an illustration of the processes of globalization but as the location of where globalization actually happens.[75] The focus on the city, in her words, "allows us to recover the concrete, localized processes through which globalization exists" and "to specify a geography of strategic places at the global scale, places bound to each other by the dynamics of economic globalization."[76] This understanding of globalization in turn situates the global city as a powerful economic, political, and social world actor, operating in transnational networks with other cities, and often disconnected from their national settings in their economic fortunes.[77]

One of her central concerns, who is able to lay claim to a city, is central to this project. Sassen frames it in terms of the politics of globalization and the resulting shifts in who can claim rights to a place and the resulting constitution of citizenship.[78] For Sassen, the city "emerged as a site for new claims" by two particular sectors of society, both of which are "internationalized": "global capital which uses the city as an "organizational commodity,"" and "disadvantaged sectors of the urban population."[79] That recognition of different sectors laying claims on the city, and of the transnational character of those sectors leads her to ask, "whose city is it?".[80] The question threads through the rest of this project, animating its inquiries into the normalization of power differentials through law and the substitution of public agency with private power.

From Peter Hall's 1966 understanding of the World City, which drew attention to the significant interconnectedness of certain transnational institutions and processes such as airports, to Sassen's idea of the Global City, analyses of global cities have generally delineated certain cities from other

[74] Sassen (2002).
[75] Sassen (1998) xix.
[76] Sassen (1998).
[77] Sassen (1991).
[78] Sassen (1996) 206.
[79] Sassen (2005) 39.
[80] Sassen (1998) xx.

ones based on the presence of globalized functions and production.[81] World City literature has taken Hall's work in a number of directions, including by some who situate against Wallerstein's concept of world-system analysis.[82]

That said, what is of interest here is seeing how finance has permeated the activities and motives of many cities. Through the analysis pursued here, one would see Detroit not just as the site of automobile production,[83] but rather as an example of how financialized forms of activity, rationalities, and even culture have permeated the auto industry. The city itself reflects that permeation - or rather that relationship - with finance. Re-framing an analysis of a city like Detroit by engaging with financialization is in part a reflection of finance as the current 'dominant mode of economic activity' that has shifted the nature of production from a (purely) industrial sense to a finance-oriented production through a turn to shareholder value (as explained in Chapter 2). But, it is also argued here that the current mode of finance imparts meanings that go far beyond the economic sphere. The influence of finance as an activity, a rationality and a culture both accentuates inequalities within and between cities as it lands unevenly and with uneven effects, but it also narrows societal imaginations with regard to local governance. In this way, both finance and urban governance become entangled as well as a part of each other. Put simply, finance becomes dependent on the resource and spatial allocations as well as cultural and discursive support of cities, and cities become more and more enmeshed in financial activities and rationalities in making governance decisions.

The modes of financialization engaged with here recognize the myriad of connections between cities and other geographies, in places that appear to be very isolated to global flows of capital, resources, and discourses. Therefore, the analysis of spatialization offered here departs from the focus on specialization offered by much World City analysis. That said, the analysis here also shares the primary concern of the World and Global City literature to place cities in global and geographical context. This means engaging with the way that cities (for that literature, the global

[81] Hall (1966); Sassen (1991).

[82] For example, Rodriguez and Feagin have examined the ways in which such cities specialize into their own niches in the "capitalist world-system." Their idea of specialization exists in both space and time: the concentration of certain economic activities (and the ensuing social structure and relationship to other cities and regions in the 'capitalist world-system') as well as that form of economic activity as understood in the historical phases of capitalism: for example, London, being known as a financial center, and Detroit as a center of automobile production. Rodriguez and Feagin (1986) 187-88.

[83] *Id.*

cities, here, localities more generally) “increasingly transcend their respective national city systems and have come to articulate localized economic, demographic and sociocultural processes to a broader, globalized configuration of capitalism”[84] and reflect the spatial materialization of capitalism.[85]

Jennifer Robinson’s elaboration of the concept of “ordinary cities” as a way of moving out of the constraints of global/ non-global categories is informative here in the tracing of finance and local governance.[86] Her concern is that the kinds of structural analysis offered by the Global / World City literature places too much emphasis on “a small range of economic processes with a certain ‘global reach’.”[87] That focus on the economic as the “primary determination of status” replicates country categorizations of core, periphery, and semi-periphery, and is both “inaccurate and harmful” to the “fortunes of cities defined “off the map”.”[88] In short, that sort of categorization limits our understandings of cities around the world and limits the “scope of imagination about possible futures for cities.”[89] Robinson’s articulation of the need for theories beyond categories, and for an articulation of dimensions beyond a narrowly defined economic process, resonates with the attempt here to trace the relationship of financialization and local governance in multi-sited locations and processes.

Transnational Practices of Urban Governance

How, then, to tell a larger narrative of capital and city transformation in the Global North and South while recognizing that common forces were constituted *through* different (local) experiences? It is proposed here to train our attention to *practices* of urban governance that welcome, regulate, are formed by, or resist financialization’s many manifestations. This requires us to look closely at the edicts, informalities, norms, values, and processes through which cities are governed. These practices are hardly uniform across cities. They are implemented unevenly, and they operate differently in different circumstances. Why bother, then, to try to delineate comparisons as well as transnational patterns? Simply put, because the capital and the investment

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[84] Sassen (1991) 5.
[85] Sassen (1991) 7.
[86] Robinson (2002) Note term’s origins with Amin and Graham though Robinson takes it much further and substantiates.
[87] Robinson (2002) 96.
[88] Sassen (1991) 218-219.
[89] Sassen (1991) 220.

structures that enable exclusionary forms of real estate development in varied geographies are inter-linked and inter-dependent. Paying attention to the practices of urban governance in finance capitalism brings us to analyses of how financialization informs ways of governing, or controlling urban space, and of everyday lives.

For example, the multi-billion-dollar investment of Canadian pension funds in real estate in India can be understood in various ways. One way of framing their implications is to appreciate the new real estate developments that many would say are needed in India. Another way would be to see it as what David Harvey would refer to as the Spatial Fix in operation once again – the pursuit of new land and resources for exploitation by capital that pays little attention to local communities, environmental damage, or other effects of its landing. There is yet another layer though – one that does not negate either of the previous readings but that makes understanding the stakes more complicated. These pension funds draw from the Canadian middle class, many of whom face decreasing public pensions and social welfare provisions. Their retirement is now dependent on such funds, whether they would choose this situation or not. This is not to justify or apologize for resting retirement income in the Global North from the resources of the Global South, but rather to highlight the complexity of equities involved. A similar logic is at work with pension funds in the U.S. currently exploiting farms as real estate assets. Across the American South, and notably in Mississippi, Black farmers in particular have been dispossessed through the activities of pension funds, including the Teachers Insurance and Annuity Association of America (TIAA), a fund established to invest the pensions of (middle class) teachers across the U.S.[90] All of this is to say that globalized financial capitalism links the fates of middle and poorer classes around the world, with different consequences, experiences and agencies. Those different consequences can in part be explained by the inequitable environs that colonialism, development, and investment regimes have created and yet also remain unpredictable at times.

I use four related analytic approaches to transnational urban governance. First, Bhan's "fiction of the rule" is crucial to seeing how local government, property, finance and other law relating to financialization is contingent and context-specific. Law is not applied in consistent or coherent ways. Zoning plans are replete with variances for powerful applicants. Immigration queues are bypassed in favour of those who invest in real estate development. Taking the "fiction of the rule"

[90] Newkirk II, *The Atlantic* (2019).

seriously also enables us to see how governance is shared in practice, even when it is not formally delegated away from government. It also helps reveal how power-sharing shifts across time or across different contexts. In short, internalizing the “fiction of the rule” in the context of financialization helps us question the assumptions underlying governance decisions and the acts of powerful agents.

Second, while there have been numerous accounts of those displaced by high-end real estate developments, an examination of the proliferation of the high-end developments themselves and the *reasoning* that casts displacement as common-sense good governance or a necessary evil can contribute to a dismantling of the ideological power of financialization from the inside. Relatedly, stories of resistance, an often-examined site in Global South literature, can offer powerful accounts of other societal imaginaries and ordering. They can reveal how limited mainstream governance of urban development has become, and how such governance displays incremental acceptance of financialization ideology and culture. In many spheres of urban governance, societies have been nudged[91] into narrowness.

This examination of financialization in the city is essentially of the constitution and consolidation of power – material, cultural, social, political. In that sense, it shares its sensibility with postcolonial studies more broadly, which, as Ananya Roy has argued, “is more than the study of colonial and after-colonial societies” and rather, “is above all a critical theory of subjectivity and power.”[92] An attention to subjectivity and power implies that insights may generated not just from the Global South but also from a more diffuse “periphery.” The concept of the periphery represents “the shared fates of “large, fairly well-resourced places that nevertheless have very large concentrations of chronically poor people who are institutionally excluded from the government support structures that are necessary for their well-being.”[93]

Moreover, such peripheries should be appreciated in their multiplicity, as should cores as Roy has further argued. “Worlding” cities, as she describes, would take into account that multiplicity and “more provocatively” would “note the emergence of core–periphery structures *within* the global South.”[94] It is that sense of multiple core-periphery geographies that makes London’s (historically

[91] Thaler and Sunstein (2009).
[92] Roy (2009) 823.
[93] Parnell and Pieterse (2010) 147.
[94] Roy (2009) 825. Emphasis in original.

marginalized) eastern borough of Newham all the more relevant to understanding the uneven landings and consequences of financialization in Chapter 5.

Third, and relatedly, a perspective from the South also begins from an appreciation of the multiplicity and plurality of sites of urban governance power, agency, resistance, and action. Coherence and universality are not assumed. Dislocation,[95] contradictions, and heterogeneity are. Multiple actors are examined, as are overlapping and *changing* practices around the use of urban space.

Fourth, the ongoing legal, political-economic, social, racial, and cultural legacies of colonialism and development programs are taken seriously. There is a normative concern around inequity that threads through this approach, and, there is an embedded recognition of the transnational circulations and relationships that are essential to understanding how financialization and urban governance operate. That Global North and South are inter-linked and that colonial structures continue to have legacies means that financialization operates in both foreseeable and unforeseeable ways. These legacies include the ongoing colonial imprints on city spaces,[96] and they include World Bank programs furthering urbanization as the path to economic growth and importing domestic and international institutional protections for contract and property law. The institutional structures put in place by the World Bank, the IMF, and states in furtherance of economic growth enabled the environment in which finance could "land" and flourish. Those landings have in turn created new forms of complex dependencies between Global North and South.

Engaging with stories of real estate and urban space and life from this perspective of transnational and local plurality and circulation shifts the questions and assumptions at play. The particularities – the plurality - of how highly financialized forms of real estate development are being welcomed by or resisted by or managed by cities become part of what is understood to be financialization itself, rather than anomalous instances.

Appreciating globalized forms of financial capitalism by tracing the financial flows and instruments and their various welcomes around the world does not mean that one has to succumb to feeding into a universalistic story of financial capitalism as inevitable. As Chakrabarty also

[95] Bhan, Srinivas, and Watson (2017).
[96] King (2004); King (2009).

noted, the "globalization of capital is not the same as capital's universalization" - meaning that the existence of globalization is not an indication that the "universal and necessary logic of capital" per Marx has been realized. Rather, "singular and unique histories" continue to "interrupt" and "defer" capital's "self-realization" and in doing so, serve as "grounds for claiming historical difference."[97] The singular stories in this Chapter and later ones are of its welcoming, its *frictioned* landings, as well as popular resistance to its permeation of urban space.

If financialization is seen as inherently plural, it becomes less inevitable, more identifiable when it is implicitly informing governance decisions, and more manageable. Once we can better recognize when (universalistic) assumptions are being relied on of how capital should be treated or how property and other resources should be used, we begin to open space for alternatives.

Chapter Maps

Chapter 2 examines financialization's disruption of space and sovereignty of cities, as well as its concomitant dependence on city resources and space through an exploration of the different meanings assigned to "financialization." By examining the relationship of urban space to financialization through each of those meanings, the Chapter substantiates how finance capitalism depends on urban real estate in a dual sense.

Chapter 3 examines the transformation of urban governance during finance capitalism through a critical analysis of "urban governance" and "the public" before turning to the logic that financial capitalism has inculcated in that public through new modes of urban governance.

Chapter 4 substantiates the connection between financial capitalism and urban real estate by exploring various technologies through which capital was regulated towards international forms of investment, and then channelled into securitized financial instruments which relied on real estate for their underlying symbolic or actual assets. As finance became (more) global, so too did real estate. It begins with a story of the undoing of capital controls and exhortations to the so-called developing world to "catch up" through urbanization, currency-stabilizing debt incurred with conditions of capital account liberalization. It then turns to financial instruments that continue to securitize real estate assets located in rapidly urbanizing centres around the world. Here, it focuses

[97] Chakrabarty (2000) xvii, 71.

on Real Estate Investment Trusts (REITs) in particular to illustrate the entrance of middle-classes to structured financial products. Finally, it examines city efforts to attract capital through zoning, tax, and permissive money laundering.

Chapter 5 examines how the public – local government – increasingly acts like a private actor by exploring Newham, U.K. It examines the borough's local housing company (LHC) in the context of privatization of housing in the United Kingdom and offers an argument for the ways in which competition and even profit-seeking drive the rationality and culture of local governance. It then turns to the resistance to the council and the reformation of it.

Chapter 6 continues the argument by exploring how private actors govern the city of Gurgaon in India. The theme of privatization plays out differently here – what is focused on is the way in which Gurgaon serves as an example of how financialized values have been spatialized. This chapter draws from Law and Geography and urban sociological literature from the South to appreciate the relationship between urban space, law, and societal values and lives. The account emphasizes the ongoing transformation of transnational connections of finance, the ceding of governance power to private developers, and the local government of Gurgaon.

Chapter 7 summarizes and concludes the project.

Conclusion

Returning to the central concern of the project, why talk about financialization in relation to urban? Because financial capitalism is not only a massive economic transformation, it is political, social, cultural and legal. Because it represents both continuities and disjunctures from other economic forms of capitalism. And because, it can be *seen* in the city – in urban lives and in urban governance. But also, as I argue here, because the city itself is crucial to making financialization itself. Finance capitalism needs the city – it needs its space, its real estate, its bent rules, its tax breaks, and its negotiation for more capital-friendly regulation from immigration to investment to property – and, significantly, it needs its government (and its societies) to reflect and further inculcate financialized values through rhetoric, built environment, and governance.

CHAPTER 2: What is "Financialization"?

One could say that "financialization" – the massive expansion of the financial sector as well as of financial activities, practices, motives, rationalities, and even cultures *beyond* that of the formal financial sector - has become ubiquitous in economies and societies around the world. The term "financialization" has been assigned to various political, economic, social, legal, and cultural transformations related to the workings of global capitalism. Mapping its use and interpretation produces a rich collection of meanings and implications across multiple disciplines and idioms.[1] What the diverse projects related to financialization often share though is a critical appreciation of the ways that finance is acting "beyond its traditional role as provider of capital for the productive economy".[2] What those new roles are and what they mean for societies, and even how to speak of them, is of course much contested.

Through political economy, financialization can be understood as a transition from a form of capitalism based on industrial goods and services to capitalism based on finance and financial transactions. While literature even within this constellation offers varied interpretations of what constitutes financialization and where it manifests, common sites of inquiry include changes in economic production and profit, ever-evolving governance of the market by the state and the power relationships between market and state actors, and the ensuing consequences for living and working in an economic system that is increasingly ordered around financial processes and interests.

One strand within that literature, associated recently with sociological historian Greta Krippner[3] and Costas Lapavitsas,[4] locates this transformation empirically in the increase of financial activities: the accumulation of profits, the increase in financial products and processes, and notably, the entrance of non-financial firms into financial activity. In both Krippner and Lapavitsas' accounts, the broader influencing idea - that our current economic epoch is indicative

[1] Various thematizations can be found in van der Zwan (2014); Krippner (2005); Dore (2008); and Epstein (2005).
[2] van der Zwan (2014).
[3] Krippner (2005).
[4] Lapavitsas (2013).

of a shift from an industrial form of capitalism to a form of 'finance capitalism'[5] - goes back some decades and cuts across many disciplines.

Staying with an understanding of financialization as an economic transformation, another set of inquiries is offered by legal scholars who identify shifts in corporate governance toward 'shareholder value' as an organizing principle.[6] This literature treats the turn to shareholder value as a primary indication and way of appreciating larger shifts in the priorities, activity, and financing of companies and has explored various implications of that change of orientation, particularly for labour and management pay structures.

The political economic and shareholder value treatment of financialization are crucial here for understanding the rising power of real estate actors and the contradictory motives that local governments have in both enabling and regulating their uses of urban space as well as for understanding the principles of shareholder value and their consequences for corporations and societies. What unfolds below and in the following chapters is an attempt to appreciate the importation and adaptation of various principles of shareholder value beyond the financial and industrial sectors of the economy to the local governance of urban space.

Turning away from the primary focus on changes in the economy and finance as an expanding sector, social and cultural theorists offer another register on which to perceive financialization. This literature in large part shares the political economic appreciation for the historical shift of capitalism from industry to finance and conceptualizes the meaning of financialization in the realm of the social and cultural. Their numerous ways of locating financialization, of understanding its consequences, of tracing what constitutes its forms of rationality, its ideologies, or its "culture" are hardly generalizable.

Within a broad category of the "social," social studies of finance in particular have studied the nature of forms of expertise and rationality that are embedded in the complex quantitative

[5] For example, Arrighi (1994), Bell (1973). Others such as Tony Norfield have argued that a distinction between the so-called 'real economy' and the 'financial economy' does not exist, as the financial economy has always (financed) the industrial one. Norfield (2016). Is "financial capitalism" a new form of capitalism, and does it have its own variations within itself? My inclination here is that the answer to both of these questions is affirmative. Addressing these questions necessitates – in my view – an openness to seeing the current power of finance as far more than a sectoral rise within the economy, but rather a fundamental societal-economic shift, observed in this project through an analysis of the concomitant transformations of governance.

[6] Deakin (2011); Hansmann and Kraakman (2001); Jacoby (2011); Froud et al. (2000).

modelling that financialization requires and that manifests itself both in “individuals’ own interactions with new financial technologies and systems of financial knowledge.”[7] Some scholars here borrow methods and concerns of Science and Technology Studies (STS) in theorizing how forms of knowledge and expertise are formed and then take hold, even outside of financial arenas. Projects range from theorizing the “materiality” of markets[8] to the entwinement of finance and the security state[9] to the role of emotions in trading floors[10] to the ways that governance and finance mutually constitute each other.[11] In placing the social interactions and accretion of expertise and orthodoxy at the centre of critical analysis, their work is indispensable for appreciating how quantitative analytical methods gained ascendancy in various spheres of governance-related decision-making. In the contemporary form of financialization at interest here, their work lays the foundation for understanding what I consider to be the latest manifestation of that faith in the quantitative, which elevates it even further from *informing* governance decisions to *framing* and even *making* such decisions.

The third broad constellation of literature of interest here is offered by scholars and popular commentators with varied disciplinary backgrounds have exposed the rise of finance as a “decentralized form of power”[12] transmitted through cultural media and cues in everyday lives.[13] Here, culture refers broadly to new discourses (Appadurai,[14] Marazzi[15]) and rationalities (Vogl[16]), as well as in activities in everyday lives (Martin[17]), narrowed societal imaginaries (Haiven[18]) and even the increasing security state (Graham,[19] Martin[20]). Their work examines how certain ideas have taken hold through financialization as common sensibilities and as common (though not universal) ways of making decisions or living daily lives. Financialization here serves as an orientation to examine “the web of interrelated processes—economic, political, social,

[7] van der Zwan (2014).
[8] MacKenzie (2009).
[9] De Goede, M. (2012).
[10] Hassoun (2005).
[11] See the contributions in Knorr-Cetina and Preda (2005); Dow (2008).
[12] van der Zwan (2014) 102.
[13] For example, Foroohar (2016); King (2016); Goetzmann (2016).
[14] Appadurai (2016).
[15] Marazzi (2010).
[16] Vogl (2017).
[17] Martin (2002).
[18] Haiven (2014).
[19] Graham (2016).
[20] Martin (2007).

technological, cultural etc.—through which finance has extended its influence beyond the marketplace and into other realms of social life."[21]

In this project, "financialization" refers both to the financial-sector constellation of processes and phenomena that indicate an economic shift towards financial capitalism as well as its various social and cultural manifestations as cultural ideologies and rationalities. These forms of rationality and culture shape everyday lives as well methods and rationalities that underlie governance. Both the "financial-sector" forms of financialization and the "social-cultural" forms indicate massive re-configurations of governance power. The power examined here is one of decentralized self-governance, informed by the "logics, codes, value paradigms, speculative ethos, [and] measurements and metaphors of the financial sector [that] have filtered into other (non-financial) economic and social spheres."[22] Those rationalities and cultural ideologies operate as a decentralized form of power, reconfiguring both public and private governance as well as societal and individual sensibilities.

The decentralization of power presents itself in new form here through securitization. Securitization has dispersed agency to govern urban space to shareholders around the world. Relatedly, the decisions that affect urban space therefore – from what to build and for whom - are not made by an individualistic, self-interested, entrepreneurial actor but rather are heavily dependent on and embedded in the decisions of other investment actors. Those investment actors may only hold shares for a fraction of a second, may only hold partial shares, and may not even know they hold shares at all. In the absence of unitary, stable actors exercising agency over governance, what we observe is the principles and sensibilities of shareholder value filling the gap by making investment decisions regarding what to build and where. Therefore, while sometimes institutional investment firms are exercising control over particular urban spaces, sometimes the middle classes, sometimes the elite or industry lobby groups, other times, there is no identifiable actor, but rather the principles of SHV and the pursuit of short-term profit itself.

The examination of urban governance presented here will illustrate both forms of financialization at work in the allocations, use of, and cultural and social practices around urban space. The particular site of urban space is not just an example, it is rather a primary site through which the

[21] van der Zwan (2014) 101.
[22] Haiven (2019) (1 of draft).

various actors within and without global finance have reconfigured capitalist forms of economy and conceptions of the role of the public in a democratic society.

ECONOMY: Financializing the Global Economy and the Indispensability of Real Estate

Since the 1970s, global capitalism has been shifting from being primarily industrial-based to financial.[23] A key initial circumstance of the transition was the overtaking of the growth, profit levels, and wages in the "productive" sector of the economy of goods and services by the "financial economy" of monetary investment and profit made through financial markets and otherwise.[24] The rise of finance is now evident in numerous processes and activities of the economy. The expansion of "financial activities" refers to the expansion of financial markets, the increasing volume of financial instruments, and the proliferation of new forms of financial transactions and instruments.[25] Financial instruments include cash instruments (such as securities: stocks, bonds, etc.; and loans and deposits); and derivatives (such as futures, forwards, options, and swaps) and securitized financial instruments (such as collateralized debt obligations and REITs); and combination instruments.[26] Financial instruments may be debt or equity or foreign-exchange based. Financial actors encompass an increasingly diverse set of entities, including: central banks, retail/ commercial banks and credit unions, investment banks, brokerage firms, insurance companies, consumer finance/ credit and payment processing companies, financial exchanges, and various kinds of asset management firms (including pension funds, hedge funds, and private equity firms). This transformation encompasses more than a mere sectoral shift though, and rather a host of structural changes in the global economy.

Gerald Epstein captures financialization as "the increasing role of financial motives, financial markets, financial actors, and financial institutions in the operation of the domestic and international economies."[27] This articulation includes not just an analysis of finance as a growing

[23] Arrighi (1994); Lapavitsas (2013); Krippner (2012).
[24] The World Bank defines "financial system" as "A country's financial institutions (banks, insurance companies, and other nonbank financial institutions) and financial markets (such as those in stocks, bonds, and financial derivatives). Also includes the financial infrastructure (for example, credit information–sharing systems and payments and settlement systems)." World Bank (2020).
[25] Lapavitsas (2013) 4-5.
[26] Lumen Learning; See discussion in Chapter 4.
[27] Epstein (2005).

sector, but also an expansive view of the actors, institutions, and the formation of markets. Costas Lapavitsas points specifically to several transformations which constitute that larger shift: "unprecedented expansion of financial activities, rapid growth of financial profits, permeation of economy and society by economic relations, and domination of economic policy by the concerns of the financial sector."[28] This kind of political power of the sector is evident in the U.S. in particular, where policy shifts in the 1970s and 80s done in the interest of finance led to the massive influence that the sector currently has in various sites of federal, state, and local governance as further explained below. The recognition of the economic, political, and social power of financial actors has a history since at least the late 19th/ early 20th centuries, and is often associated with Marxist analysis.[29]

Contemporary accounts often begin with the 1970s on account of the unravelling of global and national post-war financial regulation.[30] One of the core indications of financial capitalism since the 1970s is the structural shift in the source of profits in the economy towards the financial. Greta Krippner has shown empirically how the primary sources of profit in the economy have moved from earnings from goods and services to that of finance for both financial as well as non-financial actors. In her account, financialization is "a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production"[31] and "'financial' … refers to activities relating to the provision (or transfer) of liquid capital in expectation of future interest, dividends, or capital gains."[32] Krippner presents evidence of the turn towards financial markets and instruments by demonstrating how profit sources in the economy, measured multiple ways, are increasingly dependent on financial channels for profit.

Both financial as well as non-financial firms rely on these channels. The turn of *non-financial* firms toward the pursuit of profit through finance drives the permeation of financial activity throughout the economy.[33] Economist Michael Hudson, focusing on the "financialized bubble economy" driven by real estate, articulates this transformation in rather stark terms: "Industry has

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[28] Lapavitsas (2013) 3.
[29] See for example, Hilferding (1910); Veblen (1904). See also Lapavitsas (2013) 13-67; Ireland (2012); Hill (1967).
[30] Epstein and Jayadev (2005).
[31] Krippner (2005).
[32] Krippner (2005) 174-175.
[33] Krippner (2005); Lapavitsas complicates the idea of "profit" itself. Lapavitsas (2013) 138-168.

been financialized. Companies are being turned from means of production into vehicles to extract interest, generate banking fees and register stock market gains for the banking and financial sector."[34] In effect, after the initial "over-taking" of the productive economy by the financial, what we see now is an increasing collapse of the distinction between the two.

In Lapavitsas' account, the critical agents who further financialization are not just investment and financial firms, or the state (which structures and supports financial markets and instruments), but rather *banks* pursuing profits through financial trading rather than through borrowing and lending, and *individuals and households* who increasingly rely on the financial system to "facilitate access to vital goods and services, including housing, education, health, and transport."[35] He argues that "[t]he transformation of the conduct of non-financial enterprises, banks and households *constitutes the basis* of financialization."[36] To locate financialization only in the obvious sites of activities and profits of industrial and financial actors, therefore, would be to miss the wider structural transformations that Lapavitsas draws attention to: the re-ordering of "economy and society" by "economic relations" and the increasing political power of the financial sector.

Before turning to shareholder value and the political power of financial actors below, first a word on the relationship between globalization and financial capitalism.

From Globalization to Financial Capitalism

Financialization, while often presented as a new phenomenon, can be understood in many ways in relation to globalization. First, an essential part of globalization was economic integration – financialization has taken that process to an extreme, both furthering and transforming the spatial disruption initiated by globalization. Second, as explored in the discussion below, globalization has been understood to have transformed state, economy, law, and society and everyday lives in both the Global North and Global South. Financialization has transformed each of these dimensions as well, both aligning with and diverging from globalization. Finally, just as states in the Global South were seen to have been both acted upon and as actors in international law and economic development during globalization, so too with financialization; and yet through

[34] Hudson (2010) 1.
[35] Lapavitsas (2013) 4.
[36] Lapavitsas (2013) 4.

financialization different exercises of power and new actors emerge, and different manifestations of global circulations and patterns emerge, particular in relation to the newly built environment.

Definitions of globalization offered by scholarly literature are diverse, and even the very nature of what constitute the "global" is a contested idea, at times conceptualized as "an institution, a process, a discursive practice, or an imaginary."[37] If there is any common thread, it might be some form of recognition of interdependence and integration of national economies, peoples, and governance mechanisms,[38] with considerable debate as to how new a phenomenon this is, when these processes began, and if and how the current age of globalization differs from those that came before.[39]

The term as used here takes its understanding from literature that casts it as a reflexive dialectic as well as a blurring of global and "local" through interconnections and interdependences and a resulting disruption of spatial categories and processes operating primarily from the 1970s onwards.[40] Emblematic to this conceptualization is sociologist Anthony Giddens' often-cited understanding of globalization. Recognizing the entwinement of modernity and globalization, he defines globalization as the

> "intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. This is a dialectical process because such local happenings may move in an obverse direction from the very distanciated relations that shape them. Local transformation is as much a part of globalisation as the lateral extension of social connections across time and space."[41]

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37 Sassen (2007) 3.

38 Well known accounts include Sassen (2007) 3 (distinguishing her conception of globalization from "the common notion of the growing interdependence of the world generally and the formation of global institutions"); Waters (2001) 15 ("Globalization increases the inclusiveness and unification of human society"); and Giddens, discussed above.

39 Michie (2003); contributions in Bordo, Taylor, Williamson (2003). Thompson and Hirst (1996). On the transnational networks of thoughts and ideas between nationalist, anarchist, and anti-imperialist movements around the globe in the 19th century, see Anderson (2005). Clark (1999), especially Chapter 2. For an argument that what was being experienced was a crisis of capitalism – the beginning of transition from it in its then-current form, see Wallerstein (1974) and (2000). For the seminal argument that the world system commenced with the Thirteenth century China & the Arab World, see Abu-Lughod (1989).

40 Sassen (1996), Appadurai (1996).

41 Giddens (1990) 64.

Here we have globalization as a *social* process linking diverse geographies and transforming them. To that understanding, we can add, per Malcolm Waters, an ensuing *social awareness* of the receding “constraints of geography on economic, political, social, and cultural arrangements.”[42]

Spatial Disruption

Financialization carries forward as well as amplifies certain aspects of the spatial disruption of jurisdictional boundaries that globalization entailed, while also introducing new patterns of disruption. Similar to globalization, financialization is not (only) a top-down imposition by global institutions but also a presence *within* nation-state *and* local/subnational policymaking orthodoxy and practices.[43] For Sassen, globalization is not just a force acting upon nation-states, but rather “partly inhabits national territories and institutions.”[44] Further, as legal scholar Alfred Aman has argued, “the ‘local’ must now be understood as one modality in a complex global process, rather than a unified place or jurisdiction.”[45] Therefore, “the global and the local are facets of a single, dynamic system, not simply an arrangement of parts and a whole.”[46] The internalization of globalization in domestic political institutions as well as the dialectical relationship between local and global (associated with Giddens) helps us see how the geography of financialization is similarly *internal* in local, global, and in-between. In financialization, the ‘internal’ – what is inhabited - is not just internal workings of the state or even of substates, but rather also individual imaginations and societal culture that infuses the entire economy, politic, law, and social and everyday life.

It is through that inhabitation that globalization disrupted the traditional spatial unit of analysis of the state. It brought into question “key assumptions” around territory and nation - ideas that the “national-state [is] the container of social process” and a “closed unit” with “exclusive authority over its territory.”[47] Rather, as Sassen explores, understandings of globalization reveal how the location of “a process or an entity… within the territory of a sovereign state does not necessarily mean it is national or of the type of traditionally authorized by the state (foreign tourists, embassies,

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[42] Waters (2001) 5, drawing from both Robertson and Giddens.
[43] Sassen (2007) 3.
[44] Sassen (2007) 3.
[45] Aman (1998) 773.
[46] Aman (1998) 813.
[47] Sassen (2007) 3-4.

etc.)" and that in fact "it might be a localization of the global."[48] Financialization takes this spatial disruption of national authority and the identification of the *place* of economic activities to an extreme.

In considering the spatial disruption of globalization and financialization, the city becomes a key site in which to understand its processes and its stakes. David Harvey has characterized globalization itself as "another round in the capitalist production and reconstruction of space."[49] Capitalism, always in need of more spaces and resources to accumulate – in need of a "spatial fix" - finds local spaces around the world through globalization, enabled by technology and bringing restructuring, disruption, uneven development, and strengthened institutions of global governance with it. In his account, cities provide crucial places from which value is extracted.[50]

Capital Controls, Urbanization and Real Estate

While not often recognized as such, intimately related to that spatial disruption is the liberalization of capital controls by governments in the 1970s and 80s, in part propelled by U.S. domestic policy transformations during this time.[51] These controls included various regulations on capital invested across national jurisdictional borders such as with regards to foreign direct investment (FDI), portfolio flows (including investment in equities), and bank borrowing.[52] Policies promulgated by the IMF and World Bank (IFIs) known as the Washington Consensus during the 1980s made the loosening of such controls a condition to economic development assistance of various kinds. As Lapavitsas argues, even before capital controls were explicitly loosened, there were already emerging forms of financial investments outside of regulatory structures.[53] The presence of these challenged the power of regulation to be effective and paved the way for ideological shifts in the regulation of capital through capital controls.

In addition to the international investments that were enabled by these measures, powerful ideas took hold concurrently that continue to influence international financial regulatory frameworks and policies. The idea that capital could "flow" (and the metaphor to water – which could either

[48] Sassen (2007) 4.
[49] Harvey (2001) 23.
[50] Harvey (2001) 23.
[51] Eichengreen (2008); Helleiner (1994). See Chapter 4. For a visualization of global capital flows in 2016, see McKinsey (2016).
[52] Kose and Prasad (2020).
[53] Lapavitsas (2013) 310-312.

flow or be dammed) and that countries were obliged to enable the free flow came to be taken for granted. As Chapter 4 details, the slow shift of ideas of "control" to that of enabling the "flow" took place in a variety of intergovernmental and national institutions. Eventually it became widely accepted that "free" capital flows were normatively good policy – meaning, if capital could be "allowed" to "flow" across borders more freely, countries would be better off, particularly ones with lower Gross Domestic Products (GDPs).

Understanding the situation of the so-called 'less developed countries' whose policies around capital flows were largely dictated by the IFIs helps us understand the inherent assumptions, disparities, and crises engendered by unfettered financial activity. Financialization took hold around the world (and in the Global South in particular) not only through the loosening of capital controls, but also through the build-up of foreign exchange reserves, and the establishment of foreign banks.[54] The ensuing ubiquity of finance led many globalization scholars in the late 1990s and early 2000s to consider the sovereignty of the state in crisis in the face of an increasingly powerful financial sector.[55]

That turn to attracting capital as well as the dependence on the promise of future income streams from investments[56] enabled the expansion of capital that would be increasingly directed towards real estate and real-estate-based financial instruments. This shift would, in effect, "financialize real estate" – making it less "real" in the economic sense, and more "financial" in the sense in which Krippner and others use the term as liquid capital.

As the processes and effects of globalization unfolded with increasing intensity, so too did scholarly attention across various disciplines. We can see a similar burgeoning of literature engaging with the processes of financialization – from political economic literature exploring the histories of the rise of the financial sector as well as the varied public and private actors exercising different kinds of agency;[57] to economic sociologists revealing the transformations from globalization to financialization in the forms of expertise and knowledge and the materiality of markets;[58] to legal scholars examining the new roles of the state and the re-configurations of

[54] Lapavitsas (2013) 43.
[55] See Strange (1996); Sassen (2007).
[56] See Martin (2007a); Bryan and Rafferty (2005).
[57] Strange (1988; 2015). Krippner (2012).
[58] Callon (1988); MacKenzie (2006) and (2009); Riles (2011).

governance;[59] to anthropologists who anticipated the shifts in everyday lives marked by cultures of globalization.[60]

All of that is to say that globalization and financialization as phenomena are interrelated and both similar and dissimilar in substance and in scholarly account. We might think of globalization as making possible the form of financialization proceeding now, not only through its programmatic opening of capital controls but also its multi-dimensional circulations of cultural and social encounters and representations.[61]

A key instantiation of the ascendancy of finance has been the turn to the principle of shareholder value in corporate governance. The principle of shareholder value is significant because of how it transformed financial and industrial firms, but also because, as we will see later, its logic echoes in the rationalities that now inform urban governance as well.

Shareholder value

The prioritization of "shareholder value" has been the dominant mode of corporate governance employed in the United States and the United Kingdom and other "key commercial" jurisdictions since the 1980s/1990s,[62] whereby shareholders are assigned "an exclusive role … as the only group whose interests must be considered by boards of directors."[63] In short, under shareholder value, "the object of corporate governance is simply to ensure that managers act so as to maximise shareholder value- meaning, in essence, the dividends and capital gains accruing to shareholders."[64] As it took hold in the United States and the United Kingdom, the shareholder value model of corporate governance spread quickly throughout the world, in part through its inclusion in the Washington Consensus.[65]

Despite the various scandals such as the collapse of Enron and crises such as the Global Financial Crisis of 2008+ that have accompanied an over-reliance on shareholder value,[66] its prevalence

[59] Riles (2011); contributions in Williams and Zumbansen (2011); Dore (2008).
[60] Contributions in Comaroff and Comaroff (2001); Appadurai (1996).
[61] On the circulation of cultural encounters and representations, see Appadurai (1996).
[62] Hansmann and Kraakman (2001) arguing ("[t]here is no longer any serious competitor to the view that corporate law should principally strive to increase long-term shareholder value") 439.
[63] Jacoby (2005) 70; See generally Stout (2011).
[64] Ireland (2009) 2.
[65] Ireland (2009) 3.
[66] See Ireland (2009) 3.

remains relatively unscathed. It is now employed in many so-called "developed economies," despite their divergence in governance institutions, share ownership models, capital markets structures, and business culture.[67] That it has ascended to be *the* singular organizing principle in business around the world is relatively unquestioned: in 2016, *The Economist* referred to it as "the biggest idea in business," directing readers towards the 1990 McKinsey publication that is used as textbook in business schools around the world which definitionally links SHV to the core value of a company.[68]

Some (including McKinsey themselves) would argue that what has actually taken hold is an overly simplistic form of SHV which has led to a variety of negative effects,[69] most notoriously massive inequality between CEO and worker compensation. As a contributor to *Forbes Magazine* put it, it is this "short-term stock-price-oriented version of shareholder value that is presumed in daily financial news reporting, accepted as a go-to for any executive of a large public company, the *modus operandi* of activist hedge funds, endorsed by regulators, institutional investors, analysts and politicians and often seen as simple common sense."[70] Leaving aside the counterfactual of whether a more complex version of SHV would have avoided those effects,[71] it is worth exploring what that simplistic form of SHV refers to and what has been implemented in its name.

As Sanford Jacoby explains, "[s]hareholder-value systems are designed to produce high returns for shareholders and the executives whose pay is linked to stock prices."[72] In short, the shareholder value model of governance prioritizes high returns (generally short-term) even at the expense of other *corporate priorities*.[73] While not focusing on the implications for real estate and urban space, the shareholder value literature demonstrates the ways in which finance has expanded well beyond financial products and transactions, and how the turn to financial activities and priorities in

[67] Hansmann and Kraakman (2001); Ireland (2009) 21; McCahery, et al. (2002).
[68] The Economist (2016); McKinsey & Company (2010).
[69] Pearlstein, *The Washington Post* (2013).
[70] Denning, *Forbes Magazine* (2016).
[71] See McKinsey & Company (2015); McKinsey & Company (2004).
[72] Jacoby (2005) 70-71. On the role of law in enabling the rise of executive compensation, see Dorff (2014). For the seminal account of the shareholder as the appropriate locus of corporate control on account of their bearing of risk and their aligned incentives, see Jensen and Meckling (1976).
[73] Other interests include those of "other participants in the firm -- such as employees, creditors, other suppliers, customers, or society at large." Hansmann and Kraakman (2001) 440.

corporations has significant consequences for societies.[74] As Laura Horn explains, the rise of SHV should be understood as part of a "*broader* process towards a radically financialized corporate culture and form of corporate governance."[75]

The prioritization of shareholder value has shifted the very foundational way that nonfinancial corporations are conceived,[76] as observed for example, in the *raison d'être* of large companies in the U.K. and the U.S. over the past half-century. "As recently as the 1960s," writes Simon Deakin, mission statements of large companies in Britain and the U.S. suggested that companies should provide "secure jobs and good working conditions," "minimize environmental damage," "seek close ties with local communities," and "accept their fiscal obligations in a responsible way, knowing that the maintenance of the public space ultimately depended on the surplus which they generated."[77] Accounts of this time characterized managers as accepting responsibility not just to shareholders, but also to "employees, consumers, local communities, and society at large."[78] These objectives have been massively transformed through the turn to the market for different forms of financing for both primary business activities[79] as well as new financial activities meant to generate profits.[80] As Laura Horn explains, this (dual) turn to the market has made financial markets "one of the key mechanisms through which financial imperatives have been internalized by the corporation."[81] Those imperatives operate most distinctly through "the disciplinary power of the share price."[82] The emphasis on share price, "coupled with executive renumeration aligning managerial decisions with shareholders' expectations, means that corporate control is now ultimately configured upon the exigencies of markets, rather than other possible objectives for the corporation."[83] The restructuring of corporations toward their most profitable activities manifests itself in a number of composite activities and aims, including a "short-term focus on quarterly

[74] For example, Deakin (2011), Hansmann and Kraakman (2001), Jacoby (2005) and (2011); Froud et al. (2000). For some scholars, this rise of shareholder value constitutes the "very essence" of financialization itself. Epstein (2015) 8-9.
[75] Emphasis in original. Horn (2017) 283, citing in part Ireland (2009).
[76] "Non-financial corporations are corporations whose principal activity is the production of market goods or non-financial services." OECD (2001); Deakin (2011), Hansmann and Kraakman (2001); Jacoby (2011); Froud et al. (2000).
[77] Deakin (2011) 18.
[78] Ireland (2009) 17.
[79] See Horn (2017) 283.
[80] Horn (2017) 283.
[81] Horn (2017) 283.
[82] Horn (2017) 283.
[83] Horn (2017) 283.

earnings and share price fluctuation,"[84] a move away from retaining and reinvesting returns and towards distribution to shareholders, the "restructuring of social relations within the corporation to safeguard the interest of shareholders," and the 'calibra[tion of] strategic decisions according to profitability as sole objective."[85] The focus on distribution has led to a prioritization of dividends and share buy-backs, even if such activities over-value the short-term at the expense of long-term corporate value.[86]

Through an over-emphasis on share price and shareholder value, the processes of financialization re-orient corporate resources away from production and toward financial profit and perceived opportunity.[87] The pressure for ever-increasing pay-outs (through instruments such as dividends) leads to lower investments in production and wages. This has resulted in a dragging down of the real economy, which in effect "leads to a further redistribution of income and power between capital and labour."[88] It has significant implications for the way managers see their role,[89] the power that labour is able to exercise,[90] inequality between workers and executives,[91] and for the ways that corporations exercise control in the societies around them.[92]

The power of the McKinsey textbook referred to above and other indicators of corporate culture disseminated through business schools is significant. Shareholder value has been further entrenched not just through changes in governance but also through cultural shifts in how *executives* are seen. Rakesh Khurana captures this transformation of the "ideal executive"[93] in evocative imagery, arguing that there has been a shift from an image of that of "a steady, reliable caretaker of the corporation and its many constituencies to that of a swashbuckling, iconoclastic champion of shareholder value."[94] This shift not only demonstrates the change of governance *role*

[84] Note, as Ireland explains, the focus on meeting profitability estimates is its own time and resource-consuming activity. (2009).
[85] Horn (2017) 283-284. See also Lazonick and O'Sullivan (2000).
[86] Lazonick & O'Sullivan (2000).
[87] Horn (2017) 284.
[88] Horn (2017) 284.
[89] See Jacoby (2007) Chapter 1. On the debate between Adolph Berle and E. Merrick Dodd on whether managers should serve shareholder or societal interests, see Berle (1931); Dodd (1932); Berle (1932); Berle (1959).
[90] See Jacoby (2008).
[91] Jacoby (2005) 70-71.
[92] See Jacoby (2005).
[93] Khurana (2007).
[94] Khurana (2007) at 3-4.

of executive (to address the perceived problem of "agency cost"[95]), but also of a shift of *corporate culture* in which that executive operates. As Ireland argues, the role of "business schools and elite networks in cultivating this new, highly financialized corporate culture should not be underestimated."[96] What we will see in relation to urban space is how the values embodied in the swashbuckling champion move beyond the boardroom and make their way to city hall.

It is important to see here how the pursuit of profit, particularly short-term, and the use of dividends have also structured real estate investments and activities, and therefore the treatment of land and property. Real estate investments, in particular Real Estate Investment Trusts (REITs), are largely attractive investments because in some ways they exemplify the prioritization of returns for shareholders, albeit with longer timeframes. REITs are professionally managed collections of real estate assets where investors take shares in either the income stream generated from the asset (such as hotel revenue) or both the ownership and income. REITs reflect both the SHV logic at work – in most jurisdictions they are regulated to pay out 90% of profit in dividends, they have low capital gains taxes, and they have resulting high returns - as well as its contradictions. As explored in Chapter 4, the long-term horizon under which REITs are governed has become increasingly under pressure by "shareholder activism" which attempts to exercise control over corporate governance to shape it in the image of shareholder value, including, notably, quarterly profit expectations.[97] That real estate investments such as REITs or even publicly traded real estate development companies would, like other corporations, be governed by the logic of SHV implies that what these real estate-related investments finance – *what kinds of hotel, residential and other developments are built through their financing* – are not insulated from this logic by their physicality but are in fact shaped by it.

What does it mean when a building is constructed or managed to serve SHV? First, an emphasis on high-end projects with high returns. The REIT structure is predicated upon payments based on income received. This puts high pressure to keep raising rents so that dividends increase for investors. During a time of housing crises in the same cities with record real estate investment,

[95] On the shareholder as the appropriate bearer of control on account of their bearing of risk and their aligned incentives, see Jensen and Meckling (1976).
[96] Ireland (2009) 21. See also Khurana (2007).
[97] Recent industry reports around REITs have expressed great concern that the focus on quarterly profit in particular is too short a time-line for most real estate investments to be profitable in a sustainable way. See for example, EY (2017); NAREIT (2015).

property prices are pushed even higher, leaving even more populations without housing options and fuelling unstable housing bubbles. Second, as REITS increasingly become landlords for single-family homes, they are noted for closing any routes for tenants to negotiate, for evicting tenants, and for not being answerable to their needs for repairs, all in an effort to decrease costs and increase profit.[98]

This form of shareholder activism can be understood as part of the larger rise of institutional investment. Accompanying the turn to SHV was the consolidation of ownership of shares into institutional investors. With those new levels of concentrated ownership, the "control rights attached to shares – the rights which some had deemed irrelevant and redundant only a few years earlier – once more became a source of considerable power" according to Ireland. Moreover, Ireland argues, more recently, "armed with these rights," institutional investors have "become collectively much more active" and have reshaped corporate goals and practices, including the increased emphasis on share price. Amongst those institutional investors, pension funds in particular have been amassing considerable assets and are now "leading agents in, and beneficiaries of, liberalized and globally integrated financial markets."[99] As Simon Archer has argued, pension funds influence a variety of spheres of financial markets and actors and have become increasingly reliant on capital markets.[100] They are increasingly ""active owners," seeking to influence management in their investments, and occasionally, enforcing their rights as shareholders through litigation"[101] – a point of significance here as they are also increasingly significant investors in real estate and infrastructure.

Very recently there has been some expression of scepticism around the wisdom of SHV, even by large institutional investors themselves. In 2019, the chairpersons of several giant funds including Allianz Global Investors and Fidelity International publicly voiced their opinion of a need to move beyond SHV for the sake of society and the environment.[102] Also in 2019, the Business Roundtable – a powerful American corporate lobby - issued its annual statement which explicitly turned away

[98] Mari, *The New York Times* (2020).
[99] Skerrett, Weststar, Archer, and Roberts (2017) stating that "[g]lobally, private pension assets reached US$38 trillion in 2015, concentrated largely in the rich countries of the OECD, and double the level attained a decade earlier." See also Jacoby (2009).
[100] Archer (2011) 179-180.
[101] Archer (2011) 179.
[102] Jenkins, *The Financial Times* (2019).

from shareholder value. The statement, signed by 181 CEOs, "*redefined*" the "purpose of a corporation" to "promote 'An Economy That Serves All Americans.'"[103] In its own characterization of previous Statements, "[e]ach version of the document issued since 1997 has endorsed principles of shareholder primacy – that corporations exist principally to serve shareholders." However, the 2019 Statement "supersedes previous statements and outlines a modern standard for corporate responsibility." The Statement first recognizes the many roles that corporations play in economic and social life, by "creating jobs, fostering innovation and providing essential goods and services" including consumer products, equipment and vehicles, national defence support, food, healthcare, and energy delivery as well as "financial, communications and other services that underpin economic growth."[104] The Statement then recognizes the need to consider longer-term growth and the needs of a wider variety of "stakeholders" including employees and communities.[105]

Real Estate Investment in Finance Capitalism

Real estate is considered by many financial analysts to be one of the most – if not the most - attractive economic sectors for investment in the post-Crisis economy.[106] There has been an astounding increase of construction, particularly of luxury buildings, even after a Global Financial Crisis (GFC) which was driven by real estate investment. One of the primary structures through which the spread of financial products (which many take to be the primary indication of financial capitalism itself[107]) has occurred is the securitization of real estate. Real estate itself has been growing exponentially in recent years and its accompanying financial instruments have been essential to that growth through the expansion of the secondary mortgage market, various structured products, and derivatives. In 2016, Savills estimated the global real estate assets to be worth $217T, a figure which represented 60% of all global assets, including equities, bonds and gold.[108] This figure however, underestimates the power of real estate in the financial economy when one considers the multiplier effect of securitization.

[103] Business Roundtable (2019). Emphasis added.
[104] Business Roundtable (2019).
[105] Business Roundtable (2019).
[106] This is based on a number of media and industry reports. For example, Rapoza, *Forbes Magazine* (2016); Reeves, *Market Watch* (2016); PriceWaterHouse Coopers (2017); Johnston, *Newsweek* (2015).
[107] Epstein (2015) 7-8; Rossi (2017).
[108] Savills World Research (2016). See also Knight Frank (2017) 44 (discussing how the expansion of property investment is part of a broadening of what are considered property assets).

Real estate can be invested in through a variety of instruments:

Direct investment in real estate	Purchase of property with the expectation of rent, appreciation, including by "flipping" the property within a short time frame.
Bonds, for example a land-backed municipal bond	Debt securities issued by corporate entities for specific projects or public authorities for projects such as bridges, roads, etc. Bonds pay back set amounts over time (coupon rate) and upon maturity, the original investment amount is repaid. The investor does not profit from appreciation of the underlying property here, but they are considered relatively low risk because of they may be secured by assets such as land, issued by public authorities, or have conservative coupon rates.[109]
Mortgages	A mortgage pledges real property as security for an obligation to pay a loan.
Joint Venture in a real estate project	A common structure for a real estate project is for the developer (usually 10%) to enter into a JV with an investor for funding (usually 90%).[110]
Investment in an asset management firm that acts as JV investor	Investors channel their capital into large institutional asset management companies. These figures represent numerous investors.
Individual stock of real estate operating companies and developers	Some operating companies/ developers are publicly traded on stock exchanges.
Securitization, particularly of mortgages	Securitization refers to the creation of new financial instruments by combining financial assets (often real estate-related assets) for risk management and then dividing that combined instrument into different tiers of returns, and marketing those different tiers to investors.[111]
Real Estate Investment Trust (REIT)	A REIT is a specific kind of trust that is created to finance and own income-producing real estate.[112] Their ownership is divided among many equity shareholders who earn shares of the income produced from real estate

[109] nuveen (2020).
[110] Interview with S. Makker (2016).
[111] See Bryan, Martin, and Rafferty (2009).
[112] NAREIT website, Basics of REITS & REIT Investing.

	ownership (often through commercial or residential rent or hotel receipts).[113]
Real estate-related Mutual Fund / Exchange-traded Fund (ETF)	Real estate mutual funds and ETFs invest in REITs and real estate operating companies and developers. Both mutual funds and ETFs are professionally managed collections, of stocks or bonds. They have some differences in minimum investing amounts and liquidity.[114]
Index Fund	Index Funds track the performance of a particular market index by investing in a diversified basket of publicly-traded securities.
Real estate derivative	Derivatives are financial instruments which provide exposure to investments (in this case real estate-related ones) without having to purchase the underlying property.

Table 1: Typology of real estate-related investments

These investments are not just 'essential' to financial capitalism – they constitute it. The evolution of various forms of real estate investment – their increasingly complexity, their securitization, the expansion of derivatives – is reflective of the evolution of financial instruments and markets more generally.

As the nature of investment more generally has evolved to reflect the pursuit of short-term returns and pay-outs, so too has real estate. Real estate used to be associated with relatively slow-moving transactions. Investors had to have in mind a longer time frame than high-frequency, immaterial market investments in order to reap its rewards. Writing in 2002, urban planner and geographer Rachel Weber examined how real estate is a peculiarly "spatially embedded commodity."[115] Its specific location makes it inherently "scarce and valuable," attracting "a range of investors, from the small-scale speculator-next-door to the largest insurance companies, because the investment produces an alienable commodity"[116] whose returns can be captured by rents and future sales and

[113] NAREIT website, Basics of REITS & REIT Investing.
[114] Vanguard website, ETFs vs. mutual funds: A comparison. For example, Vanguard Real Estate ETF is a fund which invests in ~180 stocks. These stocks include a wide variety of REITs as well as real estate management companies and real estate developers.
[115] Weber (2002) 521.
[116] Weber (2002) with reference to Fainstein (1994).

repurposed in new developments. It was also, however, inherently illiquid and immobile.[117] As Weber argues, however, since the 1970s, "in order to attract capital looking for large, liquid trading markets, the commodity of real estate has become progressively dematerialized and deterritorialized."[118] Through its financialization into an instrument on a financial market, it becomes increasingly "detached from place and more subject to the disciplining power and accelerated schedules of global capital markets."[119] In other words, the association of real estate investments with longer time horizons and slower, steadier profits tied to specific locations has been giving way to placeless, securitized financial instruments or derivatives.

The turning of the financial economy towards real estate reflects a constellation of political decisions by the United States and other governments and the intergovernmental organizations. The United States government played an active role in enabling real estate to operate with more liquidity (in other words, more like a financial instrument). It incentivized investment in real estate through various tax polices such as shelters, deductions, and tax credits.[120] It also greatly increased the capital flowing towards real estate by enabling a secondary mortgage market to be formed through the various backing of "quasi-public institutions" such as the Federal National Mortgage Association known as Fannie Mae (formed in 1968) and the Federal Home Loan Mortgage Corporation known as Freddie Mac (formed in 1970).[121] These entities buy and package mortgages and "guarantee their payments with government backing on mortgage-backed securities held by other institutions, such as pension funds."[122] The securitization of mortgage debt and other real estate-related debt and equity significantly increased investment flows towards real estate.[123] Finally, beginning at nearly the same time during the 1980s and continuing through the 2010s, the U.S. government also took various measures to make investment in debt rather than equity attractive, which in effect directed investments towards real estate / mortgages.[124]

These policy decisions are some of the many manifestations of the political power of the financial sector in the U.S. during this time. In collaboration with the real estate sector, banks also lobbied

[117] Weber (2002) 521.
[118] Weber (2002) 529.
[119] Weber (2002) 529.
[120] Weber (2002) 529.
[121] Weber (2002) 529.
[122] Weber (2002) 529.
[123] Gotham (2009).
[124] This included tax regulation to reduce tax on interest earnings. Hudson (2010) 1.

the U.S. federal government to "to roll back property taxes, slash income taxes on higher wealth brackets and dismantle public bank regulation." [125] These policies were informed by a belief that lower taxes would mean greater investment in "mortgages and other loans, and paid as interest – to be recycled into new loans to bid up property prices further, justifying yet further new lending."[126] In this way, as Michael Hudson argues, banks "translat[ed their] economic power into political control."[127]

To where, though, would global capital flow? The 1980s/ 90s were also a time of massive urbanization as enabled and encouraged by the IFIs and others. This is yet another part of the economic development story essential to understanding financialization. This is not to argue that capital was only directed towards cities, but rather to argue for how these transformations – fiscal, secondary mortgage market, international financial regulatory, and urbanization – that are often treated separately in actuality reinforced each other in powerful ways. As Chapter 4 describes, capital was directed towards urbanization efforts and real estate in particular through direct investments and real estate-related financial instruments.

Two decades later, the financial instruments and transactions based on real estate assets and debt dwarf the monetary circulations associated with actual developments. Moreover, the logic of financial markets which applies to such instruments has squeezed out of the realm of finance and now increasingly applies to the actual developments as well. In other words, the gap between real estate in its reference to a tangible building and in its reference to an investment is shrinking. Real estate is losing its property-in-land quality and taking on more of its immaterial investment-like uses. It is increasingly being used as a store for capital and an instrument for investment returned. As a result, the actual space which constitutes it is being used in the material sense less and less. Flats are built to be purchased, held briefly, sold and resold without ever being occupied. Securitized real estate and secondary mortgage markets have become a significant part of the financial economy.[128] In other words, not only is real estate increasingly taking on investment-like qualities, it is taking on *speculative* investment-like qualities.

[125] Hudson (2010) 1.
[126] Hudson (2010) 1.
[127] Hudson (2010) 1.
[128] Gotham (2009); Gotham (2006).

RATIONALITY: Elite Expertise & Middle-class Investment

The transformation of the financial sector and the economy has inspired a wide range of examinations of finance as a site of social science analysis. Such literature, often associated with various scholarly circles such as “Social Studies of Finance” (SSF) subjects financial markets, actors, and institutions, calculative methods, and financial regulation to a wide range of to social science research within and across such disciplines as “sociology, anthropology, human geography, gender studies, socio-legal studies, and science and technology studies.”[129] This literature has metaphorically opened the “black-box” of finance by examining particular empirical sites of institutions (investment banks and funds, households, financial regulators); societal relationships and the construction of finance-related instruments such as money, debt, and derivatives; and even the development of particular financial techniques such as mathematical methods and formulas. Much of the foundational literature in this vein was Marxist, and much current literature retains some of that legacy in its concerns and critiques, including of fictitious capital, and accumulation through dispossession. This literature offers a wide range of insight into how finance works and who exercises agency in markets and regulatory structures and is complex, diverse and fast-growing, and therefore hardly amenable to summary. That said, there are several themes in it that are of particular interest here.

Through examinations of the actual people who design and execute financial transactions, relationships, and regulations, as well as the development and use of different techniques in calculation much of this literature has contributed to understandings of the *production of knowledge in finance*. Who is an expert, how such experts use technology, what kinds of formulas and algorithms are put to work and what data they include and exclude are all constituent parts of knowledge in finance. With a close affinity to Science & Technology Studies (primarily associated with the critical examination of the production of scientific facts and knowledge), this attention to the production of financial knowledge likewise reveals its *non-neutrality*. Simply put, mathematical models informing investment decisions are not simply “natural” or neutral – they are the product of human design, choices, and values. They are the product of particular historic, political-economic, and even firm-specific contexts and they reflect and further the values which informed their construction.

[129] University of Edinburgh, Social Studies of Finance website.

In her survey of the Social Studies of Finance literature, Marieke de Goede maps how the social science-based study of finance has offered cultural histories of finance, explored financial technology, and drawn attention to financial discourse.[130] De Goede describes this literature as both "re-politicizing" in the sense that it interrogates "what *is* and *is not* subject to debate, contestation, critical questioning, dissent and resistance" in relation to finance,[131] as well as "re-socializing" in that it "repopulates abstracted financial markets with human traders and speculators," "human investors of market models and formulas," "human designers of technology and risk assessment models," and "human journalists."[132] (To this list, one could add "human lawmakers and regulators" as well.) The histories of actual people exercising agency to shape markets and their consequences likewise reveals the *historical contingency* of how financial markets operate.

This constellation of literature has also brought the concept of 'performativity' to an understanding of finance. Performativity, associated with philosopher John Austin[133] or more recently with philosopher Judith Butler,[134] describes a discursive phenomenon that enacts or bring about that which it names. For Austin, performativity described the power of language to "effect change in the world: language does not simply describe the world but may instead (or also) function as a form of social action."[135] Through Butler and others, the concept broadens to describe subject formation itself: "Performativity, then, is the process of subject formation, which creates that which it purports to describe and occurs through linguistic means, as well as via other social practices."[136] For scholars examining finance as performative, the "language" of finance – its study, its formulas, its models – are understood to both describe and constitute financial markets and activities. The idea that the economy is performative was (perhaps most famously) articulated by Michel Callon in 1998[137] who argued that the academic field of economics, "in the broad sense

[130] De Goede (2005b).
[131] De Goede (2005b) 24.
[132] De Goede (2005b) 23.
[133] Austin (1962).
[134] Butler (1990).
[135] Cavanaugh (2015).
[136] Cavanaugh (2015).
[137] Though Callon was not the first scholar to engage with the idea of performativity in economics, his application to economics has generated a rich literature with various trajectories. For example, Douglas MacKenzie and Yuval Millo have expanded on the idea of performative markets in relation to options pricing theory through a history of the Chicago Board Options Exchange. MacKenzie and Millo (2003). See also Cochoy, Giraudeau, and McFall (2010).

of the term, performs, shapes and formats the economy, rather than observing how it functions."[138] Economics itself "does not describe an existing external "economy," but brings that economy into being: economics performs the economy, creating the phenomena it describes."[139] Subsequent scholars have applied to this insight to finance in particular, examining the multiplicity of performativity, as well as the performativity of specific calculations, instruments, and practices.[140]

The insights of social studies of finance are indispensable in revealing the assumptions that underlie some forms of financial calculation relevant to real estate and urban space – specifically that quantitative analysis is politically neutral or that it is able to adequately capture and measure social circumstances. The faith in quantification and calculation implicates both elite as well as non-elite financial actors.[141] "Elite" financial scholars and financial analysts have changed the nature of expertise involved in market-making and market analysis in particular through computer-based financial models. At the same time, the "democratization" of finance – brought on in part through the use of online financial management through personal computing – draws lower-middle and middle classes to financial investment and placed significant amounts of risk in the new financial economies on individuals and households. The rise of finance described in the section above brought with it a faith in the quantitative that has seeped out into non-economic spheres of life as explored in the section on the 'cultures' of finance that follows.

In the discussion below, I focus on a central contradiction of the transformation of finance: the interdependency of elite forms of expertise which conduct finance and the expansion of middle-class risk-taking through their investment in real estate financial instruments. Thinking about that relationship embedded in the heart of the increasing sophistication of the instruments and their spread to middle classes around the world through vehicles such as REITs leads to two interconnected contradictions. First, as reflected in current literature, how can we reconcile the massive power of technology and complex calculation at use in finance and the inherent risk and volatility of future unknowns? Can the former really manage the latter? Second, how can the very specialized knowledge and high technology required to do the calculations of investment professionals be reconciled with the exhortations that the middle classes should all take on

[138] Callon (1998) 2.
[139] MacKenzie and Millo (2003) 108.
[140] See contributions in MacKenzie, Muniesa, and Siu (2007).
[141] On faith in finance, de Goede (2005a).

responsibility for their own financial investment activities? Not surprisingly, once the layers in how that expertise is constructed are peeled back, a host of questions arises as to whether that financial expertise is worthy of the ever-increasing resources and social and economic structures which rest upon it. What emerges are not resolutions to the contradictions but rather how systemic financialization rests upon the continuing existence of both. In short, middle classes and the general public must believe that they want 'in' to financialization, or there wouldn't be new capital to infuse the system and there wouldn't be a public to bear the systemic risk of financialization. That real estate – in particular, buying a home - has become increasingly speculative and out of the reach for many without excessive leveraging of their wages and assets *all the while clothed in a language of financial security* is no coincidence.

Quantification: from decision-driver to decision-maker

That the calculative methods used in finance are non-neutral and can have great effects on daily life has been the site of several critical examinations of relevance here. Scholars of Race & Capitalism have brought increasing attention to the accounting practices used during slavery which introduced numerous financial practices such as depreciation, valuations of human life, the issuance of insurance policies based on lives other than one's own, as well as the use of human life as collateral for loans, which greatly affected the treatment and sale of human beings.[142] As Matthew Desmond has argued, the cruelty of the slave master itself can be traced to the quantification of daily crop-picking targets.[143] If enslaved persons did not meet their particular daily target, overseers would use violence to attempt to ensure productivity; however, if an enslaved person produced more than their target, then their target was raised for the next day. Moreover, as Desmond argues, "punishments rose and fell with global market fluctuations."[144] Such violence was, in other words, calculative as well as cruel. A reliance on the calculation of the worthiness of life or death can be traced forward to actuarial tables as well as to various "trade-offs" made in relation to urban space, from the lives that get to continue in their own neighbourhoods to the accepted number of deaths during construction projects.

[142] Williams (1945); Baptist (2014); Rosenthal (2018).
[143] Desmond (2019).
[144] Desmond (2019).

Another site of critical work examining the non-neutrality of numerical calculation is in indicators of social and economic development.[145] As Sally Engle Merry argues in relation to the use of such indicators, the use of numerical data has both a "knowledge effect" as well as a governmental one. With regards to the production of knowledge, they "produce a world knowable without the detailed particulars of context and history," and they purport to convey complexity in "unambiguous, clear, and impersonal measures," without acknowledgement of their background assumptions and interpretations. As for governance, she reminds us that "[s]tatistical measures of populations are clearly connected to 18th and early 19th century ideas that the people of a country represent its wealth and that good governance requires measuring and counting these people."[146]

As Merry has further argued, quantitative measures have expanded well past traditional economic spheres into assessments of the social sphere, including human rights, poverty, and disease. They have the power to make visible through aggregation what was previously not, but at the same time, they hide their "political and theoretical origins and underlying theories of social change and activism."[147] Moreover, "they rely on practices of measurement and counting that are themselves opaque."[148]

All of these dimensions are further enabled by the power of indicators to produce categories and figures that allow for "quantifiable ways of assessing and comparing characteristics among groups, organizations, or nations," which in turn generates "knowledge that is standardized and comparable across nations and regions."[149] As a result, they have a profound effect on governance in that they are used for decisions regarding resource allocation, infrastructure, investment, and public facilities and services. With echoes of Foucault on the creation of the idea of "population" through statistics, she argues that "the modern state came to see its wealth as its population" and "put greater emphasis on counting and assessing the nature of the population," including through knowing "its birth and death rates and income levels, for example, and collecting taxes."[150]

In sum, the turn to indicators has transformed decision-making processes and power structures in that quantitative results replace "judgments on the basis of values or politics with apparently more

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[145] Merry (2011); Davis, Fisher, Kingsbury, and Merry (2012).
[146] Merry (2011) S84.
[147] Merry (2011) S84.
[148] Merry (2011) S84.
[149] Merry (2011) S84.
[150] Merry (2011) S85, citing Porter (1995) 25.

rational decision-making on the basis of statistical information."[151] While it is arguable that this could make decision-making processes more open by allowing for "public access to the basis for decisions," in fact, it hasn't worked that way.[152] In practice, the use of these indicators obscures their underlying value judgments and further empowers those considered to have expert knowledge, often located in the Global North.[153]

What we see now in the use of quantitative data sets goes even further than a record or a set of information from which to make decisions, but rather, quantitative calculations serving as the decisionmaker itself. For the investor, where to build, how to price, when to build, how much to invest and when to exit may all be decided by the quantitative. For governments, the kinds of indicators studied by Merry and others were concomitant with the economic development programs focused on GDP and urbanization examined in Chapter 4.

Calculations and Elite Expertise in Finance

The increasing reliance on quantitative calculation – a "mathematicization" - took hold in both the "academic study" of finance and economics as well as in the practice of finance beginning in the 1950s as Donald MacKenzie has argued.[154] Through that mathematicisation, the rise of finance as an economic sector coincided with the rise of finance as an academic discipline – both of which increasingly relied on mathematical methods and models to practice and define their insights. [155] In good company with MacKenzie is Mary Poovey, who argues that financialization "cannot be understood and should not be theorized apart from an analysis of the infrastructure that supports financial transactions."[156] That infrastructure involves both "institutions, legal contracts, and regulated, as well as informal, kinds of interactions" but, also it must include the "theoretical treatments of finance in the academic literature of economics" which has been, since the late 1930s, "composed in mathematical language."[157]

Understanding the place of the quantitative within the rise of financialization has given rise to a number of projects, many of which seem to grapple with appreciating the quantitative in substance

[151] Merry (2011) S85.
[152] Merry (2011) S85.
[153] Merry (2011) S84.
[154] MacKenzie (2006) 7.
[155] MacKenzie (2006) 8.
[156] Poovey (2015) 221.
[157] Poovey (2015) 221.

(how financial calculations are made) and also as a powerful form of presenting knowledge (the complex, intimidating, specialized nature of these models). This work has drawn attention to the problematic characteristics of global and domestic financial systems today: namely, extreme complexity, speed, opacity and a blind faith in the quantitative, all feeding "untrammeled" speculation.[158] This speculation, despite its claims of foundations of quantitative calculation (and therefore, implicitly, certainty) produce instability and a host of unfortunate consequences.

After the Financial Crisis of 2008+, both finance as a sector and reliance on mathematical models would come under scrutiny by the media. This media attention raised its own host of tensions, as Poovey notes, including its apparent incomprehensibility, except for those "trained in advanced mathematical and statistical techniques."[159] The opacity is also enabled by high-speed and specialized technology, available only to (mostly male) investment specialists[160] behind closed doors. That finance – and now computer-generated decision-making in finance - is seemingly incomprehensive and opaque is no secret. That opacity also engenders respect for itself, adding to its (perceived) aura of specialized expertise. As Annelise Riles argues, the actual, practiced expertise by actors in financial markets is however, imperfect, incomplete, and aware of its own limits. It is often dependent on personal relationships and on documentation and filing processes, it is geographically contingent, and it is often siloed into legal, mathematical, and other specialties.[161] What matters here is that these constellations of actors practicing complex financial transactions with "friction"[162] *are perceived as* experts with higher levels of knowledge within a larger lure of finance. That lure of finance means that when certain investment structures are made available to the middle class and when the middle class is *encouraged* to invest in these financial products either directly or through pension funds, everyone – or at least the middle and upper-middle classes - rushes in.

That combination of expertise and opacity should give us pause. Just because the middle classes are all 'in on it' now do not make financial markets more secure, or more predictable. The GFC is the nearest, clearest example of the systemic instability of the integrated globalized world of

[158] See Leyshon and Thrift (2007).
[159] Poovey (2015).
[160] Griffin (2013).
[161] Riles (2010) and (2011).
[162] Referring to Riles' application of Tsing's term. Riles (2010) 796. Tsing (2005).

finance.[163] The opacity of systemic risk, compounded by the global integration of markets and the structure of derivatives with their multiplication of exposure to referenced assets multiplied the ill effects of the crisis around the world exponentially. At the heart of that instability are the contradictions of expertise and unpredictability and middle-class risk exposure.

AI amplifies Quantitative Decision-making in Real Estate Investment and Management

Image 2.1: Man with a Machine from Skyline website[164]

Institutional investors have long used quantitative calculations to make investment decisions in real estate. However, with the capabilities to process exponentially more data through artificial intelligence, machine-learning, and the algorithmic calculations of Big Data, making investment decisions through quantitative analysis has taken on new meaning.[165] Using AI to make investment decisions is fast-becoming the accepted method of generating shareholder value.[166]

Real estate, with its various three dimensional factors affecting price – location, schools, demand for certain kinds of housing informed by evolving cultural norms, local government and land use considerations, the necessity of deal-making with developers, and perhaps even the culture of real estate investors – was "late" to the AI-driven world of investment.[167] As this section examines, new firms are presently closing that gap – crunching astounding amounts of data and making

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[163] See discussion in Chapter 4.
[164] *"For most purposes, a man with a machine is better than a man without a machine." – Henry Ford* https://www.skyline.ai/investment-management/
[165] AI can be defined as "the science and engineering of automated problem solving. The object is to generate solutions by using computers to mimic the cognitive functions associated with deliberative thought, including perception, reasoning, and learning." Relatedly, machine learning "is the most prevalent means by which the potential of artificial intelligence is being exploited. The term refers to the ability of computers to detect patterns in large data sets through the application of algorithms. In addition to uncovering potentially powerful insights in the data, computers can be programmed to train themselves to make data-driven predictions." McKinsey (2017).
[166] See, for example, corporate exhortations to use AI to achieve SHV, including Accenture (2017).
[167] *Forbes* (21 Aug. 2019).

representations about their ability to predict that which property investors "dream" of – future prices.[168]

The rich literature in algorithms and governance examine crucial questions of democracy, knowledge, and bias.[169] AI has stakes in everything from elections to the media to citizen participation – all crucial elements of functioning democracies.[170] The use of AI by private actors cannot be disentangled in those stakes. While the interest here is in examining how the turn of real estate investors to AI-generated decisions, the normative interest is in *revealing the rationalities of financialization in its barest form and the consequences of that rationality for the exclusion of marginalized populations from secure homes, participation in their cities, and in public life as well as the creation of self-fulfilling cycles of disinvestment in their infrastructure and welfare*. The use of AI in real estate demonstrates the finance-driven priorities in the use of urban space, and it operationalizes those priorities quickly, efficiently, and effectively through the investment it invites.[171] Its ability to attract investment both reflects and furthers the faith placed in the quantitative as a "scientific" – and therefore a politically and socially-neutral - method of decision-making. That faith is promulgated to the lay-investor, who is further distanced from the specialization and access to technology of experts and yet invited to contribute their resources to their funds – this is emblematic of finance capitalism but also demonstrates it in extreme form: more opacity, more distance, more speed. And finally it reveals how the rationalities of finance, when they are taken on board not just by investors but also the middle classes, are profoundly self-fulling: investment is made driven by algorithms with SHV-driven priorities, urban space is rebuilt in the image of finance, further investment is then drawn to those places. Stepping outside of that frame, one begins to see how the reliance on machine learning to decide where and how much to invest has the potential to have significant effects in furthering inequality and exclusion in lending, investment, and support for communities.

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[168] For example, Produvia (2018); Built In (29 July 2019); Propertunity, profiled in *BisNow* (1 Sept. 2017)

[169] Bartlett (2018); Benjamin (2019): Noble (2018).

[170] Bartlett (2018).

[171] As commentary in *Forbes* put it, "Artificial intelligence learns faster, thinks quicker, digs deeper and produces more accurate information and analytics." *Forbes* (21 Aug 2019).

AI used to decide what to invest in

In an article in *Forbes Magazine* titled "The (Data) Science Of The Deal: How AI Will Transform Commercial Real Estate," the benefits of an algorithmic approach to real estate investment decisions seems indisputable. Describing the "long-awaited union" between "science" and "real estate," the author describes how machine learning algorithms are able to "generate hyper-accurate predictions" through analysis that is "far beyond the limited scope of human analysis."[172] Not only does the algorithm incorporate data on "rent, occupancy, cap rates, broker listing data, schools, crime, census figures, mobility scores and key economic indicators," it also incorporates "new types of data . . . such as web clickstream data, cellular and geolocation data, satellite image data and more."[173] This is rather striking image – even someone's "clickstream data" or the paths of "clicks" that website visitors take will now be used to assess the value of properties and the future potential of the investment.

If the text sounds more like an advertisement than an article, the writer of the piece is the CEO of Skyline AI, an investment firm that specializes in real estate investment informed by artificial intelligence.[174] A video on the front page of their website with futuristic images and an authoritative-sounding voiceover explains how they achieve "above-human performance" by "continually processing millions of diversely sourced data points," and how they have built uniquely large data sets comprised of "over 400,000 assets, observing every deal made in the last five decades."[175] This data includes "traditional data points such as rent, vacancy, and cap rates and alternative data points such as geospatial information, mobile usage, and satellite images"[176] – in other words, they examine both "*owner* and *asset* behavior." By using a "proprietary ensemble of machine learning models," Skyline tells us that they can "decode[] the mechanics that govern the market." The video closes with what might be described as dramatically uplifting and fervent, slowly ascending choral music.

Massive data sets and proprietary models in hand, Skyline advertises that it can:

[172] *Forbes* (23 Jan. 2019).
[173] *Forbes* (23 Jan. 2019).
[174] Skyline AI website.
[175] Skyline AI website.
[176] Deloitte (2020) 19-20.

Image 2.2: Skyline infographic[177]

Skyline and other AI-based real estate investment firms are believed by influential consultancies such as Deloitte to offer a wide range of advantage through their machine-learning capabilities, from deal-making to assessing current investments to managing operations:

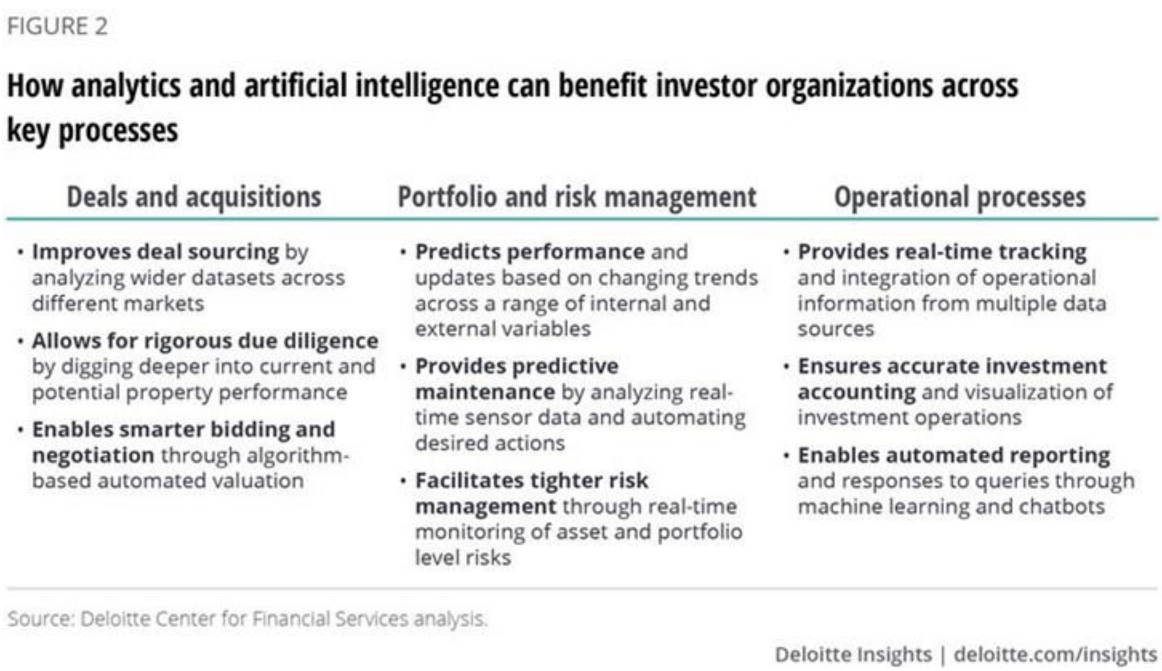

Image 2.3: Deloitte infographic[178]

[177] Skyline AI website as pictured on Nanalyze website: *https://www.nanalyze.com/2018/05/9-startups-artificial-intelligence-real-estate/.*
[178] Deloitte (2020).

AI used to decide where to locate businesses

Artificial intelligence is also used by retailers to make decisions as to where to open new locations.[179] For example, the firm Locate AI[180] analyses consumer data through machine learning to predict "market potential," "identify[ ] success factors," and evaluate competition, resulting in retail site recommendations.[181]

AI used in home buying & selling

As with other forms of financial expertise that were first used by experts and then promulgated to middle classes, now a lay person can use AI to decide which home to purchase. These firms range from Zillow[182] which offers its algorithmically determined price assessments on its website for millions of properties and Opendoor[183] which takes seller bids and actually purchases homes – sometimes within *hours*[184] - based on algorithmically determined decisions (explained in an easy-to-follow video that makes it sound magnificently simple and scientific) to start-ups such as Proportunity which advertises how it analyses "historical data about price movements and also around 50 metrics on location and micro economic impacts — info about transportation, crime, schools, the businesses that come and go from an area."[185] Machine learning also assists in selling properties to the end purchasers.[186] It can "automatically enter information into online databases about property specs such as kitchens, room types, basement status and more," and may even use photographs to get this information.[187] Speeding up this kind of assessment speeds up the time from entry to market to sale, which leads to higher selling prices.[188]

Implications

The collective decisions whether to invest or where to locate a store or eatery – and even whether or when to finance a renovation[189] - remake neighbourhoods and shift property prices and therefore

[179] Deloitte (2020) 18.
[180] Locate AI website.
[181] Deloitte (2020) 18.
[182] Zillow website.
[183] Opendoor website.
[184] Andrews, *Curbed* (12 Apr. 2018).
[185] *BisNow* (1 Sept. 2017)
[186] Morphy, *Globe St.* (12 Dec. 2019).
[187] *Forbes* (21 Aug 2019).
[188] *Forbes* (21 Aug 2019).
[189] Skyline website.

rents and costs of living. On one level, the ways that AI is used recall SHV in the focus on profit and speed. However, not only does AI implement the orthodoxy of SHV more efficiently, more effectively, and with more speed, it takes it further. The advertisement for Skyline above highlights its ability to capture the value in "arbitrage" between asking price and market price. That form of arbitrage recalls Randy Martin's concerns that such arbitrage is less about committed investment and longer time frames, but rather about "surfing the waves of decision and deriving unseen value from the undertow."[190] Martin distinguishes between the entrepreneur who "respects the boundary between property and speculation" and the arbitrageur who "can no longer."[191] AI, therefore, perfects the financialization machine. It crowds out other values, it enables the speculation that pays no heed to longer term effects of investment and divestment. The seeking of profit through split second marginal fluctuations becomes even more possible.

Moreover, it changes the kinds of buildings that investors support. As developers increasingly depend on market actors rather than banks for financing, the pressure to provide high profits or ongoing pay-outs in REIT or other investment dividends will only increase. The discussion that follows first examines what kinds of buildings will be built, before turning to what won't be built.

What will be invested in: Self-fulfilling prophecies of profit

If developers and investors pay heed to such guidance, they will invest in buildings that generate profit. High-end real estate generates more profit than affordable real estate. But, the pursuit of profit is more complicated than just the price point (and the differential with cost) of the final unit or building. With investment structures such as REITs whose profits depend on ongoing receipts, there is pressure to generate profit in an *ongoing* way through increasing rents or hotel prices. There are now, however, other ways of generating profit from buildings, namely through the collection of personal data.

The newly built environment is also seen as opportunity for the capture, use, and sale of personal data. This includes everything from infrastructural data (energy, cars) to tenant behaviour. Deloitte tells us how Internet of Things (IoT) capabilities can be added incrementally to minimize risk. From first prioritizing smart energy, security, and parking systems, owners could then add "electric car charging points and predictive maintenance" and finally "occupant behaviour data analysis and

[190] Martin (2007a) 22.
[191] Martin (2007a) 22.

predictive capabilities."[192] The transition from smart energy to predictive behaviour is presented like a natural progression.

The benefits of capturing tenant data are, evidently, numerous as such data can be utilized directly or sold to various actors from advertisers to urban planners to the retail tenants themselves.[193] To not capture data would be to remain ignorant and to be leaving potential profits untaken.[194]

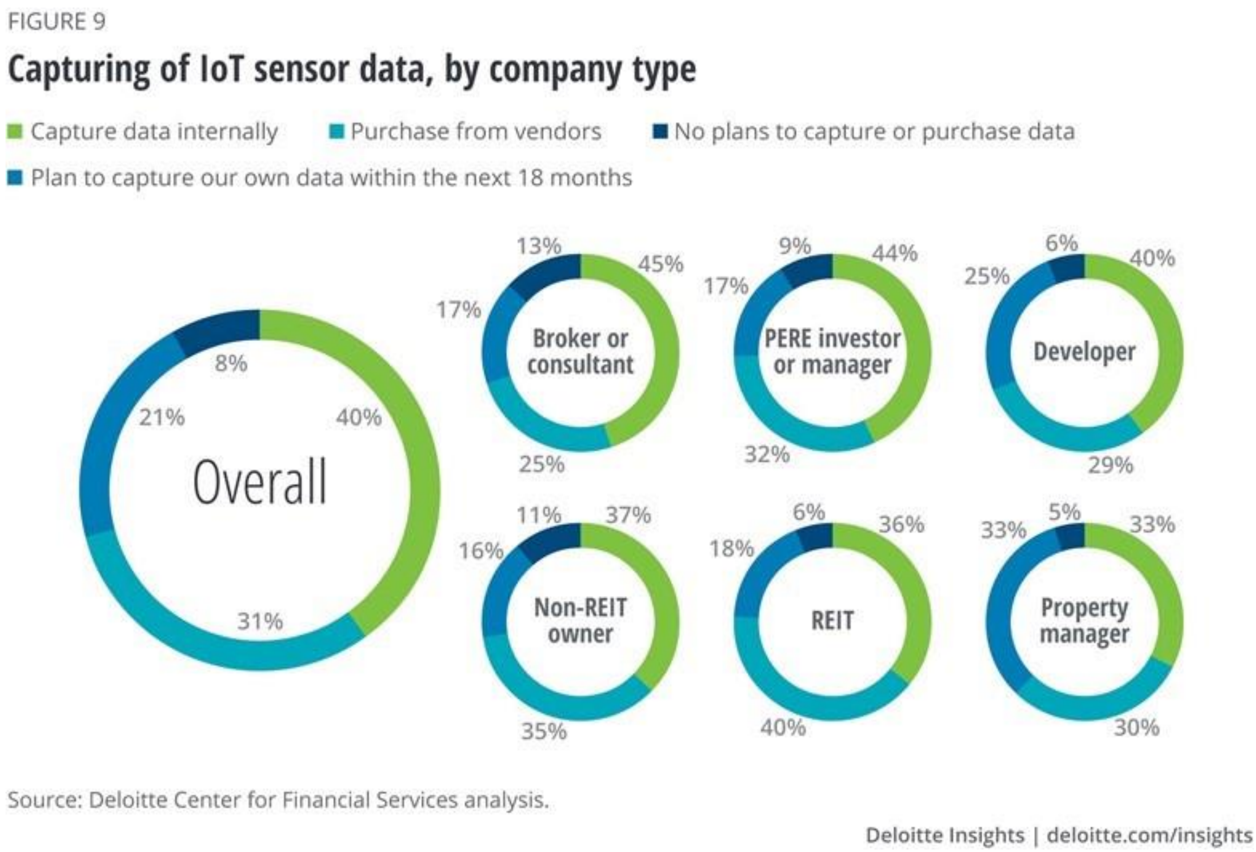

Image 2.4: Deloitte IoT infographic[195]

The discussions around how developers and investors can further capitalize on data sensors which capture personal data in urban space and from tenants read as if the government and public governance do not exist. In their exhortations to developers and investors to enhance data capture

[192] Deloitte (2020) 11.
[193] Deloitte (2020) 21.
[194] Deloitte (2020) 15.
[195] Deloitte (2020).

capabilities and to use that data, and to develop their own, individual, "data governance framework,"[196] data governance appears as a private matter, out of the public sphere. The governance in mind here is internal - processes, policies, standards, roles, responsibilities, and procedures, and even ownership clauses in contracts to govern how they will capture and use data – and yet that capture and use will affect tenants, guests of tenants, shop-goers, and the public.[197] If most land in cities is privately owned and managed, then the potential for the capture and exploitation of personal data is nearly perfect.

The turn to AI in real estate illustrates the rationalities of financialization at their extreme. Decisions made in pursuit of profit – but not just building appreciation and high sale prices - but rather which attempt to capture of fleeting values through speculative forms of arbitrage. It is indicative of a rationality that seeks to extract as much value as possible from urban space by those who control it.

What won't be invested in: Communal and individual exclusion

> "*My father felt that these "people" were anxious for him to default so they could snap up his property. While they would tell him there was little value, he knew that was not true. He complained that appraisals would low ball his value, and that lenders would hold everything against him in a way they would not if he were white. The last year of his life was spent trying to refinance a property that had a balloon payment looming. He felt that they wanted him to sell the property, which has million-dollar views but is in the wrong area.*
>
> *We told my dad he was crazy, that things were not like that anymore. Everything is based on numbers and it was his and his partners' faults for late payments and not managing wisely. It was easier to believe that it was due to his personal failings. He was a playboy and a drinker, who liked cars, clothes, and women. Just a typical black man who did not always pay his bills. Now I know better."*[198]

When investment decisions are made according the methods described above, what behaviour is left out - what won't be built or invested in, which communities and households and individuals

[196] Deloitte (2020) 16-17.
[197] Deloitte (2020) 16-17.
[198] Payne (2019).

won't receive financial support for their small businesses, shops, cafes, restaurants, etc. because it was determined that they were not a good investment? Neither will such communities fare well under appeals to negative financing decisions if banks and landlords adopt automated systems of real estate management, which increasingly are seen to be more efficient and less error-prone than human intervention, actions, and judgment.[199]

However, the use of machine learning for investment as well as automated decisions for management risks entrenching significant bias in access to credit and fair treatment by managers. McKinsey has referred to the amplification of bias through machine learning as 'Winner takes all' where financially sound companies can lose their access to capital on account of algorithms, and are left to the uncertainty of persuading "credit officers with factual logic," potentially resulting in "a liquidity crunch [that] could wipe out an entire class of businesses."[200]

This insight is particularly significant when one takes into account the known racial biases inherent in many financial-related algorithms, including real estate-related ones. A study from 2019 by a team of researchers at the Hass School of Business found that despite discriminating "40% less than face-to-face lenders," FinTech lending resulted in higher interest rates for LatinX and Black borrowers (7.9 and 3.6 basis points higher), costing those borrowers $765 million in extra interest per year.[201] As the researchers explain this is not only a mortgage story, it is reflects transformations of consumer lending more generally.[202]

Discrimination in lending is of course not new[203] – the use of algorithms to make mortgage financing decisions presents both new and old challenges to lender bias. A perennial issue in lending is the assessment of creditworthiness through factors that are highly correlated to race: wealth, income, neighbourhood, education, for example.[204] That such factors racially discriminate is permitted under the law in the United States.[205]

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[199] Deloitte (2017); Deloitte (2018).
[200] McKinsey & Company (2017).
[201] Bartlett, Morse, Stanton, and Wallace (2019) 5.
[202] Bartlett, Morse, Stanton, and Wallace (2019) 6.
[203] *Rice* and *Swesnik* (2013); Glantz and Martinez, *Reveal News* (15 Feb. 2018).
[204] Prince and Schwarcz (2020).
[205] U.S. Federal Deposit Insurance Corporation (FDIC) itself recognizes that "[t]he single fact that a policy or practice creates a disparity [in lending] on a prohibited basis is not alone proof of a violation [of the Fair Housing Act (FHA) or Equal Credit Opportunity Act (ECOA)]. Where the policy or practice is justified by "business

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A critical understanding of financial expertise and the class and race-based social groups that bear risk is crucial to an appreciation of where 'we' are going – an increasing reliance on algorithms to make financial decisions for individuals as well as investment institutions. Reliance on algorithms has the potential to perpetuate a self-fulfilling cycle: investment in certain urban space creates the spaces which are then attractive to further investment, and "other" places remain outside the financial system of resources and credit. The kinds of built environment that emerges – profitable, enabled for data capture and governance – effectively crowds out other values that have been considered foundational in city- and human-focused urban planning, for example: beauty;[206] sustainability;[207] justice;[208] access;[209] preservation;[210] cultural diversity;[211] and resilience.[212]

CULTURE: Internalizing Financialization as Governance

"*The best way to predict the future is to create it*."

- Peter Drucker, quoted on Skyline website

In 1996, Arjun Appadurai examined the entwinement of modernity and globalization through electronic media and migration's "work of the imagination."[213] Writing before the massive proliferation of online social media, he argued that electronic media "decisively change[d] the wider field of mass media and other traditional media."[214] In his account, electronic media and migration play interconnected central roles in the formation of imaginations and modern subjectivities, creating "specific irregularities because both viewers and images are in simultaneous circulation."[215] Moreover, "neither images nor viewers fit into circuits or audiences that are easily bound within local, national, or regional spaces."[216] In other words, both media and

necessity" and there is no less discriminatory alternative, a violation of the FH Act or the ECOA will not exist." FDIC, Policy Statement on Discrimination in Lending.

206 MacDonald (2012).
207 Talen (2012).
208 Marcuse (2012).
209 Krizek and Levinson (2012).
210 Li and Hamin (2012).
211 Umemoto and Zambonelli (2012).
212 Campanella and Godschalk (2012).
213 Appadurai (1996) 83.
214 Appadurai (1996) 3.
215 Appadurai (1996) 4.
216 Appadurai (1996) 4.

the people who viewed media circulated around the world – neither were contained in "local" places; and, both media and viewers (and societal imaginaries) were transformed through those perambulations. Their collective circulation meant that not only do powerful cultural media travel, they are also adapted and ever-changing, as are the agents that form, receive, and internalize them.

This insight is crucial to understanding the cultural power and operation of financialization. The cultural manifestations and the rationalities of financialization circulate and are adapted, internalized, and created within individual subjectivities which themselves are ever-moving and shifting. They are present in public officials' statements, in real estate advertisements, in fiction and film and in a range of sites of online activity from personal investing to images of cities to real estate listings. In order to see how financialization has been internalized through urban governance in the next Chapter, it is first necessary to understand the spread of the cultures of financialization more generally.

The growing literature on finance as discourse or culture is sometimes referred to as 'the financialization of daily life' or 'the culture of finance,' and is often associated with Randy Martin and others. Scholars here unearth and discern the multiple ways in which a financial logic has permeated everyday lives and decision-making. Martin articulates this permeation as the entrance of a new form of self-making:

> "[T]he present invitation to live by finance – which has survived the fizzled boom [he is writing in 2002!] – is still being extended to players beyond the corporate world. A financially leavened existence asks for different measure of participation in shaping the values of polity and economy than did earlier challenges posed by market life. Finance, the management of money's ebb and flows, is not simply in the service of accessible wealth, but presents itself as a merger of business and life cycles, as a means for acquisition of self. The financialization of daily life is a proposal for how to get ahead, but also a medium for the expansive movements of body of soul. Any proposition as ambitious as this is bound to get unruly. Once all the features are unpacked, the nature of this self-in-the-making may turn out to be far from secure. Before assuming the integrity of a new market syndrome, it pays to look closely at the symptoms and sort out the familiar and the strange."[217]

[217] Martin (2002) 3. Emphasis added.

Martin's articulation of the idea of acquisition of self resonates with the Social Studies of Finance literature discussed above in that both attempt to capture how financialization transforms (i) relations between society, government, and individuals through a kind of governmentality (explained below) (ii) the production of knowledge and expertise in investment and everyday life. Moreover, the themes referenced in the quote from Randy Martin above – finance as invitation, the merger of business and life, and the means of acquisition of self – are also crucial to their power to "resocialize" in that they indicate the forms of logic that inform shifts in everyday individual lives and decision-making.

The various "ideologies" of financialization are not "passively received, generic, prepackaged simulacrum dispensed from on high" as Max Haiven has argued.[218] Drawing on Terry Eagleton, Louis Althusser, and Fredric Jameson, Haiven describes ideology as a "field of contestations and activities, an evolving set of meanings and explanations created by people as they make sense of their world."[219] In building these ideologies, one draws from "cultural and social resources" including fiction, films as well as metaphors and measurements.[220] Each of those resources are ideological themselves, "unduly influenced by those forces of cultural production and social institutions that monopolize meaning and broadcast knowledge: the media, religion, schools, fiction and so forth."[221] Financialization as an "ideological process," Haiven explains, "is a process whereby a set of narrative, metaphoric and procedural resources imported from the financial world come to help explain and reproduce everyday life and the capitalist totality of which we are a part."[222]

In this sense, Haiven captures how financialization signifies both a process *and* an ideology. In that dual signification, there is a risk of conflation when the same term identifies both the phenomenon and the ideology. In the case of financialization, the process and the ideology are interdependent, making it even more difficult to draw a delineation between. The processes of the expansion, proliferation, and diffusion of financialization reinforce and enable the expansion of the financial sector. Here is where the ideology becomes clear. It enables the expansion of the financial sector by narrowing individual and societal imaginaries of alternatives to finance. This

[218] Haiven (2014) 13.
[219] Haiven (2014) 13.
[220] Haiven (2014) 13.
[221] Haiven (2014) 13.
[222] Haiven (2014) 13-14.

consolidation of ideological power is crucial to the increasing power and influence of the financial sector itself, which is "*dependent on and invested i*n the ideologies, practices, and fictions of daily life as never before."[223] That ideology is present in the norms that are re-building cities employed by both public and private actors and in the resulting built environment. The newly re-built environment and the public discourse around financialization and urban space reinforces and further entrenches the ideologies of financialization, reflecting and refracting them back into everyday lives that move through re-imagined and re-constructed urban landscapes.

Financialization exercises governance power to shape that urban space through both the direct power of financial actors and the financial sector, as well as through the circulation and traction of the various rationalities and cultures of financialization. What follows is an examination of *how* financialization works as a governance power. In order to understand *which* norms and practices are circulating, the discussion begins with neoliberalism and financialization. To then understand *how* such practices are adopted - how that power amasses - the discussion turns to how financialization operates as a system of self-governance with regards to personal investment.

Financialization and Neoliberalism

The expansion of finance well beyond the traditional financial sector to motives and activities of other actors, including public ones, can be understood in relation to the ascendancy of neoliberalism since the 1970s. To grasp neoliberalism, a notoriously capacious term, we can begin with David Harvey's well-known encapsulation:

> "Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade."[224]

To Harvey's understanding of the practices of neoliberalism: entrepreneurialism, property, free markets, we can add Wendy Brown's theorization, which focuses more on its *mode* of operation. Drawing on Foucauldian governmentality as well as Marx, Brown has described neoliberalism as

223 Haiven (2014) 14. Emphasis in original.
224 Harvey (2005) 3.

a ubiquitous, ever-spreading, “normative order of reason” which “transmogrifies every human domain and endeavor, along with humans themselves, according to a specific image of the economic.”[225] Under this rationality, [a]ll conduct is economic conduct; all spheres of existence are framed and measured by economic terms and metrics, even when those spheres are not directly monetized.”[226] Brown’s appreciation of the expansion of what might have been originally in the economic sphere to “every human domain” and “all conduct” is crucial for appreciating *what* financialization is as well: a normative order of reason (and we might add, culture). Related to that order of reason is an understanding of neoliberalism from Harvey as “hegemonic as a mode of discourse” which “has pervasive effects on ways of thought to the point where it has become incorporated into the common-sense way many of us interpret, live in, and understand the world.”[227]

A strong ideology of competition runs through various manifestations of neoliberalism.[228] Competition as a value is “present in markets, but can be pushed into all other corners of society.”[229] It generates paradoxical and “strange forms of authority which neoliberalism has generated and depended upon” as William Davies argues, through which we see “new breeds of experts” from coaches to risk managers to gurus who offer “toolkits and advice on how to navigate and act upon a constantly changing and unpredictable environment.”[230] The state plays a crucial role in creating and preserving the appropriate institutional framework to this political-economic order driven by competition.[231] This includes guaranteeing money, setting up enforcement forces to secure property, and creating markets in areas such as property, water, environmental protection, and health care.[232]

In many places, neoliberalism has meant the “repudiation” of Keynesian welfare state economics in favour of Chicago School style of market liberalization.[233] Activist-scholar Naomi Klein gives a well-documented account of the spread of market liberalization ideologies from the Chicago

[225] Brown (2015 9-10.
[226] Brown (2015) 9-10.
[227] Harvey (2005) 3.
[228] Davies (2014), Chapter 2 especially.
[229] Davies (2014) 29.
[230] Davies (2014) 29-30.
[231] Harvey (2005) 5.
[232] Harvey (2005) 5.
[233] Sager (2011) 148; Van Horn and Mirowski (2009).

School to Chile and across Latin America in the 1970s.[234] She argues that "shock treatment" has become more than a war, (psychiatric) or economic measure, but is now a governing "doctrine" in which moments of crisis are exploited, public fear is manipulated, and governments and powerful non-state actors are able to promulgate policy reforms which enable the free market, dismantle the public sphere, and suspend ethical, deliberative policymaking. Shocks are, in effect, what have enabled "the rise of corporatism" around the world.[235]

Like globalization and financialization, neoliberalism does not operate in identical form across or within Global North and South – and yet (also like globalization and financialization), its operation in Global North and South is intimately intertwined and mutually contingent. Historian Ritu Birla has traced how neoliberalism in its mid - late 20th century manifestation can be understood as an evolution of methods of colonial governance that were first experimented on in the colonies.[236] In the context of India (but also relevant in other post-colonial geographies), Birla argues that "[c]olonial authority institutionalised the public as a new, abstract site of governance."[237] In short, that "public" was re-imagined as a reflection of the market; public interest was understood as that which furthered the market. The power to govern in the name of the public, therefore, spread itself into "an all-India arena for the free circulation of capital, the economy."[238] Specifically, for Birla, *law and administration* are key to understanding how neoliberalism both then and now operates.[239] Through law, the prescriptions of neoliberalism not only gain traction but also a kind of rhetorical legitimacy as courts explicate them with approval. The cases and regulation (referred to above) which affirmed the adoption of shareholder value and business necessity provided analogous examples crucial to financialization's jurisprudential legitimacy.

As legal scholars David Singh Grewal and Jedediah Purdy have argued, neoliberalism is "associated with a kind of ideological expansionism, in which market modelled concepts of efficiency and autonomy shape policy, doctrine, and other discourses of legitimacy outside of traditionally "economic" areas."[240] This idea has echoes outside of legal literature. In William

[234] Klein (2007).
[235] Klein (2007) 22.
[236] Birla (2009).
[237] Birla (2015) 469.
[238] Birla (2015) 469.
[239] Birla (2015) 470:
[240] Grewal and Purdy (2014) 3.

Davies' words, neoliberalism can be thought of as "the *pursuit of the disenchantment of politics by economics*."[241] Relatedly, Wendy Brown has argued that neoliberalism is "quietly undoing basic elements of democracy," including "vocabularies, principles of justice, political cultures, habits of citizenship, practices of rule, and above all, democratic imaginaries."[242] Her argument is "not merely that markets and money are corrupting or degrading democracy, that political institutions and outcomes are increasingly dominated by finance and corporate capital, or that democracy is being replaced by plutocracy-rule by and for the rich," but rather that "*neoliberal reason, ubiquitous today in statecraft and the workplace, in jurisprudence, education, culture, and a vast range of quotidian activity, is converting the distinctly political character, meaning, and operation of democracy's constituent elements into economic ones*."[243]

Neoliberalism as a form of discursive hegemony resting on political-economic prescription make it something like financialization's older sibling. Financialization operates similarly to neoliberalism across a range of political, economic, social and cultural registers and simultaneously as a form of rationality, policy prescription, and discourse and culture. Similar to neoliberalism, financialization operates as both a "way of knowing" (rationality) and a "way of being" (culture/ subjectivity) that go well beyond a circumscribed view of the state and state activities and that implicate multiple actors and practices. The multiplicity in those ways of knowing and being implies that financialization is not "colonizing" the world. Rather, financialization is mutually constituting various dimensions of economy, law, and society, in ways that are often incremental and under-appreciated. This in turn implies that financialization may be appreciated as beyond a 'normative order of reason' but perhaps as a normative order of reason, culture, society, subjectivity, and more. While neoliberalism enabled financialization to take hold in some ways, the two terms are not synonymous.

There are several distinctions that can be made between neoliberalism and financialization. While their timing overlaps, they did not operate with the same amount of strength at the same time. The ideologies of neoliberalism appear stronger than those of financialization in the initial expansion in the 1970s. More recently, though financialization is exercising significant power as a sector and as an ideology/ rationality, we have not yet reached its apex. We might say that neoliberalism with

[241] Davies (2014) 4. Emphasis in original.
[242] Brown (2015) 17.
[243] Brown (2015) 17.

its focus on free markets, free trade, and capital flows enabled the transition of capitalism from industrial to financial from the 1970s onward, in collaboration with globalization. However, while neoliberalism may have paved the way for the expansion of the financial sector and financial activities as a way of organizing the economy, the ways in which financialization has transformed cultures and social rationalities are not merely instantiations of neoliberalism.

Part of their difference lies in their capaciousness. While financialization itself is a rather capacious term (and becoming more so) in how many meanings it is meant to signify, its engagements generally share a basic underlying premise that there is a shift towards a financial economy that is implicating other spheres of economy and society – whether corporate governance, or architectural, or cultural – that are beyond the traditional financial sector. Neoliberalism is even more capacious. Indeed, as Grewal and Purdy have argued, "Neoliberalism is an overlapping set of arguments and premises that are not always entirely mutually consistent, and that are united by their tendency to support market imperatives and unequal economic power in the context of political conflicts that are characteristic of the present historical moment."[244] It has become a shifting set of ideologies that have permeated multiple areas of governance and social life. While engagements with financialization are likewise interested in ideology in governance and life, the "ization" and the narrower focus on *finance* rather than economy indicates that term's objective to capture the *process* through which a more specific constellation of financially-motivated rationalities and cultures (such as those found in derivatives, in investment return-seeking, in the valorisation of passive income) have permeated other social spheres.

A final, significant commonality between neoliberalism and financialization is that they signify a hollowing out of the idea of the public. Wendy Brown's analysis of neoliberalism is indispensable here. By examining various areas of social and political life such as universities and election financing, she builds a thorough understanding of how neoliberalism is "undoing the demos."[245] Under neoliberal forms of governance, the essence of a vibrant and working democracy: "deliberation about justice and other common goods, contestation over values and purposes, struggles over power, pursuit of visions for the good for the whole" are replaced by "problem solving and program implementation, a casting that brackets or eliminates politics, conflict, and

[244] Grewal and Purdy (2014) 2.
[245] Brown (2015).

deliberation about common value or ends."[246] The implications of that shift are what, for Brown and others, hollows out democracy. Through this shift, "political life is emptied of what theorists such as Machiavelli took to be its heart and the index of its health: robust expressions of different political positions and desires."[247] The conception of public life and politics that results from this re-conception does away with "deliberation about justice and other common goods, contestation over values and purposes, struggles over power, pursuit of visions for the good for whole."[248]

The stakes of that hollowing of the public are not to be underestimated. In asking what neoliberalism has meant for justice in India, legal scholar Oishik Sircar has examined the ways in which socio-economic rights came to be used not just as empty signifiers but rather as vehicles through which the ideologies of neoliberalism embed in public structures of constitution, state, and even justice. These constitutional rights operate as "spectacles of emancipation," a term he uses to signify "the gap between the vision of emancipation that the law promises and the reality of violence that the law performs."[249] The spectacles of emancipation of socio-economic rights "make the poor and the disadvantaged continue to repose faith in their emancipatory potential while the managerial and militarized state uses these spectacles to normalize its monopoly over violence."[250] This dynamic exists in a variety of cases and legislative acts and across spheres as varied as sexuality, education, free speech, and displacement. These examples reveal yet another layer to the spectacle that goes beyond other analyses of the false promise of law. Under neoliberalism and the ensuing liberalization of the Indian economy since the 1990s,[251] Sircar argues, emancipation is no longer the "privileged preserve" of the public sphere. Rather, "*[t]he ostensible power to create and determine access to human rights is being championed as rigorously, if not more, by the market*, and we are all invited to participate."[252]

His examination reveals the extent of the ideological power of neoliberalism to hollow out ideas of democracy. It is not just that alternatives are no longer imagined, or that the public remains a shell around increasingly violent, oppressive legal regimes. It is that the market does not have to

[246] Brown (2015) 127.
[247] Brown (2015) 127.
[248] Brown (2015) 127.
[249] Sircar (2012). He borrows the term "spectacle" from Guy Debord, adapting it to the idea of emancipation in the circumstance of legal rights.
[250] Sircar (2012) 527
[251] See Chapter 6.
[252] Sircar (2012) 533. Emphasis added.

hide its logic or its permeation to be powerful. In other words, neoliberal logic championing the market in socio-, cultural, and political spheres does not have to operate in stealth. In Sircar's words, the resulting withdrawal of the state that we see under the neoliberal turn to market-as-champion of rights is actually seen as the "most conducive" circumstance "for the flourishing of liberal ideals of emancipation."[253] What does that mean? It means that the melding of public and market is not hidden, it is in fact celebrated as a *means* to emancipation.[254]

Sircar is primarily examining the Indian context of human rights in the first decade of the 21st century, but his insight travels well to other geographies in more recent times, and to financialization. How does neoliberalism remain palatable and continue to take hold? The scaffolding of the public is purposely left in place, while neoliberalism surrounds and fills it in. And then eventually that scaffolding itself is removed so that all remains is the neoliberal, erected in the place of what was formerly the public. So too with urban governance under financialization. This means that "financialized" forms of urban governance are not just located in the obvious public-private partnerships which serve to disproportionately benefit the private. It means that, in the case of Newham, that the Council spends public funds in order to develop private, for-profit housing, justified unabashedly in the name of innovative governance in an era of constrained local budgets. It also means that, in the case of Gurgaon, the state of Haryana forms a local government *decades* after everyday governance of the area had been ceded to private real estate developers. Rather than the site of governance, the local government in Gurgaon becomes at best a facilitator of private enterprise, at worst, the very kind of spectacle that Sircar refers to, manifested in the form of an entire set of institutions.

Financialization as Governmentality?

A final distinction between neoliberalism and financialization is in their understanding of governance power and relatedly, their instrumentalization of the individual. To understand this difference, it is necessary to provide a brief account of Foucault's idea of governmentality, which is often relied upon in literature on neoliberalism. In his 1977-78 lectures on *Security, Territory, Population*, Foucault introduced the term 'governmentality' to capture the transition from a

[253] Sircar (2012) 533.
[254] See Grewal and Purdy (2014) 5-6 for another account of the power of neoliberalism to hollow democracy through its casting of democratic politics and public institutions as ineffective in governing economic affairs.

method of government based on discipline to one based on security. In the security state, the population is ruled through *regulation of conduct* rather than threats of force. As Brown explains, "this is a shift away from sovereignty and its signature – "do this, or die" to "this is how you live.""[255] Governmentality expanded understandings of who governs through what processes by introducing an idea of the "ensemble" that exercises governance power, which includes not just institutions but also "procedures, analyses, reflections, calculations, and tactics."[256] It also recognized that this form of governing has the "population as its target, political economy as its major form of knowledge, and apparatuses of security as its essential technical instrument." [257]

Financialization is partially akin to a neoliberal type of governmentality in a number of dimensions. First, it gains traction through individual sensibilities and rationalities as well as societal imaginaries and often operates through "procedures, analyses, reflections, calculations, and tactics." Second, governance operating in reflection of finance reflects market values and exercises control over the relations between people, shared sensibilities, and rationalities. Third, as the SSF literature in particular has examined, financialization involves the use of calculative methods and measurements which seek to produce population. Fourth and as further explained below, it is promulgated through governance, including political decisions as well as technical ones. Finally, scholars of both financialization and neoliberal governmentality often critique the application of *Homo economicus* to social spheres outside of economics such as family, education, and politics. These scholars likewise also often critique the treatment of all "conduct" of that subject as "rational conduct" in an economic sense, and the identification of *Homo economicus* as a "correlate of a governmentality which will act on the environment and systematically modify its variables."[258] In sum, thinking of financialization as a kind of governmentality illuminates how it has taken hold as a kind of common sensibility in individuals as well as one which informs local government decisions that are made to reflect market values.

However, understanding how financialization came about and how it works requires a broader methodology. First, it requires an attention to the historical contingency and political economy of

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[255] Brown, 117.
[256] Foucault (1977-78; 2007) 108.
[257] Foucault (1977-78; 2007) 108.
[258] Foucault (1978-79; 2008) 271.

the sectoral power of finance. This implies an attention to the shared control by government, private actors, as well as both, of the "things" away from which Foucault turns analytic attention:

> "Government is only interested in interests. The new government, the new governmental reason, does not deal with what I would call the things in themselves of governmentality, such as *individuals, things, wealth, and land*. It no longer deals with these things in themselves. It deals with the phenomena of politics, that is to say, interests, which precisely constitute politics and its stakes; it deals with interests, or that respect in which a given individual, thing, wealth, and so on interests other individuals or the collective body of individuals."[259]

This is not to turn away here from interests but rather to appreciate an attention to both – the constitution of those things as well as the interests in which they are embedded. Second, to appreciate financialization, it is necessary to engage with the geographical and other variations of it as well as the history and legacy of inequities of Global North – South encounters, as illuminated by postcolonial theory or theories of racial capitalism for example. Third, the approach taken here subjects a number of specific phenomena to analysis: actual financial actors, capital movements, laws, formal institutions, treaties, and investment deals and structures that amass (older) forms of coercive and disciplinary economic and political power which enable control of urban space. Fourth, and relatedly, the actual investment structures which disperse ownership to shareholders, the constant trading of that ownership, and the dependence of that investment on many other investments in the market for value as well as on legal regulations all impact the power inherent in owning real estate – in other words, they are specificities which are necessary to engage with in order to appreciate the nature of financialization's governance power.

While some aspects of governmentality align with financialization and while I share many of the concerns of scholars who have built upon Foucault's understanding of it, I would argue that the histories of particular state and financial actor activities are too *prominent* in financialization (and the treatment of the status of the individual not prominent enough) to adopt governmentality as the primary lens through which to examine it, particularly as the term is most fully conceptualized

[259] Foucault (1978-79; 2008) 45.

neoliberal governmentality.[260] In an analysis framed around financialization's form of governance, for example, Greta Krippner's political economy of the United States federal government in the in 1970s and the subsequent coercive global loosening of capital controls in 1970-90s through the Washington Consensus are both essential to appreciate how not only financialized rationalities but also its ability to govern daily life gained such traction. To take an example of a particular site of financialized power, here pensions represent not just the *rationality* of taking care of one's own financial future, but the *necessity* due to the roll-back of welfare state, the privatization of retirement and health care, while also the global inter-dependencies of investments and investors.

That said, Brown's treatment of the relationship between *governance* and governmentality is informative here. Brown traces how a newly configured mode of governance spreads neoliberal governmentality's "conduct of conduct" throughout populations by enfolding the political decisions that determine such conduct in neutral-sounding practices and processes and across actors and agents. As Brown explains, as governance "matured and converged with neoliberalism," it became "neoliberalism's primary administrative form, the political modality through which it creates environments, structures constraints and incentives, and hence conducts subjects."[261] Capturing the *diffusion* of governing power inherent in governance, she describes governance as "a transition from governing through hierarchically organized command and control – in corporations, states, and non-profit agencies alike – to governing that is networked, integrated, cooperative, partnered, disseminated, and at least partly self-organized."[262] She proposes that "governance" signifies the evacuation of agents, and rather a mode of governing that is "institutionalized in processes, norms, and practices" as well as reflective of an impression of a state with waning capacity.[263] Here, Brown's definition of governance accords significantly with that of financialization in its operation through and without agents and through the employment of the processes and practices of norms such as SHV and the horizontal administration of governing.

Additionally, at a general level, both neoliberal governmentality and financialization share an interest in constituting *Homo economicus* as the subject of governance.[264] However, the nature of

[260] I leave open the question of whether it would be productive to theorize a complete account of a governmentality of financialization, related but far from identical to that of neoliberal governmentality.
[261] Brown (2015) 122.
[262] Brown (2015) 123.
[263] Brown (2015) 124-125.
[264] See Brown (2015); Hamann (2009).

that subject is informed by different forms of economy; moreover, financialization does not only focus on that subject, it also operates through a disaggregated kind of individual. The operation of investment structures reveals how the “individual” at work in financialization is, in the end, not unitary or even stable. Financialization scholars have acknowledged that neoliberalism inculcated a sense of individual responsibility that included the personalization of financial affairs that led to the adoption of financialized practices in daily life, such as credit scores and ideas of financial self-discipline.[265] Randy Martin’s project highlights several of these practices that were just coming into being in the early 2000s and are now very much a part of everyday life: the self-management of investment through (then-new) internet brokerages, the inculcation of financial knowledge and practices in children, and the (then-new) metaphor of ‘financial fitness’ not unlike that of the physical kind.[266] This is not unlike scholars of neoliberal governmentality who describe “neoliberal *Homo economicus*” as a kind of “free and autonomous “atom” of self-interest who is fully responsible for navigating the social realm using rational choice and cost-benefit calculation *to the express exclusion* of all other values and interests.”[267] In that sense as well, financialization looks a bit like neoliberal governmentality. However, whereas neoliberal governmentality is primarily associated with an entrepreneurial form of individualism and responsibility and free market rhetoric (in actuality hiding an extensive regulatory state), financialization presents a new form of economic modernity to be inculcated in individuals which, rather than entrepreneurial, is investment-related. This makes the investor as well the investment *heavily embedded* in the global economy and with other investors. Moreover, as discussed in the next Chapter, “subject” in financialization is an unstable, not unitary investor, who may trade away their shares minute to minute. It is also a middle-class person looking to supplement their retirement through an investment in real estate. However, it is also the person who takes on financialized rationalities and cultures in the way that they govern their own lives. In other words, it is diverse, it is not stable, and it is not always even an individual.

All of this is to say, while financialization may partially resemble neoliberal governmentality in its modes of governance, I remain agnostic to employing the rest of the conceptual structure of

[265] Pellandini-Simanyi, Hammer and Vargha (2015) 736.
[266] Martin (2002).
[267] Hamann (2009) 38; See also Joseph (2010).

governmentality as well as to the treatment of the state.[268] The state is ever-present in financialization – regulating the financial instruments into being as well as making real estate attractive to invest in. The discussion in the next Chapter will propose thinking about financialization as pivoting on the conception of and relationship between public and private. In that account, specific sites of analysis such as the REIT or the high-rise demonstrate how the state and financial actor are inextricably entwined. While governmentality helps us see how individual sensibilities adopt financialized rationalities and culture, it is productive to supplement it with historical accounts of political economy as well as legal regimes including technical regulations and specific exercises of government power.

The Culture of Individual Risk-taking in Property Investment

In Part II *Rationality* we explored the dilemma of expertise versus unpredictability, where, despite the inherent unpredictability of financial markets, experts practiced specialized, exclusive forms of calculation. In the midst of that dilemma, at least two questions arise: who gets to claim expertise to profit from the uncertainty of the future? And yet, who takes on the risk inherent in that instability?

With regards to the first question of claiming expertise in the face of risk, the investors with the technology and mathematical expertise all but beat time in their speed of complex calculation, which are all but opaque to most people. This is not to say that such expertise and calculation overcome the speculative nature of these investments; rather, it is to observe the claim that it does, or perhaps, the *faith* that it does. As for the second question - who takes on that risk - the Financial Crisis of 2008+ seemed to prove that in many ways the public does. First, though expanded forms of credit and debt to the public that precipitated the crash, and second, with the bailout of financial firms after their system of capital recycling crashed.

Despite this rather recent demonstration of the fallibility of the "inscrutability"[269] of financial markets, and the downsides involved in shouldering that risk, the underlying rationality of risk-and-reward seems to endure. One can observe it on an institutional level as well as in everyday lives for many in the middle classes around the world. The direct purchasing of stocks, bonds, and

[268] Opinions widely differ as to the place of the state in governmentality. Ferguson and Gupta (2002); Jessop (2014); Gane (2012); Jessen and von Eggers (2020).
[269] See Comaroff and Comaroff (2001).

other financial investments by middle-class lay investors highlighted by Martin in the early 21st century continues today in exponential form. The rapid expansion of investment online by non-professionals hoping to secure their own futures has only strengthened these rationalities.

Fuelling the impetus of middle classes to take on financial risk are the ideas of reward and self-measurement, as Martin conceptualized in the early 2000s.[270] Linked to an idea of living in the present, risk in daily life means taking risks now that lead to greater reward. That idea of 'reward" of course, is most often judged by financial terms and wealth-production. It means, in this abstraction, that when one takes risk, one is living in the present and also taking responsibility for one's own life. This dynamic echoes and strengthens an approach to governance that values "self-management" and measurement. In short, "[i]ndividuals and countries are made responsible for their own behavior as they seek to comply with the measures of performance articulated in an indicator."[271] These indicators may be self-imposed, as well as come from governments, investment advisors, or other outside sources of agency. While it is clearly a falsity that a lay individual investor can in fact take personal control in a volatile, unpredictable market, an ethos of self-management works to draw in investment capital.

270 Martin (2002).
271 Merry (2011) S85.

Image 2.5: Personalizing Finance: Advertisement in The New Yorker[272]

Part of the power of individualized notions of risk and self-management is their ability to mask individual powerlessness under a guise that one just has to step up and thereby control one's own future. This valorisation of individuation is misguided, however, when the reality is that individuals are in fact dependent on capital structures, each other, and on much larger market movements as well as regulation.

This mythology has particular strength with regards to exhortations to own property, and can be illustrated with a brief historical reference in the construction of post-War suburbia in the U.S. The current rhetoric of heroic taking-on of risk and financial "fitness" as personal responsibility had an earlier incarnation in generations of homebuyers in the United States in the decades after World War II. While white nuclear families received significant subsidization and regulation in every sphere of those purchases from construction to purchase loans to roads and infrastructure to support their moves to newly built suburbs, in large part the government myth of such families

[272] *New Yorker* (16 Mar. 2020) 31.

having “pulled themselves up by their own bootstraps”[273] prevailed. That bootstrap narrative would have significant consequences in policymaking for decades. In short, it separated the deserving risk-taking owner from the incapable non-owner. It manifests in more favourable tax policy for owners compared to renters, in the obscuring of government support for suburbs at the expense of cities, and perhaps most starkly, in the blaming of non-owners, despite real barriers of access, for their own risk avoidance or seemingly “poor” investments in subprime loans.[274]

In the age of financial capitalism, the rhetoric of individual responsibility for finance and investment has augmented the ethos of homeownership to treat owning one’s home as a necessary investment *as well as investing in real estate more generally*. Helping this philosophy roll along and gain shape has been the power of quantitative calculation and measurement found in home banking, home investment, stock tips, retirement funds and a host of other spheres that as Martin points out, one could manage oneself after the internet gave us websites for each. Moreover, through the multitude of investment-related websites, one can and should now choose for oneself which funds to invest in, which future to plan towards.

The exhortations for individuals to invest in urban real estate manifest in different forms in various geographies and in different lives. Commuters in London trains read free copies of *The Evening Standard*, with 20+ pages on properties and investment every Wednesday, each with their own emancipatory slogans, referring to properties as places, for example, where “great minds live” or where one can find a “haven”. One road-side advertisement for an estate agent in Hampstead, London featured a picture of Sigmund Freud, and the slogan “Like Freud, we will interpret your dreams into a reality…”. Many miles away, in a particularly notorious example from journalist Katherine Boo, residents of the Annawadi slum in Bombay looked upon wall-size murals of new real estate properties proclaiming them to be “Behind the Beautiful Forevers”.[275] Indians living abroad (“Non-Resident Indians”) actively pursue investments in *Indian* real estate, with their 18-20% returns and also their connection to ‘home’.[276] Middle-class salaried professionals in the United States are encouraged, through their pension funds, to take care of their older selves by

[273] That many homebuyers of the 1950s, 60s, and 70s thought they had done it all themselves can be evidenced in the rhetoric around minority homeownership in the 2000s, the blame placed for the Financial Crisis. Gupta (2013); Self (2012).
[274] Gupta (2013).
[275] Boo (2014).
[276] Interview with A.G. (2018).

investing in REITs offering no-brainer high returns with little risk. Each of these examples and countless others tells their own story about the relationship between property and subjectivity and risk-taking; the point to highlight here is that these stories cannot be entirely separated from one another.

What are the indicators of success in this world of everyday finance and real estate? Buying property, investing in real estate, taking care of your own retirement, investing for and paying for your child's education, health, and other costs, measured by oneself through online calculators and planners. In this constellation of responsibility, one is increasingly responsible for one's own retirement, health costs, educational costs, etc. but yet one remains even more dependent on advice or expert-designed algorithms in making those investment decisions. Into this fray, investing in real estate – whether directly or through financial instruments – presents itself as the surest thing in terms of safety and in terms of rewards. Here is where the representations by NAREIT or the AI-driven Skyline gain traction in the investments made by individuals either directly and through their various mutual, pension, and other funds. In other words, here is where the myth of real estate gains ideological believers and relatedly, the resources.

That ideologically personal responsibility is conflated with real estate investment echoes what Sally Engle Merry has written regarding the power exercised by the "audit culture" of statistics and accountability on governance, where individuals are encouraged or made to track and report their own behaviour. This self-monitoring, in turn, enables the government to "withdraw from checking behaviour and simply check indicators of performance"[277] as "evidence of accountability."[278] In other words, audit culture produces "new forms of subjectivity: self-managing individuals who render themselves auditable."[279] Therein lies the power of this financialized form of governmentality – after a point, the state (or the investment entity) doesn't have to try to influence individuals' behaviour explicitly. They can leave it to individuals to feel inadequate regarding their house-buying/ retirement prospects, educational funding, consumer products, and other lifestyle dimensions. That inadequacy, made all the more tangible by 'self-monitoring' online calculators, pushes individuals to invest, measure their 'progress', invest more, and, in doing so, fuel material transformations of cities and suburbs and ways of life all around

[277] Merry (2011) s87-99 citing Strathern (2000) 4.
[278] Merry (2011) s87-88.
[279] Merry (2011) s87-88 citing Shore and Wright (2000) 57.

them. These diffuse processes hide how middle-class resources get allocated, and they hide political judgments behind the regulations that make certain kinds of real estate investments attractive. When these processes have an effect on individuals in aggregate, as do Merry's social sphere indicators, and the financialized self-management indicators discussed here, they enact a kind of performativity that goes well beyond the economic. They work to produce the population that the state (or investment entity) would govern – a population that believes it their individual responsibility to take care of their own health, security, education, income, retirement, and more (and believes it their failure if they are unable to) – and who turn over their earnings to investment entities which channel funds towards destinations of high returns, as determined largely by regulation or lack thereof.

And yet, the contradictions of expertise do not disappear. The do-it-yourself/ bootstraps orientation on investment management continues to be in tension with financial systems built by and for specialized expertise. Moreover, the individual is left to fend to for themselves in the midst of financial systems that have demonstrated how even that specialized expertise fails – it too can't actually predict the future, it has massive blind spots, and it is systemically unstable. And yet, it lures individuals in, through multiple media messages (ads on public transport, television commercials, online pop-up ads and emails, employer pamphlets), as middle classes become even more dependent on the returns on these investments. Not surprisingly, certain selves in these geographies are left out of ways of accessing these modes of investment. Considering, for example, the exclusion of minority home-buyers in the United States during the 20th century and the false information given to black home-buyers in Baltimore just before the Financial Crisis[280] reveals how financialization as a rationality has its systemic winners and losers – not anomalous to capitalism, but rather part of its logic.

Conclusion

This Chapter has offered a conceptualization of three dimensions of financialization – its sectoral expansion, its rationality, and its various cultures. It has examined the centrality of real estate and real estate investment in each of those dimensions, tracing in particular the threads of how urban space is treated as real estate and how individual sensibilities come to measure themselves in

[280] Gupta (2013).

financial terms. With this discussion in mind, we can now turn more directly to how urban governance itself has transformed during financial capitalism, and how it plays a crucial role in how financial capitalism itself is shaped.

CHAPTER 3: Governing Urban Space through Finance

In early 2015, a new luxury residential tower named One Riverside Park opened on Riverside Boulevard in the Upper West Side of Manhattan, New York City.[1] As its name suggests, the building lies alongside the Hudson River, and its residents enjoy the kind of views – water on one side, and cityscape on the other – of which advertisements (and dreams) are made. Its units are crafted to complete this new urban dream – stainless steel appliances, floor to ceiling triple-paned windows, in-unit washer and dryer – allowing residents to enjoy the benefits of living in The City, with little of the noise or mess of actually living there. In fulfilment of the developer's obligations under the tax credit it received, One Riverside Park also includes 55 affordable units (priced towards members of the lower-*middle* class who earn between $30,240 and $50,304, depending on family size, and who can afford a minimum of $833 in rent for a studio), with more modest amenities and restricted access to other services in the building. *The New York Post* estimated that city gave up $21.8 million in tax revenue through various concessions in relation to this building alone in its first year.[2]

The name of its building – One Riverside Park – appears to indicate its address, but is actually a creation of its developer. Its actual address is on Riverside Boulevard. Riverside Park, which runs next to the Boulevard, has its own rich history of development within New York. In early 1900s, Robert Moses, the future famous New York City public official who would eventually build much of the city including its bridges, highways, and parks, used to travel to Riverside Park as a college student in Yale and dream of how it could be rebuilt.[3] While he achieved his dream of turning it into one of New York's nicest parks, the area later fell into disrepair as New York passed through the 1960s and 70s. In the 1970s, though, there was a turning point: in the midst of fiscal crisis, the city turned to investment banks to advise them.[4] They also enabled real estate developers to rebuild parts of the city, granting them rights to develop, zoning designations, and government funding.[5]

[1] One Riverside Park website.
[2] Briquelet, *The New York Post* (18 Aug. 2013).
[3] Caro (1974).
[4] Greenberg (2009); Tabb (1982).
[5] Phillips-Fein (2017); Tabb (1982); Tucker-Abramson (2018).

The developers obliged, and much of Riverside Boulevard was transformed.[6] The ultra-luxury reincarnation of the street came much later, in the 2010s.

So far, the story of One Riverside Park is not so different from that of other mixed income residential buildings cropping up in NYC over the past two decades. That said, like several other very recent ultra-luxurious developments, this one takes the idea of providing a separate world for its (market price) residents to inhabit to an extreme, with its own bowling alley and rock-climbing wall. When it was built, it also had one additional feature that not only distinguished it from other ultra-luxury developments but also caused considerable uproar – it had a separate door for residents of the affordable housing units – a so-called 'poor door'[7]. In just a few months, the door drew protesters, local television coverage, and national media; just a few months later, in late June 2015, the New York State legislature outlawed such separate entrances. It was reported that this prohibition was due in large part to the efforts of New York City Mayor William (Bill) De Blasio. Despite the controversy, some 88,000 applications were received for the 55 affordable units, which offer much sought-after proximity to central districts of Manhattan at rental prices only available in the outer parts of the boroughs.

Five years on. Luxury towers continue to be constructed during March 2020, even as COVID-19 ravages the population of New York City and the state declares a lockdown.

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Financialization is redefining the sphere of the public as well as the private. That governance – on global, national, as well as local levels – is shared both vertically amongst public institutions as well as horizontally with private actors is not a new phenomenon. The concerns that come with that shared governance, namely democratic accountability and participation, are also not new. However, with globalized modes of financialization, the very nature of the "private actor" exercising power in the governance of cities has changed: it engages in different activities, it has new forms, it has become disaggregated, and it employs new rationalities and cultural ideologies.

As a result of the rising power of global private actors, the pressures on what may be thought of as public ideals in many geographies – democracy, accountability, participation, and equality –

[6] Bagli, *The New York Times* (1 June 2005); Gregor, *The New York Times* (26 Feb. 2012).
[7] Rooney, *CNN* (19 Feb. 2015).

have increased. That much is commonly acknowledged. What is argued here however is that the transformations brought by financial capitalism have not just put the "public" under a greater degree of pressure. Rather, *ideas around what should constitute that public ideal have been transformed*. Expressions of public ideals are increasingly employing the rationalities and cultural ideologies of financialization. This means that the "public" is being hollowed and replaced, not only through delegations of governance to the private, but rather on its own terms as well. To put it plainly, along with the rise of private forms of governance power, what is imagined to constitute the "public" is being reconfigured by financialization.

In the discussion that follows, this reimagining of the public is examined through the sharing of governance *within* public institutions – transnational, international, national, local and from central/local government to regulatory agency – and in the delegation of authority to private actors. Both dimensions have raised perennial concerns around accountability and participation which have been heightened by globalized financial capitalism. Not only has financial capitalism introduced new governance roles for private actors, but public actors, it is argued here, are increasingly resembling private ones in their rationality and decision-making processes.

In considering who governs urban space and life, this chapter proposes that it is no longer adequate to consider unitary private actors acting in their own "self" interest. The "who" has become considerably more complex through structured financial instruments as the world of luxury real estate demonstrates. In luxury urban real estate, two relevant actors are often global and highly mobile. First are the multi-nationals working with other multi-nationals across financial and development and construction functions, circulating in both Global North and South, across state jurisdictions. They have their own interests in how urban space should look and they present their own challenges for accountability. The point is that they may be local or partially local but they are also increasingly operating as networked actors with other multi-nationals.

The second kind of private "actor" presents even more complex concerns. The second kind of actor, the investor, often draws from multiple streams of globally-located funding which have been sliced and diced and repackaged through complex financial instruments. Consider the pension-holders of middle classes who collectively are building real estate developments all over the world. As detailed in Chapter 4, such pensions draw from the salaries of millions of workers and increasingly channel their investments towards real estate. Those tiny slices of ownership (which, in aggregate might have exercised agency through that ownership), expect nothing more than high financial returns, sometimes in impossibly short-term horizons, generated through split-second transactions.

All of this is to say, identifying "who" is participating in the financial sector is increasingly difficult, and the real economy of real estate has become ever more blurred – perhaps even indistinguishable - with the financial. It is not just that private actors perform urban governance as argued here, it is that – because of securitized investment structures and the turn of corporations towards financial forms of raising funds - those private actors are difficult to hold accountable because they are so highly dispersed. In the absence of a unitary or certain owner/ investor, *who governs urban space through a securitized financial instrument*? The dispersion of shareholder-owners in geography and in number makes owner-investors both difficult to identify and unlikely to take responsibility on account of their distance from actual real estate project decisions. The private actors who increasingly have control over urban spaces are not simply single parties to be named and held accountable, but rather they are constituted by divided and reconstituted securitized chains of financial instruments. The end shareholders / investors / pension-holder whose investment funds a particular real estate development might be located anywhere in the world, or as the pensions example illustrates, they may even be unaware that they have a stake in a project down the street from them.

The discussion that follows examines how real estate enables and operationalizes the hollowing of the public in the city. More specifically, this chapter engages with the urban law and governance *of* - and cooperation *with* - processes of globalization and financialization. Just as globalization called into question the very premises on which categories of state, economy, and society were based, as well as what constitutes public and private,[8] so too does financialization. Moreover, neither urban governance nor financialization approaches their encounter with each other as a fully formed, non-porous discrete entity. Instead, both urban governance and financialization are in part formed by their encounter, the results of which can be read in the transformations of property and local government legal regimes, city streets and city spaces as well as in changing discourses around urbanization and investment.

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[8] See Clark (1999) 3.

Financializing Urban Governance

The financialization of urban governance manifests in various aspects of city life, from the use of urban space to transport, housing and planning to cultural institutions. In different ways each of these organs of the city are being governed through financial markets, processes, actors, motives, rationalities, and cultures. What does it mean for urban space - for urban space to be governed into and by a real estate *financial instrument*? It means it gets remade in image of finance. It means permeation of values from shareholder value (SHV) – including the pursuit of short-term profit - in making decisions as to how it should be used and to whom it should be allocated. It also means that the built environment is reshaped to reflect these decisions, further shaping the patterns of everyday lives conducted in that space as well as what is envisioned as public.

As examined in David Harvey's work, "capitalist criteria" has both shaped and constrained the "physical and social landscape of urbanization" over decades. As capitalism shifted from "industrial" to another form of itself, so did urban governance. In 1989, Harvey examined the transformation of nature of urban governance "from managerialism to entrepreneurialism" in "late capitalism."[9] He argued that there was emerging a widespread consensus that cities should take an active role in combatting social ills directly. This form of urban governance was meant to be "innovative" and entrepreneurial" – cities were meant to take initiative, just as individuals were meant to do in the newest form of capitalism. The orientation towards entrepreneurialism manifested itself through support for small businesses, the "promotion of local areas to attract new businesses,"[10] and its "centerpiece": the promotion of public-private partnerships for funding, direct investments, and new employment[11] which coincided with reduced municipal budgets from above.[12]

Under financial capitalism is yet another shift in the mode of urban governance – towards one that reflects financialization in its rationality, its culture, and its modes of operation. In some ways it continues the entrepreneurialism, for example through a focus on attracting businesses and capital, and in some ways it remains incomplete as did the shift to entrepreneurialism. In other ways though, this is a new mode of governance. It focuses less on the longer-term goals of

[9] Harvey (1989).
[10] Harvey (1989) 4 (citing Blunkett and Jackson (1987)).
[11] Harvey (1989) 4, 7-8.
[12] Harvey (1989) 4.

entrepreneurialism and the stability of ownership, or the delineable "public" and "private" interacting through a partnership, and more on speculation, profitmaking from narrow, precise interventions, and an abdication of governance to the private. In contrast to entrepreneurialism, this mode does not centre the agency of the city the way the idea of an "entrepreneurial city" does. It centres the reliance on apparently "smart" or automated decision-making and on furthering the motives of the financial sector. Similar to entrepreneurialism, it is driven in large part by an idea of competition between cities as a motivating factor to make change fast, to implement new programs quickly, and to attract more and more capital in order to be successful. The "partnerships" with the private sector are intended to attract not just funds or jobs, but also cultures of city life through the delegation of governance functions.

The idea that private actors serve specific, delegated public functions is not new in of itself. Public-private partnerships are employed in a variety of law-related functions.[13] In the U.S. context, a variety of nonstate actors such as corporations, industry organizations, non-profits, private standard setting bodies, and professional associations play cooperative roles in legislative, regulatory, and adjudicative functions.[14] They may set standards, assist in service delivery as well as in implementing, monitoring, and enforcing regulatory compliance.[15] Private actors have served as military contractors, prison owners and managers, transportation and utility providers, welfare providers, and more.[16] Privatization in cities has been largely understood through a several dimensions: the outsourcing of public services (such as fire protection, sanitation, utilities etc.) to private entities,[17] the pursuance of public-private partnerships for projects such as transportation, bicycle shares, and infrastructure, and the shrinking of public space through sales of land to private entities.

Here though, in this moment of financialization, financial actors are not just separate non-state actors with whom the state chooses to collaborate in enumerable spheres of governance. Rather, they have been integrated into governance mechanisms and their empowerment accepted as good governance. The ceding of public authority to private actors and financial purposes occurs on different scales. Those private authorities may be exercising that power directly (for example,

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[13] Aman (1998); Aman (2001).
[14] Freeman (2000).
[15] Freeman (2000)
[16] Birch and Siemiatycki (2016); Aman (2013).
[17] Aman (1998); Freeman (2000); Harden (1992).

through the introduction of financial actors into the New York City administration in the 1970s), or more indirectly, perhaps through International Financial Institutions such as the IMF (as explored more fully in Chapter 4). On a basic level, there is the continuing rise of direct private authority exercising control over local governance functions such as infrastructure or even those which implicate human rights such as water.[18]

At the same time, however, single private actors are invited to exercise governance that goes beyond specifically delineated functions to entire geographic areas and daily lives. So-called “Smart Cities” and charter cities, provide powerful examples of this phenomenon at work. In those places, not only do private authorities and expertise determine everything from transport to street life, they also often hold the extensive data collected about the “users” of their cities and may use or sell it with little accountability. Ceding land to private actors can be understood as a delegation of a form of sovereignty, channelled from the collective global public to private individuals and entities. In 1927, Morris Cohen wrote of the ownership of property as a private form of sovereignty: those who own property exercise “power over the life of others” by determining rents, prices, and even the command of services through their payment for labour.[19] Through all these dimensions, he argued, and the states’ protection of these processes, “we have the essence of what historically has constituted political sovereignty.”[20] While financial capitalism may have transformed the nature of both power and actor, there are continuities in the sharing of governance power through property rights. As Fred Aman asked in the midst of what felt seemed like the heyday of globalization, “when should the exercise of power by the private sector be viewed as essentially public?”[21] That question remains relevant today in relation to control over urban space and the exercise of governance power to not just private, but financial, actors.

Urban Governance: From Decentralization to Disaggregation

In asking who controls the allocation and use of urban space, a starting point is the explicit power that exists in many local governments to determine what local land can be used for (whether for private or public ownership and use, residential use, commercial use, infrastructure or public space, and so on), and in many national governments to retain and expand public land holdings. However,

[18] Valverde, Johns, and Raso (2018); Cowen (2014).
[19] Cohen (1927).
[20] Cohen (1927).
[21] Aman (1998) 817.

to end our discussion there would ignore the reality of complexity that exists in governmental exercises of power over urban space. As examined in this section, the power to govern (both urban space and more generally) is decentralized across a variety of actors – local, national, transnational as well as public and private, entity and individual, corporate and non-profit.

Scholarly and policy discourses alike have increasingly recognized a shift from a public-entity focused form of "government" to a more diffused idea of "governance." The term "governance" has come to have many meanings, including both the delegation of governing power to private actors, as well as a constellation of normative associations with regard to the desirability of that delegation. After a discussion of governance and more classic ideas around decentralization of power, the next section argues that even the idea of "private actors" governing needs to be reconceptualized in light of the control over urban spaces by market forces and actors.

A prevailing concept of "governance" in policy discourse can be found in the definition offered by UN-Habitat. With their various interventions in cities in both the Global North and the Global South, and their dissemination of various forms of knowledge and expertise meant for city governments, their definition offers a timely representation of mainstream sensibilities around governance. UN-Habitat defines urban governance as a constellation of both public *and private* institutions and people who manage cities:

> "Governance is the enabling environment that requires adequate legal frameworks, efficient political, managerial and administrative processes to enable the local government response to the needs of citizens. It can be defined as the many ways that institutions and individuals organize the day-to-day management of a city, and the processes used for effectively realizing the short term and long-term agenda of a city's development . . . Effective urban governance is characterized as democratic and inclusive; long-term and integrated; multi-scale and multilevel; territorial; proficient and conscious of the digital age."[22]

This definition of "governance" both definitionally involves the allocation of power to private actors and is hardly separable from that which is normatively considered to be "effective urban governance."[23] In contrast, urban studies scholars Ekers, Hamel and Keil argue for an

[22] UN-Habitat, "governance".
[23] This is characteristic of understandings of governance more generally. See Rondinelli and Cheema (1983).

understanding of governance that moves away from this kind of embedded normative assumption. In their account, "governance" is too often conflated with "good governance," thereby limiting the scope of discussions on the conditions necessary for practices of what is perceived to be good governance. They present an alternative, expansive conception of "governance," one which better captures the complexity of public, private, citizen-driven exercises of power in cities today and the processes through which those exercises of power transform over time:

> "In more critical hands, governance represents a heuristic device angled towards understanding how different processes and issues are negotiated, regulated and struggled over. There is a focus in this more critical tradition on how and why different social and environmental outcomes are achieved, and moreover, their ecological and social implications. The concept of governance is appealing insofar as it tries to gather together and identify the varying institutions, practices, discourses, ideologies and representations that affect how different spaces and processes are produced, contested and experienced…
>
> *To be more specific, the overarching question of governance is viewed as a process involving state, market and civil society, which implies democratic deliberation and social conflict while being social, spatial and political. Firms, markets, and the state are complementary and contested arenas of governance with fluid boundaries*." [24]

In separating the normative from the definition, this treatment of governance as a heuristic allows us to appreciate Mariana Valverde's argument that land use measures including zoning, while sometimes exclusionary, are not as top-down, deliberate, and planned – and are in fact more malleable - than they are often taken for.[25] It also leaves theoretical space open to observe the diffusion of the governing of cities from government to multiple actors in market and society before assessing the implications for that form of decentralization. It echoes David Harvey's insight that conceptions of urban governance should go beyond government to include "a whole complex of forces mobilised by diverse social agents."[26] As Rondinelli and Cheema aptly captured it, current forms of governance have transformed from "government decentralization to decentralized governance."[27] In their 1983 account, there has been a "transformation and evolution

[24] Ekers, Hamel, and Keil (2012) 408. Internal citations omitted; emphasis added.
[25] Valverde (2011).
[26] Harvey (1989) 6.
[27] Rondinelli and Cheema (1983).

of concepts and practices of decentralization from the transfer of authority within government to the sharing of power, authority, and responsibilities among broader governance institutions" which included the private sector and civil associations.[28]

By understanding governance as a heuristic, the political manoeuvrability inherent in the exercise of governance powers becomes more apparent. We are better able to appreciate how power is channelled through certain techniques of governance (zoning or otherwise), without assuming that the specific uses (or normative motivations) of those techniques are inherently determined. A brief example of what that means for our analysis of the high-rises: in the next Chapter, we will discuss various tax credits meant to spur urban real estate development. While in NYC those tax credits have largely been used in ways that disproportionately support middle and upper-class housing, Valverde's analysis helps us create a conceptual separation between what the technique actually entails (giving tax credits for real estate construction and sales) and how it has predominantly been used (to support the already-wealthy in ownership or development). Could tax credits of that type be used differently, in support of more egalitarian forms of construction, ownership, and occupancy? Certainly, were they to be accompanied by that kind of political will.

Once the normative, or the implicit "good," is momentarily controlled in our understanding of governance, is there anything irreducible left that can be accepted as what governance actually entails? If, at a minimum, governance encompasses meeting the basic needs of residents, that might include infrastructure, sanitation; housing; health; ensuring democratic processes; security. However, what kind of government would stop there – what about attracting capital, enabling disenfranchised residents, and so on? Defining those needs, as well as determining how to provide for them immediately raises the political delineations meant to be put aside for now.

Rather than searching for a list of government functions, legal scholar Fleur Johns has referred to governance as drawing attention to "techniques whereby collective actions, common practices or coordinated behaviours are pursued or cultivated at a number of scales with the involvement of a range of governmental and non-governmental actors."[29] In her account, "urban governance"

[28] Rondinelli and Cheema (1983) 1-2.
[29] Johns (2011) 392.

therefore, "concerns those governance techniques that constitute, shape, address, and characteristically take place in cities or towns."[30]

In treating governance as a collection of techniques, we might consider how power to make decisions around those basic needs and others is divided and to whom it flows. With regard to the focal point here – the high-rises – a number of *particular exercises of governance power* are relevant: zoning, the provision of core urban services and infrastructure such as power, water, sanitation, transport, and cultural and leisure centres. But also, issues around democratic governance – how city wards are drawn and how they elect representatives, the scope of power those representatives exercise, the division of power between branches of local government as well as between the city and higher governmental power become relevant. Other substantive areas of governance are relevant to the high-rises as well: decisions around the use of technology such as GIS mapping and the sharing of data, the treatment of social movements (and the powers exercised by them); public – private partnerships; the allocation of resources such as tax credits and subsidies; the allowance of foreign investment; the inclusionary and exclusionary aspects of local infrastructure and architecture.[31] Moreover, in addition to zoning, decisions around whether there are culture centres, parks, places of leisure, libraries, trees, and the nature of the built and natural environment matter.

Decentralization and the enabling of Private Power

The city stands at an intersection of both delegated powers and the power to delegate. In the United States in particular, its own power has been often understood to be delegated to it (or decentralized) from central national or subnational governments such as states and provinces. Moreover, power is not just delegated to the city, the city itself also delegates its own powers to govern. Of particular concern here, not only do many local governments have myriad local-level agencies to which mayoral or council power might flow, local governments also partner with private actors to design and implement a variety of forms governance.

[30] Johns (2011) 392.
[31] This would include considerations of the forms of transport (train, bus, streetcar), whether riders have to pay and how much, whether individuals with access needs can use it, whether it is accessible for strollers, if there are sidewalks and street lights and parking, and of course, where that public transport goes.

Whether a city's power to govern flows upward from the proximity of the people, or whether its power flows downward or outward from a higher level or centralized entity of government is often understood to be a crucial issue in the functioning of democracy in the United States in particular (likely on account of its strong history of federalism and powers residing in the individual states).[32] As other geographies continue to adopt similar forms of local government, the longstanding concerns in the U.S. model become relevant elsewhere as well and so deserve attention here.

Those who regard power as flowing from the centre outward understand city governments as having only the extent of power that is granted to them by constitutions, statutes, and other legal rules.[33] As American legal scholar Gerald Frug has argued, law provides the "underlying structure" to the kinds of power that cities exercise.[34] It is that underlying legal structure that determines how cities are able to handle the issues that they face, from inadequate housing and infrastructure to education and climate change.[35] The city's powers to address these issues are understood in relationship to the authority of other public and private entities that have jurisdiction over those issues as well. Law plays a significant role in defining those powers as well as in producing the "democratic deficits" which are often a concern with the delegation of power to non-state actors.[36]

The delegation of particular exercises of power in relation to services, infrastructure, and tax and other responsibilities from national/ subnational bodies to cities known as "decentralization" became common practice in various geographies in the 1970s/ 80s. From the U.S. and the U.K. to a number of countries in the Global South, many countries adopted faith in decentralization under a variety of different conditions. Decentralization was seen as essential to democracy in that it enabled power to be exercised closest to the people for whom the government was meant to represent, and it enabled expertise that was specified to local conditions to be put to use. Its implementation in both Global South and North in the 1970s was not a coincidence.

Many countries in the Global South who were beholden to the various inter-governmental organizations such as the World Bank and IMF found themselves implementing it as part of the pursuit of economic development. Decentralization was used in that sphere in particular to signal

[32] Aman (1998) 848-855.
[33] Frug (2001).
[34] Frug (2001).
[35] Frug (2001).
[36] Frug (2001).

a delegation of governance power to private actors as well. It is a key feature of the "laissez-faire state" writes legal scholar Fred Aman, where deregulation and privatization are vehicles through which decision-making can be "returned" back to the private sector.[37] The diffusion of power is aimed at "moving as much power as possible from the public to the private sector."[38] That devolution of power also meant that in the cases where an act of law was necessary, "it should, to the extent possible, occur at the most local level of government."[39]

One can trace decentralization as a manifestation of neoliberal rationality in the work of Friedrich Hayek through to Milton Friedman. Hayek famously argued that the challenge in constructing a "rational economic order" was the dispersion of knowledge across society: "the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess."[40] This dispersion necessitated a rejection of centralized planning, which reflected the scepticism toward both a powerful central state and excesses of public power.

Hayek's views would influence Chicago School Economist Milton Friedman, who enshrined the view that public forms of power, if they should be exercised at all, should be done so at the most local level possible. This support of decentralization was in fact Friedman's second "principle" of freedom (the first being limited government) in *Capitalism and Freedom* (1962). The quote is worth recalling, as it continues to find its way in public statements of lawmakers, particularly in the U.S.:

> "If government is to exercise power, better in the county than in the state, better in the state than in Washington. If I do not like what my local community does, be it in sewage disposal, or zoning, or schools, I can move to another local community. If I do not like that my state does, I can move to another. If I do not like what Washington imposes, I have few alternatives in this world of jealous nations."[41]

Friedman elaborated on this idea to argue that while the "preservation of freedom is the protective reason for limiting and decentralizing governmental power," there was "also a constructive

[37] Aman (1998) 804.
[38] Aman (1998) 804.
[39] Aman (1998) 804.
[40] Hayek (1945).
[41] Friedman (1962) 3.

reason": "[G]reat advances of civilization," he argued, had never come from a centralized government." Such achievements were rather "the product of individual genius, of strongly held minority views, of a social climate permitting variety and diversity."[42]

Both Hayek and Friedman exercised growing influence in the design of governments and economic policy around the world in through the 1970s and after.[43] Given the influence of the U.S. and the U.K. in the intergovernmental organizations such as the United Nations and the World Bank, it is perhaps not surprising that decentralization became a central policy tenet of economic development during that time as well, and was implemented through various initiatives in a number of countries in the Global South. An early study of decentralization by the UN in 1962 studies how a collection of countries had been making "fuller use of local authorities and other forms of decentralization" including Brazil, (Burma), France, India, Poland, Senegal, Sudan, (United Arab Republic), U.S., U.K., (Western Nigeria), and (Yugoslavia).[44] The study argues that decentralization enables countries to make decisions faster, thereby accelerating economic and social development and enabling more effective citizen participation.[45] Decentralization was already governance practice in many geographies, but through various engagements by the United Nations, the World Bank, and other intergovernmental organizations it was further encouraged, programmatised and promulgated in the name of development and democracy.[46]

In legal scholar Luis Eslava's ethnographic study of the intersection of international law and economic development in Bogota, he gives an account of decentralization as a project that reconfigured the very idea of citizenship.[47] In the 1970s, the perception of so-called developing countries as too weak to effectively administer centralized programs led to an "increase[ed] attention on local jurisdictions as more adequate physical, human, and administrative spaces in which to foster economic, political and social development."[48] This faith in local jurisdictions was

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[42] Friedman (1962) 3-4. Note that this discussion is not to discredit decentralization as a mode of governance. Rather, it is to acknowledge its origins and its promulgation so that it can be understood in historical, legal, and political economic context.
[43] Klein (2007); Mirowski and Plehwe (2007).
[44] UN Technical Assistance Programme (1962). The promulgation of decentralization by intergovernmental organizations can be traced to the fore-runner of the United Nations Development Programme (UNDP), the UN Technical Assistance Programme. Eslava (2015).
[45] UN (1962) 6-8.
[46] The Hague, 1972. Rees and Hossain (2010).
[47] Eslava (2015) 121.
[48] Eslava (2015) 94.

reflected in Eslava's discussions with a public servant in Colombia's *National Department of Planning* (the institution responsible for Colombia's decentralization) who believes that decentralization offers both a way for individuals to be "made more conscious about their rights and responsibilities vis-à-vis their municipalities and the nation-state" as well as the "opportunity to generate a new country."[49] This new country would be reflected in strong local governments which would act as "fosterers of development" rather than "administrators of public resources."[50] Local communities would come to "depend less on the national government" and national resources, generating their own "endogenous development."[51] Bogota itself serves as exemplar of this mode of municipal strength in part through a shedding of its national environs in its presentation of itself to the world.[52] We will see echoes of this view of government as enabler rather than provider, particularly in relation to housing, in Newham in Chapter 5.

Eslava argues that decentralization "reconstruct[ed] the conception of citizenship" in the welfare states of the Global North as well as the development states of the Global South: "Whereas citizens had been constructed in terms of their membership to a collective national body (e.g. through labour laws that protected them as members of a national class of workers)," neoliberal reforms recast the "central state" as and "ineffective, irrational and intrusive that should be circumvented at every opportunity."[53] This scepticism around national-level governance[54] would not only turn attention towards the local as the appropriate site of international legal and development efforts (as Eslava's project masterfully recounts), it would also open the door to delegations of power to private actors, to which we now turn.

The World Bank *definitionally* includes the delegation of power to non-state actors as a facet of decentralization, including civil society and the private sector as a type of "sub-national government."[55] Indeed, even the 1962 UN report on decentralization (referred to above)

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[49] Eslava (2015) 94-95.
[50] Eslava (2015) 95, quoting Ernesto Pérez (Bogota, 25 June 2009).
[51] Eslava (2015) 95, quoting Ernesto Pérez (Bogota, 25 June 2009).
[52] Eslava introduces the book by offering a metaphorical illustration of this dynamic: he finds a map on a flight to Colombia which depicts Bogota as unattached to region or country, a floating city, apparently "a harmonious, ordered, internationally appealing, sustainable and evenly developed local jurisdiction," existing "beyond contradictions" and "ready to be consumed." Eslava (2015) Introduction.
[53] Eslava (2015) 121-134.
[54] Friedman offers a succinct account of (neoliberal) scepticism around centralized governance. Friedman (1993).
[55] World Bank, "Decentralization".

acknowledged countries might find it ”advantageous” to “encourage co-operative and private enterprises” as a “method[] of decentralization in the economic field.”[56]

The inclusion of delegation to the private sector in the same moment as delegation towards local government is significant. It links the two forms of shared governance in theory and in practice as it implemented. It contributes to the blurring of public and private. And, it exacerbates one of the particularly fraught aspects of decentralization – the loss of democratic accountability as power flows towards private actors, particularly in a world of globalized economic and governance structures. This ambivalence around decentralization and the increased power of city governments can be understood as the manifestation of one of liberalism's central dilemmas of resting power with intermediaries between “centralized state and the individual,” a dilemma which becomes no simpler when we consider the role of private actors in governance.[57]

As scholars of globalization as well as transnational law have drawn attention to for decades – the state itself is hardly a unitary entity,[58] nor can it be understood a kind of pure public space apart from the influences of private authorities, rationalities, and ideologies.[59] Moreover, that constellation which constitutes the state has been under considerable pressure from international public and private actors (as well as globalized power structures such as capitalism and security-driven geopolitics) for decades if not longer, again bringing into question the faith in state-individual relationship as pure democracy. The power exercised by a variety of private actors – whether in civil society or operating in the market – has not *eclipsed* the state (as is the cliché) but rather make exercises of power by the state more complex and more difficult to trace.

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This section has examined various ways through which formal governance power has been delegated to substate and private actors. The discussion's treatment of power so far has been of been top-down forms of governance. We will now turn to the complexities wrought by financialization, specifically, the transformation of distant private actors, and the disaggregation

56 UN (1962) 3.
57 Frug (1980) 1121.
58 Kleinhans and Macdonald (1997).
59 Freeman (2000).

of private actors beyond recognition. The road to the disaggregation of urban governance today was paved by the rise of private power enabled by the forms of decentralization examined above.

Disaggregation: Power exercised through a financial instrument

The structure of financial instruments sets up various forms of "distance" between investor and actual urban space and life. Writing with regard to the global food system, Jennifer Clapp draws our attention to two dimensions of distance that result from financialization that are relevant to urban space as well. First, financialization "increases the number of actors involved" in global commodity chains.[60] Second, the securitization of agricultural commodities abstracts the object (in her case food, in this case, urban space) "from its physical form into highly complex ... derivatives that are difficult to understand for all but seasoned financial traders."[61] These two dimensions reinforce the lack of accountability discussed above by "obscur[ing] the role that financial actors play in the food system, making it difficult to link them to the social and ecological consequences of financial investment activities on the ground."[62] With regards to urban space as well, we see distancing at work in the increase of intermediaries in the form of institutional investors, the geographic distance between investor and urban space, and the abstraction of the built environment into derivatives and other financial instruments, and the dispersal of end-investors as discussed above.

Increasingly complex finance "chains" linking derivatives to real estate project/ urban space mean that many investors are far from the city spaces over which they exercise control. The complex modelling of financial instruments, the 'synthetic' form of derivatives, and execution of various types of investments through computer screens all work to distance those who shape and determine investments from the physicality that these investments eventually materialize in real estate forms in particular. From that distance, capital is directed towards products that change urban space, often by individuals who have limited connections to those spaces.[63] For individual investors, that distance is seen as a good thing that one gets the benefit of real estate returns without having to actually manage or interact with the property. Of course, this distance implies that the sites of

[60] Clapp (2014) 798.
[61] Clapp (2014) 798.
[62] Clapp (2014) 798.
[63] See Waldron (2018), discussing the reliance of investors on the credibility of REIT investment managers due to geographical disconnection and lack of local knowledge.

agency that exercise change in city are even more opaque, with even less at stake with regards to civic life.

A brief exploration of joint venture real estate project financing illustrates the complex forms of distance as well as the under-acknowledged power exercised by investors. A common breakdown of initial capital contributions which finance real estate projects is 90% / 10%, with a large investment entity contributing 90%, and the real estate developer contributing 10%.[64] That investment entity itself gets funds from myriad sources, including other investment entities such as mutual funds, hedge funds, private equity firms, pension funds, as well as sophisticated individual investors. Those investment entities are, quite obviously, driven by profit-seeking. Moreover, as examined in the previous chapter, with the ascendancy of shareholder value as a governance principle, that search for profit in markets has become increasingly short-term in horizon, utilizing faster and faster trading techniques as a way to arbitrage their way to returns. Many sophisticated investors seek out investment entities with real estate funds in hope of greater returns than those available through markets.[65] What do these logics – short-term, arbitrage, high return - do to the way that the investment entity 90% partner approaches their investment? It informs an approach to extracting what value (in monetary terms) they can from urban spaces. It distances concerns regarding the actual space or city life, except in so far as they are "risk factors" to that return. It dissipates accountability for dead city space, closed local businesses, wasted central city spaces and resources as well as empty housing in the time of housing crises. Houses can be empty as long as they are profitable. Through what democratic process would a pension fund be held to account for squeezing housing supplies in the very cities in which middle classes are being driven from? It would be difficult to trace the investment entities whose capital finances the 90% partner, much less the individuals whose capital is being invested.

This distance has significant consequences, particularly for those who would have urban space used in more equitable ways. Geographer Desiree Fields has linked this distancing to urban struggles related to housing, in that "the globalization of capital markets and real estate investment allows actors working from afar to have a stake in local contexts," making it difficult for social

[64] Interview with S. Makker (2016).
[65] See for example, the massive investment of over $20B which poured into a real estate fund managed by Blackstone in 2019. Oguh, *Reuters* (11 Sept. 2019).

movements to hold financial actors responsible for the financialization of their city's housing.[66] A "key aspect" of their struggles, she writes, is to make "their presence felt within chains of financial intermediaries or the corporate headquarters of foreign investors."[67] Making one's struggle visible to the forces that control the shape of city spaces is getting increasingly complicated as investment structures draw in millions of sources of funds through pension and other funds, and securitized financial instruments. In that cloud of opacity, what priorities govern the use of land? What of the "public law values" of transparency and participation? If assets are ultimately governed through financial instruments, we may conclude that they are governed by that which governs the duties to shareholders, which in recent times has shifted disproportionately towards shareholder value. The implications for this shift are that real estate investments – developments and housing often located in the centre of cities – not only have the power to govern that space in the Morris Cohen-sense of exercising sovereign power, but they are also primarily answerable to dispersed shareholders not residents. This means their priorities are not resident participation in the city but rather the production of value for shareholders, as enforced by corporate law. This dynamic creates clear priorities for what kinds of uses are best for urban space - those which are short-term profit-producing and in the interests of shareholders of development companies/ institutional investors / pension-holders – and leaves other priorities for urban land – environmental, inclusionary access, democratic process – by the wayside and difficult to protest.

Making investors/ shareholders/ pension-holders easier to trace would not necessarily mitigate their lack of accountability. In the context of governance through list-making and algorithms, Fleur Johns has articulated two difficulties in appealing to transparency as a fix: the associated endless information may overwhelm as well as obfuscate; and what she calls "demotic mismatch," where "one form of lawful authority" may be rendered "transparent to some delimited demos, only to find it inextricably entangled with authority produced elsewhere."[68] A similar dynamic is at work here with regard to both of those issues. Not only would endless information about investors lead to little *legal* accountability (though perhaps it would enable specific acts of protest), with the jurisdiction-crossing activities of most investment firms, home jurisdictions which govern the activities of such firms have little incentive to regulate their investments elsewhere, negative

[66] Fields (2017) 1,6.
[67] Fields (2017) 1, 6.
[68] Johns (2016) 141 quoting in part Dean (2000).

cultural and social impact which they may have. This raises a third problem as well with appealing to transparency – that of actual legal responsibility. Could shareholders / investors / pension-holders be held accountable for decreases in public space, participation, displacement, exclusion, or other effects that the proliferation of high-end real estate has on city life? As a first answer, no, as those effects are not "against the law", assuming that environmental clearances and other impact reports were done and that land was acquired legally. But checking the boxes of permits does not account for what is lost in terms of city life, and crucially, does not account for who has to leave cities due to rising property prices. The duty of investment entity is to shareholder not city resident, or would-be resident, or city culture.

So far this discussion has highlighted investor responsibility (or lack thereof), but what of city responsibility? There are numerous open questions around what the financialization of urban space means for whom the city is accountable. Is a city responsible to absentee investors? How far would that responsibility go? For example, what of pension holders paying for retirement from rent and hotel revenue? What if the city imposes rent control or restrictions on hospitality in an effort to ensure affordable housing? Would they be open to regulatory takings claims from pensions and other institutional investors who bear the "loss" of revenue?

Taking a step back, we can now re-consider what it means for the private to govern urban space in the financial capitalism. It means that with the structure of financial instruments today, governance is diffused far beyond what is commonly thought of shared governance. It is not just that private entities enjoy the power to govern through their control of property. It is that power is diffused to investment entities, shareholders, pension-holders and a myriad of actors around the world. In that diffusion, we can observe that norms such as shareholder value come to inform decisions around how urban space is used. This means not just *commodification* of urban space, but the *subjecting of its governance – decisions around who gets to use it for which purposes – to investment processes and rationalities*. This also goes beyond applying market logic in human-led decision making in that the private actor themselves is no longer unitary and clearly identifiable. Rather, what we observe here is the allowance of untraceable new forms of financial market processes make crucial decisions for city life, in their extreme form through high-speed transactions ordered by algorithms.

An emphasis on short-term profit and high-frequency trading[69] means that there may be little long-term view on investment, little long-term view on the sustainability of those uses of urban space, those exclusionary impacts on populations, and little incentive to meet the needs of people or the environment. The use of investment techniques such as shorting or the use of algorithms written for the maximization of profit-seeking, when linked to real estate investment, further exacerbates the lack of consideration of material realities in which these investments are also operating.

To summarize, at least five dimensions of real estate investment through financial instruments are relevant here: geographic distance between investors and real estate developments, shareholder diffusion (in terms of numbers), (high) speed of transactions, the use of techniques such as shorting, increased reliance on algorithms to decide what to invest in and when to sell. Each of these dimensions means not only that decisions around real estate developments are made in opaque ways, but that they are not even necessarily deliberated by humans. While real estate developments are of course planned and executed by developers, with the increasingly common joint venture structure noted above, and the increased presence of global investment entities as 90% funders, the norms that govern the financial real estate markets come to have a say on the ground as well.

If these various facets of investment govern the use of urban space, what does that mean for such space? The short-term maximization of profit, the search for larger profits than the market, the lack of accountability or attention to the material circumstances of those investments after they are left behind subjects *urban space to governance by a logic of speculation*. Here we see Randy Martin's logic of leverage at work in a powerful way, the taking on of speculative forms of risk in exchange for quick returns without long-term investment. Even more problematic, we also see how these forms of speculative investment are in part driven by wilful ignorance of the reasons for and the implications of these investments. In 2014, a reputable blog on finance offered the following rather bleak observation of high-frequency trading:

> "…a lot of HFTs simply *don't know what their strategy really is*. They hunt for patterns in prices or orders, find a pattern that seems to work, and trade on it until it stops making money. They don't have any idea *why* the pattern exists. Sometimes it only exists for a few seconds. In fact, if they stop to gather enough information about the pattern to figure out

[69] See Williams (2000); O'Brien, *The Atlantic* (2014).

> *why* it's there, it often disappears! Actually, there are deep mathematical (information-theoretical) reasons to suspect that lots of HFT opportunities can only be exploited by those who are willing to remain forever ignorant about the reason those opportunities exist."[70]

A more telling account of the lack of accountability for the exercise of the power that comes with investment could hardly be imagined. What effect when those HFT invest and withdraw funds into real estate-related activities?

The "Public"

Financial actors and motives are not being imposed onto a "pure" public sphere, but rather the imperfect public itself is being constituted and re-constituted through the encounter with financialization. What we see is a powerful exercise of leveraging – where public resources, public life, publicly-used space, and even the polity itself is being traded away in hope of greater gain, measured in financial terms. This is the logic of financialization in urban governance, reinforced by a cultural acceptance of it as good governance, which is the core concern of this project. What follows is an account of what is meant by "public" in this context before an exploration of how that public is employing private, financialized values.

Trying to delineate what "the public" means in reference to a postcolonial city is like trying to hold a single view in a turning kaleidoscope. Imagining Gurgaon and its environs here, the scope of "public" raises the following questions. Turned one way, one sees questions of public authority and the source of its legitimacy. When it was governed by colonial authorities, was that the public? Or, with the rule of the elites, whether farmers or industrialists? Was that "public"? Who consented to it, when, and for how long?

Turning it slightly, public authority moves to the back and the direct and indirect influences of international investors come into the front. Their indirect influence is powerful, underlying the reasoning in court cases that try to create a welcoming environment for investment, including ones that call for city beautification with the foreign gaze in mind, at first that of a tourist and now (implicitly) that of a potential investor.

[70] Smith (2014). See also O'Brien (2014).

Turned slightly further, the impetus for beautification brings into focus the question of public space and who it is meant for and who gets to design it and use it.

Turning it further yet, the issue of how urban space is used introduces questions of housing, street vending, religious practices, food preparation, public movie-viewing, shaving and hair-cutting, laundry washing and drying, cars, bicycles, autorickshaws, tents, and the place of people. In other words, the sociality of life in cities.

In its final turn, we end up back near the issue of public authority, but in the rationalities and values that drive decision-making. Who does the state try to serve? What is the role of citizenship in making those decisions?

One could turn the scope all the way around again. See the questions differently this time: democracy, caste, natural resources, extraction, climate, migration, citizenship and neoliberalism. The term “public” eventually recedes, leaving behind a constellation of terms and ideas not reducible and not actually commensurable with that of “public,” and yet also relevant for a public kind of sensibility.

Alternatively, beginning the inquiry of defining “public” situated from a postcolonial geography lends itself to critique of how the public has been conceptualized and constituted, and the distance between that and lived experiences, who participated in the public sphere and how, as well as the inadequacy of the category “public” itself. The latter point is worth emphasizing. Legal scholar Boaventura Sousa-Santos has asked the question of whether the public sphere is even an appropriate category at all to the Global South, in sharp rhetoric worth quoting at length:

> “The concept of public sphere reflects, in a stylized way, the political practices of the European bourgeoisie at the beginning of the eighteenth century. It expresses the emergence of the bourgeois citizen as a political actor through practices and institutions (coffeehouses, salons, newspapers, clubs, etc.) that mediate between the private sphere of civil society (family and the economy) and state political authority. Accordingly, its theoretical and cultural presuppositions are entirely European: it is based on the individual bourgeois and life experience; it assumes the separation between the state and civil society; it sees the bourgeois citizen and his public sphere as external to the structure of power; it takes for granted its informal and equal inclusiveness (which, as Habermas himself later

> recognised, concealed flagrant exclusions, such as women, workers and non-proprietors in general); its dynamic component is the reasonable discussion and a culturally shared discourse (reasonable arguments and counter-arguments, recognised as such by the participants) through which a consensus is reached on matters of common concern; political action consists of political discussion, not political action and transformation. *These presuppositions are today highly problematical, even in the global North*."[71]

Postcolonial political theorist Partha Chatterjee also voices frustration with an idea of the public sphere that has remain unchanged for centuries, remaining seemingly immune to centuries of struggle:

> "How was it possible, I have asked myself, that all the bitter and bloody struggles over colonial exploitation, racial discrimination, class conflict, the suppression of women, the marginalization of minor cultures, etc., that have dominated the real history of the modern world in the last hundred years or so, have managed not to displace in even the slightest way the stable location of modern political theory within the abstract discursive space of normative reasoning? How is it that normative political theory was never pushed into constructing a theory of the nation, or of gender, or of race, or indeed of class, except by marginal figures whose efforts were greeted at best with bare courtesy, and more often with open hostility?"[72]

In addressing the question of the public sphere in the Global South, Santos proposes a series of postcolonial epistemologies which, in retrieving and producing different kinds of knowledges, provide an approach to the *question* rather than a binary answer to it. Crucial to this is an understanding of the "South" that moves past geography alone to an understanding of the South as a "metaphor of the human suffering caused by capitalism and colonialism at the global level, and a metaphor as well of the resistance to overcome or minimise such suffering."[73] Here, the Global South is seen as a *project:*[74] "an anticapitalist, anti-colonialist, and anti-imperialist South."[75] Therefore, this South can be found within the Global North as well: "in the form of

[71] Sousa-Santos (2012) 44. Emphasis added.
[72] Chatterjee (2011) 3.
[73] Sousa-Santos (2012) 51.
[74] Prashad (2007); Kanwar (2017).
[75] Sousa-Santos (2012) 51.

excluded, silenced and marginalised populations, such as undocumented immigrants, the unemployed, ethnic or religious minorities, and victims of sexism, homophobia and racism."[76]

The appreciation of the commonalties in marginalized communities' access to their own cities in both Global North and Global South with each other and the relationship of those struggles to financial capitalism is what nevertheless draws me to use this term – "public" in its various iterations – public sphere, public life, as part of the public-private distinction. For communities within cities in the Global North, the national political and political-theoretical framework that surrounds them may ostensibly be informed by post Enlightenment political values, giving one recourse to the civil and political claims – and expectations of an accessible public sphere that come with that liberal framework. However, such places are nevertheless subject to patterns of power differentials that can be productively understood through postcolonial theory.[77] As Scott and Ingram have argued, "public" in the context of South Asia specifically "suggest inadequacies in the liberal notion of the public sphere." Chief among those inadequacies is the lack of recognition of religion.[78] Moreover, as Scott and Ingram argue, in South Asia at various times, the public has been "defined and regulated through juridical institutions" – a notion which is at odds with a liberal notion of "a public entirely independent of the state" – and it has informed a notion of "public religion" – which is again, clearly at odds with liberalism's treatment of religion as a "private affair."[79]

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[76] Sousa-Santos (2012) 51.

[77] Here, I draw inspiration from Edward Said and Dipesh Chakrabarty in their understandings of the *non*-universality of terms and categories formed in the West (or, here, Global North). Through their analysis, such terms are neither done way with nor adopted completely. Rather, they provide meanings through their historical legacies and their use in particular circumstances, as well as in their prismic reflections and mutual constitutions of each other. With regards to Said, the analysis here implicitly relies on his concept of "Orientalism" and his argument that the Orient (in his terms) "helped to define Europe (or the West) as its contrasting image, idea, personality, experience." Orientalism, which he describes as a *discourse* with "supporting institutions, vocabulary, scholarship, imagery, doctrines, even colonial bureaucracies and colonial styles" refers to the management and production of "the Orient" by the West "politically, sociologically, militarily, ideologically, scientifically, and imaginatively." Said (1978) [9-11]. The duality of that reflective constitution is relevant to this project's use of a term (the public) with such a long, rich, complex lineage in the West. From Dipesh Chakrabarty, the argument employs the structure of "provincializing Europe" where European thought is both engaged with and relativized in the context of other lineages and thought and historical contexts (in his case India). He argues that European thought is "both indispensable and inadequate in helping us to think through the various life practices that constitute the political and the historical in India." Chakrabarty (2000) 6. For this reason, he sets out to explore "this simultaneous indispensability and inadequacy of social science thought" both theoretically and factually as well as "how this thought — which is now everybody's heritage and which affect us all — may be renewed from and for the margins," a motivation I share with this project's engagement with the idea of "public". Chakrabarty (2000) 6 and 16.

[78] Lal (2011).

[79] Scott and Ingram (2015) 366.

All of this is to say that trying to impose a universalistic concept of "public" in analysis of places in the South is an elusive exercise. However, my interest here is less in trying to find a determinate content of a utopian public ideal, and rather with turning our attention to what is nonetheless being lost during financial capitalism and how that is shared across many geographies. In that appreciation of the term, I share Sundar and Sundar's conception of multiple public spheres, each "a terrain or zone of contestation between competing actors, projects and discourses."[80] "Public" is used here as placeholder of a democratic ideal whose content is purposely left undetermined. The aim here rather is to appreciate how its local constitution is being mutually constituted by, in opposition to, as well as *derivative of* (explained further below) an idea of the "private." The normative concern here is with what is being lost, in particular with regard to governance which reflects a diverse public interest and relatedly, the governing of urban space in ways that enable a kind of public sociality. That sociality – from the ongoing accommodations it requires to the spontaneous encounters to the *necessity of it* in the activities of everyday life – is so often *recognized* by urban sociologists writing from or of the South that even if "public" is not a perfect term on its own, some triangulation of urban space and a democratic forms of use and social life resonates.

To understand what is meant by public in this project, we must distinguish several ways that it is used in Western political theory before returning to a postcolonial constellation of meanings and how the term is used here. For Newham, what is being lost is the locally-specific project of public housing that had been a central priority of Post War United Kingdom. And for Gurgaon, what is being ceded are the public functions of local government as intended in the Indian Constitution. None of this is a perfect application of a pure "public" but it is the attempt here is to avoid universalizing what constitutes public while yet relating the loss of it transnationally.

Within Western political theory, the lineages of the term described below present multiple binaries and triplicates which place the public in opposition to the private, articulated through a myriad of idioms, each delineating their own distinctions. There is not one public/private distinction, there are multiple, with varying reference points, genealogies, etymologies, and contemporary meanings. As Jeff Weintraub has observed, the "different usages do not simply point to different

[80] Sundar and Sundar (2012) 279, arguing that the elite "civil society" associated with Partha Chatterjee as well as its public sphere are both sites of contestation.

phenomena; often they rest on different underlying images of the social world, are driven by different concerns, generate different problematics, and raise very different issues."[81] The goal of lineage categorization and explanation here must be admittedly modest if the argument– the focus on what is being lost – is not to itself be lost. The discussion that follows briefly examines five lineages of meanings associated with the public: in relation to the formation of authority; public realm/ citizenship; sociality; feminist critique; and postcolonial publics.[82] The first four are generally associated with Western social and political theory and the final with postcolonial theory.

The first set of lineage-meanings is that of liberal political philosophy. Here we find a spectrum of political philosophers who are concerned with the formation of the state from the people. This constellation encompasses a range of initial assumptions, from those who see the state as filling a need for a "coercive agency, standing above society" to maintain order exemplified by Hobbes and Bentham to those such as Locke and Smith who saw it representing a "natural harmonization of selfish interests."[83] While this lineage includes a wide range of meanings and interpretations, shared concerns include the source of legitimacy of authority and the exercise of power in the name of the public and the nature of consent of the people to that authority, whether given explicitly or implicitly through participation (Locke), acceded through a social contract (Rousseau), or thought of in relation to the obligations of legislators (Kant). From this lineage comes a separation between state (public) and market (private) and in the 20th century, neo-classical economics and those who would replace the coercive authority of the state with the ""private government" of the business firm."[84] This idea is explored further in law by scholars such as Claire Cutler, whose work examines the ways that private forms of authority have ascended through the *juridification* of "political, social, and economic life as law is utilized to legitimate increasingly more varied claims to authority,"[85] the *pluralization* of forms of governance, and the accompanying *privatization* of public governance functions.[86]

A second category of lineage-meanings conceives of a public "realm" or "sphere" which explicitly foreground that which is seen to be missing from the classic liberal conception above: the "process

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[81] Weintraub (1997) 2-3.
[82] What follows are modified versions of broad categories offered by Weintraub, augmented by postcolonial theory.
[83] Weintraub (1997) 9.
[84] Weintraub (1997) 3.
[85] Cutler (2003) 2.
[86] Cutler (2003); Cutler (2018).

of active participation in collective decision making, carried out within a framework of fundamental solidarity and equality." [87] Weintraub identifies two "basic models" of public realm that can be traced back in time: *res publica*, "[t]he self-governing polis or republic. . . from which we inherit a notion of politics as citizenship" and the notion of sovereignty, referring to "a centralized, unified, and omnipotent apparatus of rule which stands above the society and governs it through the enactment and administration of laws."[88] In the latter, "the sovereign rules over, and in principle on behalf of, a society of "private" and politically passive individuals who are bearers of rights granted to them and guaranteed by the sovereign."[89] From there comes the administrative state. With respect to former, the ideas of "public life" and citizenship come into focus. Here, public represents "a world of discussion, debate, deliberation, collective decision making, and action in concert," commonly associated with Hannah Arendt, and citizenship "participatory self-determination, deliberation, and conscious cooperation amongst equals" exemplified in the work of Tocqueville. [90]

Habermas's public sphere - "… a realm of our social life in which something approaching public opinion can be formed"[91] - is essential to this meaning. Here we see the importance of an institution where people come together to discuss matters of general interest. Access for all is essential as is the freedom of to assemble and to "express and publish their opinions-about matters of general interest."[92] The site of the public sphere may be a physical location as well as various forms of media – newspapers, magazines, radio and television.[93] In his words, "[a] portion of the public sphere comes into being in every conversation in which private individuals assemble to form a public body."[94] He distinguishes the public sphere from public authority as well as from the mere coming together of people for other purposes. As sociologist Craig Calhoun describes, "the importance of the public sphere lies in its potential as a mode of social integration," for which public discourse (or, later, "communicative action") is essential for the "identification of reason and will."[95] For both Arendt and Habermas, the "private sphere of society" takes on "a public

[87] Weintraub (1997) 10.
[88] Weintraub (1997) 11.
[89] Weintraub (1997) 11.
[90] Weintraub (1997) 11.
[91] Habermas(1964b).
[92] Habermas (1964b).
[93] Habermas (1964b).
[94] Habermas (1964b).
[95] Calhoun (1992) 6.

relevance" through this manner of participation. "In this way," as Calhoun explains, "a certain educated elite came to think of itself as constituting the public and thereby transformed the abstract notion of the publicum as a counterpart to public authority into a much more concrete set of *practices*," most notably "the practice of rational-critical discourse on political matters."[96] In other words, through the public sphere, private individuals constitute a specific meaning of "public" and produce critique of public authority essential to democracy. That said, critical commentary (including his own) has drawn much attention to the exclusion of women, racialized persons, those of lower socio-economic classes and others from the spaces, conversations, and constitution of that public sphere.[97] More recently, as conceptions of the public sphere have turned to online media, so too has research on the exclusionary characteristics of participation, design as well as knowledge creation through it.[98] The degeneration of public sphere and its practices towards that of consumption is of great concern to Habermas, as they are to Wendy Brown,[99] a point which will be returned to below.

Public space is crucial to both this lineage and the next one. In reference to the public sphere, public space is the site of the discursive activity so crucial for the formation and existence of kinds of participation described above.[100] In the next category, public life, public space is both a discursive formation (in this case, of sociability in contrast to the political in the Habermasian sense) as well as actual, physical site of interaction.

A third category understands public "life" through an idea of "sociability." Its concerns are public life and where it is lived, unplanned encounters. Public space is necessary to this idea of public life, referring to both to a way of discourse as well as, particularly in urban scholarship, actual physical sites of interaction and unplanned encounters.[101] Analogously, the city is often an important site of analysis here, as both actual place and as a metaphor of an idealized form of public life.[102] In this project, the luxury high-rise tower services a corresponding dual purpose as well – as actual site as well as metaphor – in relation to the *degeneration* of public sociability.

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[96] Calhoun (1992) 9. Emphasis added.
[97] See for example, Benhabib (1987), Fraser (1990); Landes (1998b); Bhandar (2014).
[98] Dean (2003); Ford and Wajcman (2017).
[99] Brown (2015); Brown (2019); see discussion in Chapter 3.
[100] Benhabib (1992).
[101] Jacobs (1961); Chatterjee (2004).
[102] See Weintraub (1997) 26; Simmel (1903).

The issue of decline is relevant in this category as well. For Brown, the concern with the decline of that sociability appears concomitant with a decline of a politicized form of citizenship-participation. Similarly traversing both categories, is Richard Sennett's work, where "dead public spaces" are linked to the disintegration of public life. In Sennett's work the metaphor is causally linked to the actual site: "[o]n the most physical level, the environment prompts people to think of the public domain as meaningless," he notes in relation to the isolationist organization of city space.[103]

Finally, still primarily within the Western canon, feminist theory demonstrated how the "private sphere" was the site of "sexual inequality, unremunerated work, and seething discontent" and often of violence.[104] These critiques in some ways invokes the Aristotelian distinction between the public (*polis,* in the sense of a place of *"*discussions, deliberation, collective decision-making and action in concert") and private (*oikos*, as in household, or "the domestic sphere of production and reproduction inhabited by women and slaves, and polis), but recasts the public as multi-faceted, including both civil society and the state.[105] This lineage has numerous threads and lineages of its own, and was itself subject to a body of critique, particularly from Black feminists, who argued that that division of domestic and public was not only a misplaced generalization, but classist and racist in its assumptions. Black women, female domestic help workers (who are often women of colour), and many women of lower socio-economic classes did not experience the seclusion assumed in the initial feminist critique.[106]

Each of these lineages has inspired an enormity of scholarship across disciplines, and each has been re-conceptualized in numerous ways, inspired by massive societal transformations from globalization and neoliberalism to technology and media. As introduced at the start of this discussion, postcolonial theory is indispensable for revealing the hidden assumptions and contradictions in the lineage-meanings offered here and for re-telling the actual experiences of the Global South with colonialism during the time that the Western meanings were being formed. Said differently, postcolonial theory problematizes both the theoretical assumptions underlying the various categories, as well as the historical-social facts upon which their formation rested. In doing

[103] Sennett (1977) 12.
[104] Landes (1998a) 1. See, for example, Pateman (1983); Pitkin (1981); Squires (2003) and the collection edited by Benhabib and Cornell (1987).
[105] Squires (2003) 131-133.
[106] See for example Collins (1990).

so, they remind us of the historical contingency of what appears to be universal and offer powerful critiques as well as alternative sets of meanings.

Postcolonial theorists have introduced a number of concepts which, if one may consider them together for a moment, construct an amalgamated, very different "public" than the lineages above. Those concepts include: the distinction between an elite civil society whose discourse constitutes the public sphere and the marginalized political society, associated with Partha Chatterjee;[107] the relationship between citizenship, the constitution of "population" and the state;[108] the historical contradiction of the tenets of liberalism and practices of empire;[109] the relationship between state, society, and (globalized) market;[110] religion and the use of public space;[111] and the spatiality of sovereignty. From the activities of colonial officers to re-built architecture to malls and gated communities and evictions and law, cities have been crucial sites of such analysis.[112]

Why then embark on such a slippery terrain of the terms public and private? What work do they do for this project? Very simply, referring to them helps articulate the spheres of public that are changing. The project presented here is not an attempt to find a determinate content whether here or in a nostalgised past. *The central concern here is with the re-coding of the public sphere and public life with financialized rationalities and cultures, and in turn, the re-coding of governance*.

Each of the lineages of "public" above share the spotlight.

The first meaning of public authority is drawn on not in an effort to enter into the rich literature that attempts to choose between Locke, Hobbes, or others. Rather, because of a shared concern with legitimacy that they speak to when they speak to formation of the state. Here, what is recognized is the ways that the public authority is no longer responsive, or even formed, by a general public consent and when it is being re-coded by financial actors and motives. This happens through the processes of globalization and the rise of finance (Chapter 4) or when public authorities

[107] Chatterjee (2004); See Baviskar and Sundar (2008); Sarkar (2012).
[108] Kaviraj (2003); Mamdani (1996).
[109] Mehta (1999).
[110] Birla (2009).
[111] See Srivastava (2009) and (2010), presenting an argument on the entwinement of masculinity, religion, and commodified public space in India.
[112] Roy (2003); Nandy (2001); Bhan (2016).

take on private activities and values as in Newham (Chapter 5) or when public authorities delate authority to private actors who then take on public functions as in Gurgaon (Chapter 6).

With regards to the second and third lineages of the public sphere and sociality, here the links between the public sphere and sociality in the city and specifically in relation to urban space are analytically productive, with the luxury towers as a focal point. The understandings of sociality and the city here are informed by geographers as well as social and cultural understandings of financialization. Here is where art, movies, music, plays, resistance, creative and diverse uses of space are crucial to understanding what possibilities are held in urban space, and what is being lost. In other words, in considering what is lost, it is often productive to look to where radical or ideal notions of the public have been articulated, through resistance efforts, art, and sometimes through city governments themselves. This intersection also reveals the categories' causal relation to each other. When financial rationalities and culture permeate sociability, reconfigure its norms and its lived experiences, transform urban space and built environment, change how people relate, then not only is public life reconfigured, but so too are ideas of citizenship. What results is exclusion, marginalization, and a narrow form of citizenship that is supportive of financialized "public" authority.

Examining shared financial institutions and projects of public and private actors shows how deeply the public is transformed through finance. Legal anthropologist Annelise Riles has studied the forms of expertise and knowledge that emerge from trading activities and "back office" paperwork which executes financial swaps and accompanying collateral. Her analysis of the actual paper of the deals, and the limited spheres of expertise held by each of the relevant actors reveals both the imperfection of expertise in financial market transactions as well as the complexity of the relationship between public and private. As legal scholar Fleur Johns writes in her review of Riles' *Collateral Knowledge*, "the distinction between public and private, and the properties identified with each, are recast… on a continuum of 'projects' or 'approaches to expert legal knowledge'"[113] Both of these insights – the continuum of projects as well as their relation to the production of knowledge - are relevant for appreciating how real estate-related financial instruments and projects

[113] Johns (2012) 1195 (internal citations omitted).

go beyond the mere *coordination* of public and private activities but rather institutions, regulations, and financial instruments and projects are often *fused entities* of public and private.

Employing Riles' manner of analysis here reveals how the fusion of public and private inhabits the institutions of finance and real estate, from investments to actual buildings. REITs are a fusion of regulation calling them into being and governing them and the capital investments that create specific instances of them. The high-rises are a complex constellation of investment and local regulation combined with the specific development project plans and capital. In the high-rise, zoning and tax regulations, quintessential exercises of public power, becomes fused with the private pursuit of wealth embodied in the high-rise – resulting in transformations of street and skyline as well as daily life.

And yet, as Fleur Johns has argued, a separate framing of "issues and constituencies *as if* they occupied different spheres [of public and private] can sharpen oppositions, clarify hard choices to be made, and focus attention on the distinct and limited mandates which particular institutions enjoy."[114] Once we retrieve that distinction here, each institution examined (REIT, local housing company, high-rise, etc.) demonstrates the choices that are being made under a (transformed) idea of the public (ideal). Public forms of authority, such as investment regulation, zoning, allocation of funds, and tax are revealed in their furtherance of private values – namely, wealth for private property owners/ investors. To appreciate the significance of the resulting exclusion and marginalization of populations and ways of life, some existence of the public interest outside of the financialized form must be envisioned.

Riles' primary argument is that private law devices such as collateral "appropriate and redeploy the very knowledge practices that characterize the modern state."[115] Through that redeployment, the state is not "challenged," it is "mirrored, reflected, and deflected in new technical forms."[116] In the examination of financial instruments and real estate projects that follows, I would argue that the state is both being challenged as well as being mirrored. Neither state nor financial activity are static – and so, each ends up challenging as well as mirroring the other. As discussed above, it is

[114] Johns (2012) 1196.
[115] Riles (2008) 630.
[116] Riles (2008) 630.

the iterative mirroring of a financialization-informed form of governance that is of primary concern to me.

Randy Martin's description of the derivative logic of public and private under financialization deepens our understanding of that mutual constitution.

Derivations of the public from the private

Through much of Randy Martin's work he laments how the public (in the sense of all things "good"[117]) is under siege by financialization. He argues, in short, that "[t]he public associated with the commons, consensus, and cooperation has been eclipsed by private self-interest, fragmentation, and competition,"[118] including by its being turned into a "good" by the non-profit sector.[119] The logic is crucial here: what is seen as public is in fact being actively "derived" from the private, while at the same time, that which is private (for example, goods) was also in part influenced by the complexity of the public (public goods).

That public welfare is increasingly derived from the private is inherent in the logic employed by cities in granting development rights to private developers in exchange for affordable housing. This is a practice which has been increasingly popular for several decades, at the same time that publicly-funded housing has been in decline. The ostensibly "private" sphere of real estate development, then, contains now a public-like good which has been derived from it. The existence of that (small) public-like good is used to defend the (large) disproportionate grant of resources to the private good. In New York, this logic is manifest in the 421-a tax exemption that real estate developers can receive on new construction in exchange for building affordable housing.[120] More tellingly, that use of tax credits to welcome billionaires was celebrated by then-Mayor Michael Bloomberg as a "godsend"[121] because of the "trickle-down" effects of their spending, despite evidence that they did not spend enough money locally to have a multiplier effect on the economy.[122] In Bombay, it is manifest in slum redevelopment or rehabilitation schemes which are premised on a trade with real estate developers for the right to develop, and even public land or

[117] Wark (2017).
[118] Martin (2015) 89.
[119] Wark (2017).
[120] N.Y. Real Property Tax Law § 421-a. See New York City Dept. of Finance, "421a Exemption."
[121] Gay, *New York Daily News* (20 Sept. 2013).
[122] Story and Saul, *The New York Times* (8 Feb. 2015).

other resources, in exchange for some amount of housing for the poor.[123] That the state would affirmatively provide housing is nearly assumed away. Despite the intentions of the Slum Rehabilitation Authority, in Bombay it is commonly acknowledged that those affordable housing units would often go to the domestic help of those living in the upper-class high-rises for whom the construction was for, rather than the existing residents of the land (for whom the affordable housing was ostensibly meant to compensate).[124] And, in New York, those units hardly make up for the shortage of public or affordable housing in the city.

The logic inherent in affordable housing-for-development exchanges goes beyond the offering of an inadequate token in exchange for largesse. This kind of private provision of affordable housing emerges – *derives* – from the private good of affluent housing construction in the negotiation between private and public. To be clear, the city is often in a position to ask for this provision not out of charity, but rather in *exchange* – for tax credits, or for the enclosure of public space that the construction plans call for. Allowing a public need to be met in such an inadequate, disproportionate way, across so many geographies speaks to the power of the underlying prioritization of the land being used to create monetary value rather than to offer shelter to those who need it. Moreover, it underscores an argument by Martin that under financialization, "giving" or providing a public good becomes a form of "investment". This shifts the very idea of public good from "something that the market cannot provide" to "a claim on what is good for the public" – meaning, "whatever one gives to is what deserves to be considered good."[125] It does not eliminate "public" goods and make all goods the subject of market exchange. Rather, it "infuses civic engagement with expectations of appreciable gain."[126] In Martin's terms, it *derives* the public from the private.[127]

The measurement of that appreciable gain in the case of affordable housing exchanges can be observed as well, for example, in the reported response of Extell developer CEO Gary Barnett to protests around the "poor door" of One Riverside Park. Barnett was said to have stated that it "would have made no financial sense to incorporate affordable rental units into the condominium tower without [the poor door]" and that allowing residents to use the same entrance would be in

[123] Slum Rehabilitation Authority, Mumbai website.
[124] I found this when, as an attorney, I worked on real estate financing in Bombay.
[125] Martin (2015) 91-92.
[126] Martin (2015) 92.
[127] Martin (2015).

effect "giving away" the more luxurious units.[128] Barnett's response demonstrates the power of an idea that the door issue should be framed (no pun intended) as an exchange of what is considered valuable. The social implications of the separate doors and their replication of segregation was not even necessary to address in this framing.

The shift in the values that inform governance under financial capitalism is not merely an overpowering or overshadowing of what may constitute that "public". Instead, it is an infusion of private values (or financialized rationalities) into that idea of "public" itself. In Habermasian terms, this would not represent the public being de-legitimized or in crisis;[129] rather (more bleakly), that the structural sense of what is public and the democratic processes through which it is built is itself now infused with the private. To stay with the metaphor, if the concrete in the scaffolding itself is now replete with financialized values, therefore so too is the entire edifice.

Here, the consequences of the transformation of the "public" for urban space becomes clearer: how space is allocated, the rationalities underlying governance of it, which are the "highest and best uses",[130] who is allowed to use space, who is seen as being able to make legitimate claims to space are all in some way determined by the prevailing concept of the public. With regards to space and governance, how foreign claimants to space are treated, who regulates the uses of space, how multiple levels of governance: local, national, and transnational interact with regards to the landing of investments onto urban space, how multiple kinds of actors exercise control over urban space, all become crucial in who is shaping the public.

An illustration of the power inherent in ownership is illustrated by the concerns that governments have had around urban infrastructure projects owned or financed by foreign investment entities.[131] For example, in 2006, UAE-owned investment company Dubai Ports World (DPW) purchased a British-owned company and acquired six seaports in the United States through the deal.[132] Though the change of ownership was approved by the U.S. interagency Committee on Foreign Investment in the United States (CFIUS)[133] that reviews acquisitions raising national security questions and

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[128] *The Real Deal* (26 Aug. 2014).
[129] Habermas (1973).
[130] Property and land use regimes use perceived "highest and best uses" to determine the value of property. See Sussna (1989).
[131] See Weisman, *The New York Times* (20 Aug. 2007); *The Washington Times* (22 Feb. 2006).
[132] Sanger, *The New York Times* (10 Mar. 2006).
[133] On CFIUS, see Latham & Watkins, "Overview of the CFIUS Process".

by then-President George W. Bush, negative congressional and media attention raising concerns that “that terrorists could infiltrate seaports”[134] through DPW’s ownership led to its eventual failure, prompting DPW to eventually sell the ports to an American company. In 2009, the General Accounting Office of the U.S. federal government issued a policy report addressing concerns around the powers that sovereign wealth funds (SWFs) were beginning to exercise in the United States through their investments in various forms of both physical and non-physical assets (such as intellectual property, or monetary investments in certain kinds of companies) and the capacity of existing law to restrict that power. The concerns that drove the report were the lack of transparency of foreign SWFs and the possibility that “rather than making investments primarily to earn investment returns, as is generally the motivation of a private investor, some SWFs may instead invest their assets to achieve the noncommercial or political goals of their governments.”[135] While the report issued fairly mundane recommendations for increased transparency, the very existence of it (and of CFIUS) speak to the idea that ownership of both nonphysical financial or other assets[136] and physical properties and infrastructure grants an opaque power over their use – an idea that though obvious is worth underlining as it is under-acknowledged in relation to properties designed as residential.

Urban Space: Governing Land into Real Estate

The previous Chapter examined the integral role that real estate investment plays in financial capitalism. The conversion of urban space to real estate occurs not just through the commodification of land but through a re-imagining of what land should be used for. What constitutes that new imaginary is currently being informed by financial motives and forms of rationality, including the emphasis on shareholder value.

What we see with 21st century financialization is not just the valuing of land in monetary or investment terms, but also the valuing of the human activity that takes place on that land in financial terms as well. People who would walk through city spaces, visit retailers, and rent homes, are increasingly seen as potential data-producing sites, inviting tech companies such as Google to design spaces in such a way as to shift human behaviour in urban space to serve the purposes of

[134] *The Washington Times* (22 Feb. 2006).
[135] GAO (2009) 1.
[136] Note, for example, that foreign governments cannot own radio station licenses. 47 U.S. Code § 310. License ownership restrictions.

wealth creation. More simply, it is now seen as profitable to license “access to users’ presence”– meaning to charge companies to “access” people in public space, it will now be done. To appreciate the financialization of urban space requires a three-dimensional appreciation of what is being financialized as well as what it means for something to be financialized. The discussion below puts this in context of real estate and property regimes before turning to the stakes of that financialization for public space and life.

Real Estate

“Real estate” is generally understood to refer to property interests in land and built structures.[137] Inherent in it is the idea that the land and buildings referred to are recognized as property, or as the subject of legal rights.[138] This implies that while not all land is necessarily real estate, it becomes so through ownership or perhaps even pre-ownership market recognition. That market recognition transforms how space is felt and experienced, and the potential relationships to it.

Because real estate is integral to financial capitalism, so too is urban land.[139] Urban space is where real estate materializes. Seeing city space as “real estate” transforms urban land into objects of ownership – and potential investment return - rather than space that just exists for city life, whether used by people, plant and animal life or in other ways. In other words, making urban space as synonymous with real estate forecloses how such space could be imagined and related to outside of how it is owned.

We can think of the treatment of land as real estate investment in three stages of transformation. First is the recognition of land as property. Land registries were key to this transition.[140] Second is the treatment of that property as real estate, involving the entrance of that property into the market. Third is the transformation of the form of real estate through securitized investments. In its new form, it is even further distanced from the location and physicality of the land and built

[137] Black’s Law Dictionary defines “real estate” as “Real estate includes the land and anything fixed, immovable, or permanently attached to it such as buildings, walls, fixtures, improvements, roads, trees, shrubs, fences, roads, sewers, structures, and utility systems.”
[138] Black’s Law Dictionary defines “estate” as “[t]he interest which any one has in lands, or in any other subject of property.”
[139] This is not to ignore real estate in rural or other, non-urban, spaces. It is the process of commodifying space that is of interest here, seen in stark terms in cities and through urbanization processes.
[140] Pottage (1994); Keenan (2018). As Keenan describes, “[l]and becomes a more marketable asset as it is assumed to be the mirror of title, and title can be bought and sold swiftly and easily through the registry.” [6 of draft].

environment. The location and the physicality matter, but are primarily recognized through their form in securitized instrument.

Legal anthropology scholar Alain Pottage has described the first transformation, that of land into property and legal relations, as a process through which the physical form of land is "abstracted from the world of practical expectations" through the "technology of cartography."[141] Topography flattens into paper, property and topography are rendered "commensurable, reducing each to a form of notation which could be accommodated or superimposed upon the other."[142] In Pottage's account, the local knowledge and narratives of land, of ownership, and even of *measurement* (through landmarks and memory) is shed through that metamorphosis.[143] Moreover, the "idea of land in law" underwent a transformation as well: "property ceased to be a contractual construct and became a bureaucratic artefact."[144] The former had situated property sales in contract law, the latter – through public registration – in administrative law. The public recordation, in Pottage's words, made land a "calculable and finite surface rather than a lived and remembered medium" and "brought into a public, administrative domain something which until then had remained private."[145] Seeing the first stage in these terms is instructive for the following two stages. In both the second and third stages, the means of "measurement" as well as the "idea of land in law" are yet again put at play.

In the first transformation, measurement referred to the boundaries and temporal features of land itself. In the second transformation, real estate includes the boundaries and temporalities of land and buildings and also the ownership of present and future estates as recognized by a market. In the third, however, real estate opens up to a different kind of form as well as measurement. While it includes land, buildings, and present and future estates, the market that recognizes it is no longer primarily a real estate market focused on the sales of buildings/ land but rather a financial one.

That financial market sees real estate differently. The older form of real estate drew value over time from physical location as well as building upkeep and improvements in the context of a fairly localized real estate market.[146] Here, the market values real estate in its physical form (and future

[141] Pottage (1994) 362.
[142] Pottage (1994) 362.
[143] Pottage (1994). See also Keenan (2018).
[144] Pottage (1994) 363.
[145] Pottage (1994) 381.
[146] See Weber (2002).

revenue if it is rental / hotel) but also in its disaggregated, securitized forms of financial instruments, and it evaluates potential for future income with a bias for the short-term. It also sees value in different attributes of the real estate – for example, it evaluates potential data gathering and sale. The valuing of data means that "real estate" now measures value not just from physical objects but also from movements of people, habits of occupants, and even *potential* movements through projected "foot traffic". In this third transformation, the meaning of measurement itself has changed: just as with other financial instruments that involve derivatives, the measurement of what constitutes real estate in the present has become entwined with its own future. As explained by Bryan and Rafferty, the *futures* market sets prices of derivatives *first*, which then feeds back into commodity markets.[147] In effect, the perception of future value sets present values. This introduces a temporal complexity not present in the second stage. Therefore, "real estate" in the third stage represents an alchemy of land/building, present value, future value, income streams, varied forms of financial instruments and presence in financial markets, the possibilities of data gathering and even further potentialities for extraction not yet revealed by technology, and – if we appreciate the market as constructed by law – then also the multitudes of local, national, and transnational legal regimes which govern formally and informally.

With regard to the meaning of "land in law," in the latter two stages the state often enacts or exercises laws in ways that make land as liquid an investment as possible[148] in attempts to balance the "political imperative" to build versus the investor need for liquidity.[149] States respond to that choice by enabling investors to extract value and expedite transactions, and by making *holding* property more attractive, through a myriad of local government regulations around construction, zoning, tax credits, building codes, and subsidies (explored in subsequent Chapters). Even deteriorating physical structures are regulated to enable the extraction of value through obsolescence (in effect, a tax write-off) or the use of eminent domain.[150]

In the third stage, the state participates in the transformation of land into a more liquid investment through securitization.[151] Securitization homogenizes real estate and its associated loans through its packaging of and disaggregation of loans into (what are meant to be) standardized financial

147 Bryan and Rafferty (2005) 12.
148 On titling systems as making land liquid, see Keenan (2018).
149 Weber (2002).
150 Weber (2002).
151 Gotham (2009); European Commission (2007). See also Moreno (2018).

instruments.[152] This represents a massive transformation of real estate itself, as enacted through law. As Kevin Fox Gotham has argued, "the development and integration of securities markets, the formation of large pools of private investment capital, and the development of new real estate financing tools — e.g. adjustable rate mortgages (ARMs), mortgage-backed securities (MBS), real estate investment trusts (REITs), among others — suggests a profound institutional transformation in which the *real estate sector has come to resemble an economic sector composed of finance markets and instruments rather than a sector defined by producer markets*."[153] The state is throughout these processes – through the regulation of securities markets, the incentivization of institutional investment structures, its treatment of housing finance, and the introduction of/ incentivization of real estate financial instruments through regulation.

In the third stage we also see the *limits* of a jurisdiction-based law premised on the fixity of land and paper representations. The fictions that were necessary to represent land through paper[154] are dissolved into split-second transactions involving known or even unknown parties shattering jurisdictional boundaries, encountering each other only online (without paper) and holding ownership for less than a blink. What state controls the form of property swirling through that process? How *could* it be controlled?

A brief example illustrates what is meant by the limits of law's reliance on the paper. During the massive expansion of the secondary mortgage market in the United States preceding the Financial Crisis of 2008+, investment banks purchased bundles of mortgages from local commercial lenders. To effectuate the transfers, they used private electronic registration system called Mortgage Electronic Registration Systems (MERS). The MERS database kept records of mortgage servicing and ownership rights across the United States.[155] It was used by mortgage lenders and secondary mortgage market participants. It had an enormous presence in the market, by 2011, it claimed to have title for 60 million mortgages, approximately half of all mortgages, in the United States.[156]

However, more than just a database, MERS was also listed as a "mortgagee of record" on the paper mortgage (rather than the actual lender). It tried to hold multiple roles, database, nominee, and

[152] Gotham (2009).
[153] Gotham (2009) 357. emphasis added; Aalbers (2009); Sassen (2009).
[154] Pottage (1994); Keenan (2019). See discussion in Chapter 1 on Bhan's "fiction of the rule."
[155] Peterson (2010).
[156] Powell and Morgenson, *The New York Times* (5 Mar. 2011).

mortgagee, depending on the circumstance. Even after loans were sold on the secondary market, MERS remained the named mortgagee. This allowed lenders and investors to circumvent state recording fees which would have been due during the sale of the mortgages. Motivated by expediency, MERS also stepped in for lenders/investors as effective debt collector – initiating foreclosure proceedings in its capacity as mortgagee.[157] However, through subsequent litigation many of these foreclosures were deemed not legal as a result of non-compliance with specific state law, mistakes, imperfect chains of title, or because MERS was not the title holder on the mortgages it attempted to foreclose on.[158]

To return to the questions of the representation of land in law and which state could control the permutations of property in this system, MERS raises several issues in the transition from a second stage form of real estate to third stage. First, it demonstrates the evisceration of the (accuracy) of the paper systems of ownership representation. Here, actual lenders are no longer listed, in favour of MERS as nominee. This allowed for sales of mortgages for securitization to be made quickly – in effect, MERS made the land even more liquid than before.[159] And, it made it even more difficult for borrowers falling behind on payments to renegotiate or avoid foreclosure. That evisceration of public records happens at the same time as the faith in MERS disconnected title from land even further. Keenan captures the misplaced faith in MERS in relation to its weakening of chains of title: "MERS operates with a seemingly magical quality upon the titles in its system - each title (here the title to a mortgage charge) being given a new life upon each assignment, a financial life which is likely to be disconnected from the land to which the mortgage relates."[160]

Second, the MERS system represented a privatization of what had been public property records.[161] Not only were records opaque, misleading, and no longer public, but as Singer argues, it was *designed* to circumvent state property laws including "statutes regulating consumer protection, recording, foreclosure, and negotiable instruments, as well as the statute of frauds."[162] The MERS

[157] Peterson (2010).
[158] Singer (2013); Steven (2012). Note that state courts remain divided on this issue, some allowing MERS to foreclose, others voiding attempts. Compare, for example, *U.S. Bank National Ass'n v. Ibanez*, 941 N.E.2d 40 (Mass. 2011) and *Bain v. Metropolitan Mortgage Group, Inc.*, 285 P.3d 34 (Wash. 2012) (both disallowing foreclosure on account of MERS not holding a valid property interest) with *Residential Funding Co., LLC v. Saurman*, 805 N.W.2d 183 (Mich. 2011) (allowing foreclosure through MERS).
[159] Keenan (2018).
[160] Keenan (2018).
[161] Singer (2013).
[162] Singer (2013) 502.

system effectively made an intractable "shambles" of public land records in the United States.[163] The stakes of this mess are serious, and as suggested by legal scholar Christopher Peterson that in creating MERS, the mortgage banking industry "subverted the democratic governance of the nation's real property recording system."[164]

Finally, the litigation that succeeded in halting foreclosure proceedings demonstrated the imperfection and incompleteness of financialized systems overly dependent on false representations of land and ownership.[165] In hindsight, the use of MERS makes the previous individualized *paper* representations – that which seemed inadequately two-dimensional in the first stage of recognition of land in law - seem more real and more genuine as a representation than what was to follow. While it rendered the actual paper recording systems incomplete, in litigation where claimants successfully challenged the title transfer through MERS as invalid on account of the lack of a valid property interest,[166] the public paper system was confirmed the ultimate determinate of ownership. This echoes what Annelise Riles has argued in relation to the paper of swap transactions: "material documents matter."[167] As she argues, this "sociological fact… admittedly flies in the face of the longstanding assertion that the paper of the contract means nothing in itself, that it is the agreement between the parties, and not the document, that matters."[168] The paper documents matter here, of course, because of the legal system that has deemed them determinates of title and ownership.

Property Regimes between Economy and Democracy

The second and third stages of real estate also reveal how the protection of private values by public authorities manifests itself in property regimes governing urban space. The employment of these values sees land as a resource whose value should be extracted, or "unlocked," to use Peruvian Economist Hernando de Soto's argument.[169] The idea of "unlocking" capital from land depends on treating land as a security to be borrowed off of, in effect financializing the land.

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[163] See Singer (2013).
[164] Peterson (2010).
[165] For example, *U.S. Bank National Ass'n v. Ibanez*, 941 N.E.2d 40 (Mass. 2011) and *Bain v. Metropolitan Mortgage Group, Inc.*, 285 P.3d 34 (Wash. 2012).
[166] *U.S. Bank National Ass'n v. Ibanez*, 941 N.E.2d 40 (Mass. 2011).
[167] Riles (2008) 617.
[168] Riles (2008) 617.
[169] De Soto (1989) and (2000).

Another way that public authorities protect private values can be found in the United States, where local governments have long been understood to serve the function of protecting wealth by protecting property values of owners within them. In other words, the existence of borders around a wealthy municipality are used to serve the private purposes of owners at the expense of others – those without property or those outside the borders. In effect, as Frug argues, this rationality represents a “privatized conception of the boundary lines” between municipalities as city borders work to protect wealth and maintain separation between socio-economic classes.[170]

Financialization has catalysed that over-emphasis on owner’s rights, the self-interest of cities, and the separation of classes. It has also re-conceived how property and space are valued by prioritizing wealth-producing uses of space as the primary factor in deciding how land should be used, protecting high property values as a singular goal, and enforcing the rights of owners to an extreme. We can see this in the various legal regimes – from finance to land use to property and even to immigration – that have worked to allocate urban space to the already-wealthy and to protect that allocation. The protection of owners to an extreme has been at the expense of owner’s *obligations* to their neighbours and to society. This ignoring of the obligations of owners, in effect, obscures the operation of property as a *social* institution, meant to serve society at large by distributing resources and access.[171]

Property and land use regimes structure the possibilities for the use of urban space. Norms that govern property come to govern the use of urban space. If owners are prioritized in property regimes, rather than the obligations that they owe to society for the privileges of ownership, then so too urban space reflects the priority of owners. This is a mutually constitutive process, as the norms around appropriate allocations of urban space find their way into property law as well. The uses and allocations of urban space get legalized through property and land use laws, which normalizes and entrenches them.

Why this Matters

As critical geographers have shown, space and the built environment in particular have a profound effect on ordering lives, social relations, and societies.[172] Space is not neutral or empty, but rather

[170] Frug (1999) 7-8.
[171] Singer (1996); Singer (2006); Alexander, Peñalver, Singer and Underkuffler (2009); Davies (2007).
[172] Lefebvre (1982); Simone (2004); Massey (2005); Soja (2010).

"deeply political."[173] Critical geography therefore examines the "spatiality of structures that constrain human action and social consciousness, with special attention given to the politics of race, class, and gender."[174] Legal geographers have built on that premise to demonstrate how law plays a crucial role in shaping those structures.[175] As it shapes them, power differentials reflected in law are reflected back again in their form, and they in turn shape and constitute law itself.

With regards to the constitution of law by space, legal geographers draw attention to the idea of "place" in law: "nearly every aspect of law is located, takes place, is in motion, or has some spatial frame of reference."[176] In other words, law happens some*where*. And, that somewhere – "social spaces, lived places, and landscape" - is similarly "inscribed with legal significance."[177] The insights of critical spatial analysis by legal geographers help us see globalization and financialization as imprinted in cities. Globalization and exercises of private authority do not happen 'out there'; rather, as has been observed by Saskia Sassen and others, they happen in actual places and involve actual people.[178]

Examining the inscription of financialization in the city and in city governance (and vice versa), therefore, allows us to see the *spatialization* of law and globalization. *Who* is allowed to do *what* in *which* urban space is a reflection of societal values and power. These values shape laws from property to land use to the webs of regulation that channel capital towards real estate investments in cities. More simply, by looking at whether luxury high-rises are allowed to be built in a given geography - particularly one with a housing shortage - we begin to discern which actors hold power in local governance, which values are promulgated through law, and which lifestyles are further legitimized.

Through the increasing recognition of urban space primarily as real estate, what is seen as the "best and highest use" for urban space has shifted. While urban spaces can serve as sites of public activity and life (for example, cultural activity in museums or parks; governmental activity in offices, courts, police stations, and prisons; or social activity in public accommodations such as

[173] Blomley and Bakan (1992).
[174] Blomley and Bakan (1992) 665.
[175] For example, Bennett and Layard (2015); Braverman, Blomley, Delaney, and Kedar (2014).
[176] Braverman, Blomley, Delaney, and Kedar (2014) 1.
[177] Braverman, Blomley, Delaney, and Kedar (2014) 1.
[178] Sassen (1996); Low (1996). "Embodied space" in Low's account is "the location where human experiences and consciousness take on material and spatial form." 467.

malls, hotels, movie theatres, etc.), such spaces can also serve as crucial resources and sources of profitmaking in cities, from private ownership (sales profit, rent), to commercial and retail activity, to hybrid public-private endeavours such as toll bridges and other infrastructure. That these competing needs have to be balanced in some ways is not new to cities and local government. In the governance decisions explored in Newham and Gurgaon in later chapters, however, the balance seems to be tipping towards the idea of urban space as wealth-producing, and as a speculative form of real estate financial instrument in particular.

The underlying assumptions of how space *should* be allocated and how to best use it drive these changes. Financialization appears here as a rationality that informs decisions to give subsidies to private developers, to negotiate away affordable housing requirements, and more fundamentally, to cede public powers to govern to private authorities informed by an understanding of private forms of governance as good governance. This means that property as it provides housing becomes even less regulated in some ways: flats are less often rent controlled, and developers are more able to circumvent affordable housing requirements, and yet remains the beneficiary of regulation in other ways: tax credits and subsidies remain in place, as do other benefits to development such as immigration fast-track. In the treatment of urban spaces as real estate, it serves the financial economy both in its form as material asset and also in its securitized form. Both of these forms instrumentalize urban space, whether into commodities or financial instruments. And both subject urban space to the short-term time horizon of the returns on real estate needed to satisfy investors.[179]

The decrease of Public Space and Participation

High-end real estate developments often privatize what was previously public space. They do this by drawing material boundaries around space that is comes into private ownership, but also by implicitly making some segments of the population aware that they do not "belong" in such spaces.[180] The reduction of public space and life happens not just by outright sales to private entities, but also by making it quasi- private by setting up barriers to entry such as appointments, identification or security scans, by installing surveillance through security guards or CCTV cameras, by issuing rules that discourage use such as outlawing bicycle or skateboard riding or

[179] Weber (2002) 530.
[180] Massey (2005); Cooper (2011); Keenan (2014); Schindler (2015).

pets, and even through construction such as overpasses too low for buses to fit under – thereby limiting beach access to the automobile-driving class.[181] These myriad forms of narrowing public use of urban space have significant implications for a democratic city life in which a diverse populace can participate.

"Public space" has long been understood to be essential to the effective functioning of democracy through its hosting of public debate, interactions between citizens of different classes, races, and genders, and as the place of activities as well as expression and the creation of public life.[182] It takes on different meanings in the context of societal associations and activities, from spaces of market activity to religious life. At its best, public space has been romanticized and celebrated as a place of community and life:

> "Public space is the stage upon which the drama of communal life unfolds. The streets, squares, and parks of a city give form to the ebb and flow of human exchange. These dynamic spaces are an essential counterpart to the more settled places and routines of work and home life, providing the channels for movement, the nodes of communication, and the common grounds for play and relaxation."[183]

This vision sees public space as essential to both individual fulfilment as well as democratic ideals of community-making and vibrant public life. Here, government is able to provide services and spaces for communities to form and public life to be fostered.

Public space has also been the site of power struggles and contestation. Public space separated as well as mingled colonial elites with their subjects, and it served as crucial sites of anti-colonialism protest and resistance. It has also further entrenched gendered uses and exclusions from public life.[184] Neo-Nazi marches in 2017 and 2018 raised concerns that public space itself was being attacked as part of an attack on public values.[185]

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[181] Schindler (2018); Layard (2016). On low bridges, this is what the "Master Builder" Robert Moses did on the parkways accessing Jones Beach in Long Island, New York in order to restrict access. Caro (1974) 571.
[182] Benhabib (1993); Amin (2016); Layard (2016).
[183] Carr, Francis, Rivlin, and Stone (1992) 3.
[184] Bhandar (2014); Phadke, Khan, and Ranade (2011).
[185] For example, Capps, *The Atlantic Magazine* (14 Aug. 2017); Harris and Reuters/AP (17 Feb. 2019).

And so, while excessively romanticizing public space and social life should be avoided, spaces of spontaneous encounter between diverse classes are, however, part of what builds societies.[186] In writing about Calcutta, Partha Chatterjee tells of the changing nature of neighbourhood public spaces and institutions – parks, tea shops, markets and much more – established by the wealthy and middle classes in the 1950s, and often very diverse in terms of class, religion, language and ethnicity.[187] Poorer residents lived in close quarters with wealthy, sharing patron-client relationships,[188] often working in industrial factories owned by the wealthy. Democracy and development projects of the 1970s and 80s brought a number of accommodations to alleviate urban poverty, including improved access to sanitation, education and healthcare for poorer residents.[189] However, with post-industrialization and the increasing disengagement of the middle classes from urban politics, these neighbourhoods have become much more segregated – by class as well as religion/ language/ ethnicity – and much more disinclined to support the lives and livelihoods of various classes and interests.[190] Adding insult to injury, there have been a number of lawsuits by the middle class to remove poorer classes from occupying space in “their” residential neighbourhoods.[191] This account reveals not just the romanticized the spontaneous interactions that are meant to transpire in public spaces, but also the class interactions that preserve hierarchy while knitting the classes together.

Exclusion: Law’s role in spatial belonging and exclusion

Space is where societal belonging, marginalization, or exclusion transpire, whether within or without it. Property law has a significant role in constructing the notion of “belonging” as it is reflected in space.[192] That the built environment plays a role in identity, democracy, and exclusion has been recognized by architects and architectural scholars,[193] legal scholars,[194] and urban sociologists alike.[195] Legal scholar Sarah Schindler has explored the exclusion inscribed into the

[186] Ash Amin argues that the interactions enabled by public space, even when coming closer to filling the fantasy, are not entirely spontaneous and unstructured, but involved understood rules and patterns of movement. Amin (2006).
[187] Chatterjee (2004) 133.
[188] Chatterjee (2004) 132.
[189] Chatterjee (2004) 135.
[190] Chatterjee (2004) 139-142.
[191] Gupta (2014).
[192] Keenan (2014).
[193] Ferriss (1929); Parkinson (2012) 5-6; Harris (2014); Mehrotra (2011); Al-Sabouni (2016).
[194] Schindler (2015) Frug (1999).
[195] Davis (1990); Caldeira (1996); Low (1999).

built environment and left alone by the law, which fails to "recognize urban design as a form of regulation."[196] She argues that from access measures such as street closures, one-way streets, sidewalks, and parking permits to infrastructure such as subway locations and transport mechanisms architecture can "shape the demographics of a city and isolate a neighbourhood from those surrounding it, often intentionally."[197] The more commonly excluded are, not surprisingly, people of colour and people with lower incomes. This means that "[d]ecisions about infrastructure shape more than just the physical city; those decisions also influence the way that residents and visitors experience the city."[198]

For legal scholar Gerald Frug as well, law's role in the design of the built environment is within the choice to regulate – where lawmakers choose not to regulate, they effectively empower private actors.[199] Crucial to patterns of inclusion and exclusion is the idea of where certain populations (and commercial enterprises, and lifestyles) *belong* in the city.[200] Frug draws attention the *intuitive* way that city residents just "all know" where they do and do not belong. Belonging – inclusion or exclusion – is both felt and known. Such divisions do not have to be explicitly stated, they are *sensed*. The quasi-privatization of public space – where, for example, private actors are able to re-make public spaces as extensions of their own buildings, as concrete parks or retail centres geared only for the wealthy - illustrates how those kinds of sensory indicators come into being.[201]

Moreover, as Schindler and Tien argue, the exclusion engendered through architecture is particularly powerful in that it is *unseen* – government is able "to shape our actions without our perceiving that our experience has been deliberately shaped."[202] Here, the concern is not only with "government" shaping the actions of the populace, but with finance, or rather with the ideologies of financialization operating through multiple state and non-state agents.

Law's role in constructing those public spaces is a continuous process. Antonia Layard argues that "public space is produced through property relationships" (even if private forms of property are better protected than that of public).[203] The legal production of public space, in her account, is best

[196] Schindler (2015) 1939.
[197] Schindler (2015) 1939.
[198] Schindler (2015) 1939.
[199] Frug (2001) 1-3.
[200] Frug (2001) 3.
[201] See Kayden (2000).
[202] Tien (2004-2005) quoted in Schindler (2015) 1940.
[203] Layard (2016) 2-3. As she notes, public space is not synonymous with public ownership of land.

understood "not as a two-dimensional designation but instead as a process, or a series of processes: spatial, legal, material and, crucially, temporal, for creating spaces to call publics into being."[204] This conception of the production of space as process relies on an appreciation of property, space, and place as "(spatially, temporally, culturally and socially) relational"[205] meaning that rather than having "strict boundaries, in time and location," they are "the product of interrelations," the "sphere of the possibility of the existence of multiplicity" and as "always under construction . . . never finished, never made."[206]

A relational understanding of property helps us see how "space is produced" in part by drawing attention to "the roles played by race, class, age, gender as well as property rights, financial incentives and political regimes in the production of public space."[207] Understanding the production of public space as a relational process through law (which here is understood to reflect inequities of race, class, age and gender) reveals an increasingly singular focus on landowner's rights and the narrowed public sphere (reflected in public space) that results. That over-emphasis on owner's rights perverts understandings of property as a social institution that serves societal values as well as that of individuals and constitutes the public sphere narrowly by ignoring the obligations of owners to the public.[208] Urban space then is built and rebuilt in reflection of those relations. Once those obligations and the social embeddedness of property within social structures are pushed to the side, it is no surprise that exclusion and marginalization of populations are legalized.

Housing and the Strange Case of Luxury High-rises

The legal regimes governing residential spaces – home ownership, construction law, landlord-tenant law, land use, as well as mortgage lending and public housing – are crucial to setting the terms by which city residents can access housing and how they are able to participate in city life. The rights and obligations that come with ownership are the cornerstone of that legal regime. That property itself is an organizing principle in many societies is well established.[209] Moreover, the

[204] Layard (2016) 1.
[205] Layard (2016).
[206] Layard (2016) 38 quoting in part Massey (2005) 9.
[207] Layard (2016) 41.
[208] Hohfeld (1913); Singer (1996).
[209] Most discussions on this acknowledge the centrality of the ideas of John Locke, Two Treatises of Government (1689). See, for example, C.B. Macpherson (1962), Tully (1980). See also Davies (2007).

right to own where one lives and to therefore exclude others from it – to think of one's home 'as one's castle' (however misguidedly absolutist this castle concept may be) – has evolved into a central facet of the conception of property in many societies, and therefore has been crucial in literature that seeks to understand how property rights are mutually constitutive with a variety of experiences of citizenship, including economic freedom (Waldron[210]), human freedom (Purdy[211]), community and social relations (Alexander and Peñalver[212]), economic development (de Soto[213]; Kennedy[214]), and democracy (Singer[215]).

The financialization of housing is closely related to the financialization of urban space and governance. It can observed across a number of processes: First, in the privatization of public housing stock.[216] England is particularly well-known here for the housing program "Right to Buy" under Prime Minister Margaret Thatcher which resulted in the sale of significant public housing stock in the 1980s, leading to the rise of private landlords thereafter. Second, and in many ways a result of the previous process, it occurs when private landlords bypass regulations meant to control rent levels or use them to their advantage to increase rents. For example, in Toronto, Canada's rent controlled buildings, landlords may apply for an increase of rent above the statutory guidelines if they make large capital expenditures. They have, of late, been making large renovations, such as the installation of new balconies, in order to raise rents well above the cost of renovation and towards an ever-increasing market level. Third, the financialization of housing also occurs through the expansion of mortgage finance and the implications for borrowers accessing not only funding but amendments and adjustments to payment plans. Fourth, it occurs through changes in the rental market: the turn to luxury student housing, the increase in corporate landlords including Google. Fifth, it occurs through the funding sources that now drive construction (see discussion on REITs in Chapter 4).

These processes of financialization have increased the price of housing (both rental and owned) in many places, and have squeezed housing supply for the less wealthy. While various combinations

[210] Waldron (1988).
[211] Purdy (2010).
[212] Alexander & Peñalver (2010).
[213] de Soto (1989) and (2000).
[214] Kennedy (2011).
[215] Singer (2011).
[216] Aalbers (2016).

of the processes listed above have occurred, unfolding in different ways due to diverse legal, political, economic, and social legacies in housing regimes, that they are occurring in many places has gained attention in recent years. Special Rapporteurs on adequate housing Raquel Rolnik and Leilani Farha brought global attention to this issue through a series of reports and interventions during their tenures. There are significant stakes to these processes – they have resulted in massive dispossession around the world, at the same time that real estate investments in housing have been made more attractive to investors through tax reforms and other incentives.[217] What these processes seem to share – what underlies them – is a profound shift in how land and property are treated in social norms and in the law. That housing should be profitable, and that those profits are entitled to those best placed to elevate property values appears to be increasingly *assumed* in many geographies. From the privatization of public housing stock across continental Europe[218] to Newham, England's introduction of a publicly owned real estate development entity, the idea that housing should be treated as a market through which rent should be extracted and that the market should be segmented in order to maximize gain from each segment seems embedded in property and local government regimes.

Luxury high-rises exist in a strange, new space with regard to housing and home ownership. On the one hand, they look like houses – they are built with bedrooms and living spaces and kitchens and bathrooms, they are built in areas zoned for residences. On the other hand, though they appear to be living spaces, they function primarily as multi-dimensional investments. They exist as direct investments as individual flats and as real estate projects, they also may serve as underlying assets in any number of structured financial products, including REITs. That they look like houses and enjoy certain benefits because of that – from tax credits to zoning – and that they are actually used like investments presents several problems for their governance. First, their housing-like appearance shields them from being regulated and taxed as (pure) investments with full capital gains and other taxes. Second, their construction costs may benefit from subsidies and tax credits intended to increase housing supplies. Third, they are sometimes defended under a kind of trickle-down theory of housing supply – that their availability will free up less expensive housing as people move on up the purported housing chain. Once we see them as investments rather than housing though, the naiveté, if not the perniciousness, of that supply-side argument becomes

[217] See Rolnik (2019).
[218] See European Action Coalition for the Right to Housing and the City (2014).

apparent. If these buildings are primarily investment-like, and not housing-like, there is no reason to think of them as housing supply at all, and certainly not as alleviating housing shortages.

Their housing-like appearance shields them from effective regulation. They continue to be regulated like housing by the public, while serving as stores of capital for the private. They remain empty during times of housing crisis.[219] With their "veneer" of contribution to social life, they give cities what Thomas Raymen has referred to as a "living death."[220] Their outward appearance renders law's capacity to see them and therefore govern them incomplete.

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This Chapter began with a question of what urban space looks like if it is governed by a financial instrument. It then explored two key concepts – the public and real estate – and offered a critical examination of what is happening to that public (in particular as reflected in publicly accessible urban space) and the form of real estate as well as the transformations in property regimes underlying real estate. The proposed answer to the question of urban space under financial capitalism is of course, it looks like the high-rises: exclusive, closed, and often empty. The next Chapter gives an account of various transnational, national and local regulatory regimes which governed investment towards this form of real estate and real estate investment.

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[219] That many high-rise flats are empty around the world is gaining increased attention. Vancouver passed legislation known as "Empty Homes Tax" taxing absentee owners beginning in 2017. City of Vancouver, *Empty Homes Tax*. This tax is in addition to The British Columbia (province-wide) "speculation and vacancy tax." British Columbia, "speculation and vacancy tax". Also in Canada, in Toronto, some areas in downtown (where there is a concentration of high-rises) have vacancy rate of between 20 and 30%. Wong, *Better Dwelling* (7 Feb. 2017). Note also that many homes (including single-family houses) in Toronto are being bought and sold without having been occupied. One estimate in 2016 is that 1 in 3 homes are being sold without having been occupied. Wong, *Better Dwelling* (1 Dec. 2016). In China, it was been estimated in 2018 that 22%, or 50 million units, of urban housing stock are unoccupied. Bloomberg News (8 Nov. 2018). See also, Stevenson and Li, *The New York Times* (30 Dec. 2018). London is particularly noteworthy in this regard. Research using 'transactional' data – tracing financial, retail or administrative paper trails - showed that 50% of new prime ("prime" indicates properties worth between £2 million and £5 million; "super-prime" indicates properties worth over £5 million) dwellings remains empty, as does "19.4% of dwellings in the inner London boroughs more generally." Atkinson (2019) 10. Ho and Atkinson (2018). In England generally, the value of their 216,000+ empty homes is estimated to be over 53Bn GBP. Kollewe, *The Guardian* (11 Mar. 2019). Dublin has also suffered from empty flats in the midst of housing shortages. see Harris, *The Guardian* (29 Nov. 2018); Johnston, *Newsweek* (14 Apr. 2015). Note that the reasons that flats remain *empty* range from being sold but held as capital to, in the case of London after 2016 – being *unsold.* (In London, this is a result of the Brexit referendum – the UK's exit from the European Union.)

[220] Raymen (2018). Raymen argues that cities allow parkour in an "attempt to mainline a veneer of life and 'the social' into the dead-zone of contemporary 'public' space; creating a strange urban ambience of living-death."

CHAPTER 4: Enabling Capital to "Flow" Towards Real Estate

The chapter presents a number of techniques that have enabled the exponential expansion of real estate development and investment, in particular luxury residences and their mixed-use environs. These techniques fall under three broad categories: (i) techniques which enabled capital to be invested across jurisdictional borders, which includes the loosening of capital controls and investor protection; (ii) modern financial instruments, which include securitization, derivatives, REITs; and (iii) techniques to welcome capital to cities, which includes zoning and a host of incentives including infrastructure, immigration, tax, and (permissive) money laundering.

The first category – the undoing of capital controls and the rise of investor protection –enabled capital to be invested around the world. The discussion below highlights how international financial institutions (IFIs) such as the World Bank and International Monetary Fund (IMF) promulgated these policies through lending programs accompanied by powerful rhetoric extolling the virtues of allowing "free" or "flowing" capital. Nearly three decades later the metaphor of capital being allowed to flow like a river remains. The next category of modern financial instruments examines the proliferation of real estate-related securitized financial instruments. The discussion examines at length real estate investment trusts (REITs) – a particular funding structure that has taken off in the last two decades in the U.S. and around the world. Finally, the third category of techniques encompasses a variety of local-national regulatory measures meant to attract capital (particularly foreign capital) to urban centres around the world.

The examination reveals how urban space is a site of engagement for multiple encounters between financial capitalism and local, national, and transnational governance. The expansion of financial products, activities and its multiple nexuses with urban space are often opaque, hidden in the complexity of financial instruments and regulations, inside the offices of banks and investors, and behind the closed doors of negotiations between cities and investors. This chapter attempts to make the financial products and regulations more material– to show how complex and technical calculations and regulations are in fact highly political instruments that have significant consequences for daily lives through the allocations of valuable resources and the reconstruction of the built environment.

Enabling Capital to Travel

The various regulatory reforms which enabled financial capitalism include the deregulation of financial markets, transformations of monetary policy in many countries, global integration of capital markets, encouragement of foreign investment through tax, monetary, and financial regulation, reconfiguring of MNCs to engage directly in globalized financial activities, cross-border activity of sovereign wealth funds, the rise of 'emerging markets' as a crucial sector in investment banking, and the rise of global private equity and hedge fund activities.[1] *In each of these activities, the loosening of capital controls and the accompanying rise of investor protection in the 1970s, 80s, and 90s were crucial.* These two constellations of policies enabled cross-border investments to take off. Over time, increasing amounts of capital have been directed toward real estate development and investment. Capital controls and investor protection are relevant for two further reasons. First, the powerful mythology created during the deregulation of controls that capital should be 'free' to flow, that 'everyone' will be better off if it does, and that capital would 'find its own way' to the right destinations – in short, that the deregulation of capital was prudent policy – continues today, in part through the enduring metaphor of capital 'flowing'. Second, the entrenchment of financial and corporate interests through investor protection continues to expand, to the detriment of other rights and interests.[2]

Capital Controls

In the decades of the Post War promulgation of free trade through the General Agreements on Tariffs and Trade (GATT) and then the World Trade Organization (WTO), when restrictions on goods and services were loosened, those on capital remained mostly in place. These controls included a variety of measures to restrict the flow of foreign capital into or out of countries, including taxes, limits, restrictions, or the placement of other conditions. Orthodox thinking through those decades was that loosening such controls would wreak havoc on currency stability, domestic capital markets, and trade. For Keynesians, who dominated Bretton Woods policymaking in the Post War era, capital controls helped stabilize tax and monetary policy.[3] Part of the Keynesian rationale for these controls was a belief that, in contrast with neoclassical economics,

[1] Krippner (2012); Vogl (2017); Lapavitsas (2013).
[2] Linarelli, Salomon, and Sornarajah (2018), arguing that human rights in particular - the "conscience" of international law - has been deprioritized in the face of international trade, investment, and finance regimes.
[3] Chwieroth (2010) 65; 68-69.

investors did not always act with the economic sense of pure rationality and with perfect information.[4] This assumption would shift over time in dominant policymaking. Beginning in the 1970s, however, and most notably through the 1980s and 90s, the U.S. and then the IMF began to push for the loosening of these controls.[5] Before turning to the global moves that loosened capital controls, we first turn to the U.S. to appreciate the initial political forces that impelled them.

The U.S. state faced multiple crises during the 1960s and 1970s caused partly by the slowdown of the post-war economic boom. While economic growth had enabled the state to pay for welfare and social support in the decades after World War II, with the slowing economy came intense pressures on government budgets of all levels.[6] This state of fiscal affairs and economic slowdown prompted the U.S. to exit from the gold standard in 1971, which allowed for inflation of the dollar. That inflation could be used to allay social concerns in the short-term as government spending could be increased in response to demands from different social groups.[7] However, inflation eventually affected social groups so unevenly that it became a lightning rod for reform.[8] In 1973, the OPEC oil shocks further increased inflationary pressures. The inability of governments to uphold their commitments to capital growth and continue to provide services without raising taxes significantly prompted James O'Connor to assign the term "the crisis of the fiscal state" in 1973, which referred to not just a budgetary shortfall but rather the state's loss of legitimacy.[9]

The budgetary shortfall – whether attributed to lagging economic growth or the result of a series of political choices – would open the door for various "austerity" measures at federal, state and local levels where governments cast inflation as an "enemy" that had to be "disciplined" through massive cuts to social services.[10] Those budgetary cuts were neither socially neutral nor apolitical. As historian Michael Reagan argues, in the years leading up to the fiscal crisis, Black Americans and other racialized groups had been gaining increasing access to the post-war social welfare

[4] Chwieroth (2010) 66.
[5] Though sometimes portrayed as a uniform policy promulgated by all parts of the IMF, there was internal disagreement over the implementation policies, though not the norm of capital liberalization itself. Chwieroth (2010).
[6] Block (1981) 4-5 (discussing the disagreement amongst scholars as to the degree that local crises were manifestations of the national crisis and if they should be treated separately); O'Connor (1973).
[7] Hirschmann (1985); Krippner (2012) 63-64. See also Phillips-Fein (2017) (discussing New York City in fiscal crisis and the use of city fiscal policy to address what were essentially social and political issues).
[8] Hirschmann (1985); See also Nocera (2013).
[9] O'Connor (1973).
[10] In President Gerald Ford's words, rising prices were "public enemy number one", quoted in Reagan (2017) 44.

benefits through the work of the Civil Rights Movement. The various austerity policies in the mid-1970s were used to claw back that increasing access through spending cuts made in the name of the budget.[11] Accompanying those budget cuts was the increasing turn to the markets for decisions around the allocation of resources, as explained below.

As Greta Krippner explains, the triple crises of social,[12] fiscal,[13] and legitimation crisis of government[14] fed into each other and drove government policy in the 1970s and 1980s.[15] In response to these crises, the state initiated a series of policy measures to strengthen financial markets in order to relieve some of the fiscal shortages, and in turn, alleviate some of the social and legitimation pressures.[16] Krippner argues that these policy measures enabled financialization to take hold, albeit somewhat unwittingly.[17] Despite sociologist Daniel Bell's optimism that the 1970s would bring allocative decisions of the state into public debate, forging new social consensus, instead through the crises and ensuing policy decisions, "these decisions drifted even further into the shadowy realms of the market."[18] In sum, as the state could no longer deliver on their post-war commitment to manage the economy while at the same time balancing social consequences of globalization and economic growth, the social compromise termed "embedded liberalism" by John Ruggie unravelled. [19]

As Krippner describes, the U.S. government took a variety of measures which enabled the financial sector to gain economic and political power. First, Congress eliminated the cap on interest rates that consumer banks offered consumers on deposits.[20] This was meant to both expand credit and delegate allocative decisions away from the government and to the market. Instead, it led to a *massive* expansion of credit, much greater than anticipated. Moreover, it put even more inflationary pressure on the dollar. In response, Paul Volcker, then-head of the U.S. Federal Reserve (the Fed), raised interest rates in order to stifle inflation, a policy known as the Volcker

[11] Reagan (2017) 52-102.
[12] Bell (1973); Krippner (2012).
[13] Bell (1973); Block (1981); O'Connor (1973).
[14] Habermas (1973); O'Connor (1973); Offe (1976); Krippner (2012).
[15] Krippner (2012) 16-23.
[16] Krippner (2012); Strange (1986).
[17] Krippner (2012).
[18] Krippner (2012) 20.
[19] Ruggie (1982).
[20] Krippner (2012) 73-82.

Shocks.[21] This measure, however, attracted capital from around the world, which flooded U.S. markets. As consumer and other credit continued to expand because of the influx of foreign capital, the federal government began to finance its debt by selling high-interest rate bonds to foreign investors. The Volcker Shocks were only the beginning, as Krippner argues, of a string of measures by the Fed to deflect state responsibility for resource allocation towards the market - effects of which are now (some forty years on) exacerbated, as the Fed is seen as responsive to, rather than controlling of, the market.[22]

To this account we can add several further policies that structurally altered real estate borrowing and investment: the deregulation of thrifts; the lifting of interest rate ceilings; the deregulation of institutional investors and insurance companies, enabling them to engage in banking; and the ensuing displacement of banks from credit markets.[23] These measures – the removal of interest rate controls, the turn to foreign capital to finance the deficit, the transformation of monetary policy, and the deregulations around real estate - led to increased speculation and asset bubbles three decades on as well as the opacity of current resource allocations which are left to the market. In short, they set the stage for financialization of the U.S. economy, which in turn enabled and was enabled by, financialization on a global level.

The U.S. government's welcoming of foreign capital was accompanied by measures by foreign states and international financial institutions meant to spur international investment.[24] The move toward free capital first manifested itself in advocacy and support for Foreign Direct Investment (FDI) in many countries.[25] The welcoming of FDI gained momentum in the 1980s and 90s through extensive conditionality attached to loans from international financial institutions.[26] This promotion of FDI expanded to broader capital flows and continued through the 1990s, despite the financial crises of Mexico and Argentina, and the Asian Financial Crisis in 1997, each sparked or exacerbated by the laxity of capital controls.

The annual World Development Report ("WDR") published by the World Bank offers a lengthy assessment of orthodox economic development policy; looking back at them gives one a sense of

[21] Krippner (2012) 116-123.
[22] Krippner (2012) 123-137.
[23] Weber (2002) 529-530.
[24] Linarelli, Salomon, and Sornarajah (2018) 158.
[25] Chwieroth (2010) 151.
[26] Williamson (2004) 7-9. Abdelal and Ruggie (2009) 158.

the then-current temperature of development practice and thought and demonstrates the power of the idea that capital should travel if countries are committed to economic development. The 1985 WDR focuses on "broad and long-term perspective on the role of international capital in economic development,"[27] which was declared to have become "as integral to the world economy as trade has hitherto been."[28] The WDR's Foreword refers to "countries at different stages of development" that have "used external finance productively."[29] With the onset of urbanization, the destination of such external finance became cities and infrastructure. The WDR explores managing foreign investment, borrowing from foreign sources, and exploiting various "mechanisms" to access foreign capital. Of particular importance is the creation of appropriate "institutional and policy environment[s]" meant to attract financial flows.[30]

In the three decades that followed, this emphasis on building institutions and legal regimes that would enable capital to flow with confidence only strengthened.[31] Such measures' success would become increasingly scrutinized through quantified metrics.[32] Even *during* the Asian Financial Crisis of 1997,[33] which was exacerbated by the lack of capital controls,[34] the myth of capital liberalization persisted. In September and October of 1997 – several months after the onset of the crisis - Stanley Fischer, the First Deputy Managing Director of the IMF, gave public remarks extolling the virtues of free movement of capital.[35] These virtues included free capital being more efficient and inspiring productivity, and potential benefits accruing to both "developed" and so-called "developing" countries.[36] As for the risks, Fischer lauded the ability of international capital flows to "exert a disciplining influence on countries of macroeconomic policies," and in turn

[27] World Bank (1985) 1.
[28] World Bank (1985) iii.
[29] World Bank (1985) iii.
[30] World Bank (1985) iii.
[31] Linarelli, Salomon, and Sornarajah (2018); Gupta (2017).
[32] The World Bank's Ease of Doing Business Index, established in 2002, is the quintessential example of this method and the power that it brings. Under this index, destination countries are assessed for their red tape bureaucracy around starting a business, getting construction permits and so on; enforceability of contract rights, and other metrics. See Doing Business, *Doing Business 2016: Measuring Regulatory Quality and Efficiency* (World Bank Group, 2015) and the index itself, available at http://www.doingbusiness.org/rankings.
[33] The Asian Financial Crisis in 1997 was triggered when a housing bubble in Thailand burst under monetary pressure. The crisis spread throughout Asia and beyond as countries with differing levels of capital controls were exposed to the crisis.
[34] Eichengreen (2008) 229-237; Williamson (2004) 9.
[35] Fischer (1997).
[36] Fischer (1997).

"improve[ ] overall economic performance by rewarding good policies and penalizing bad."[37] Despite acknowledging that "markets are not always right," he remained confident in their inherent *rationality*.[38] The norms underlying these statements – that capital should be 'free', that foreign investors bring valuable financial technology, that domestic residents should have access to foreign capital markets (without mention of regulatory and disclosure standards), that the flows would be able to self-discipline, that both so-called developed and developing countries would be better off - in short, that the market generally knows best – continue today and now manifest themselves in other areas. While IMF policy eventually shifted away from its early evangelicalism, it was only recently – decades after the Asian Financial Crisis - that a move away from capital liberalization was made more decisively.[39]

The policy measures and rhetoric promulgated through the IFIs in the late 1990s around the loosening of capital controls is crucial for our later understanding of the rise of finance and who benefits from globalized capital flows.[40] Writing in 1998, Robert Wade presciently argued that the U.S. had pushed for unrestricted capital markets during the previous decades in order "to have the rest of the world play by American rules for both international finance and multinational corporations."[41] The U.S.' goal, he argued, was "to make the rest of the world adopt the same arrangements of shareholder control, free labour markets, low taxes, and minimal welfare state that U.S. corporations enjoy at home," which would enable U.S. firms to "move more easily from place to place and compete against national or regional firms on a more equal basis." [42] At that time, the U.S. was under the impression that free capital movement would "force other economies to move in its direction," for example, by ending the "long-term relationships and national industrial-policy arrangements that have prevailed in the Asian political economy."[43] Chwieroth likewise notes that public statements from the IMF Board during the 1970s reflected the positions of the U.S. government and celebrated capital liberalization as a way to increase trade and improve

[37] Fischer (1997) 4.
[38] Fischer (1997) 4. While Fischer's October 1997 delivery of these remarks were given to advocate for a proposal to amend the IMF Articles of Agreement to include a mandate to promote capital account liberalization, that amendment ultimately failed - stymied likely by increased attention on the Asian Financial Crisis. Chwieroth (2010) 200.
[39] IMF (2017); Grabel (2014).
[40] Linarelli, Salomon, and Sornarajah (2018).
[41] Wade (1998-1999) 47.
[42] Wade (1998-1999) 47.
[43] Wade (1998-1999) 47.

the well-being of developing countries by channelling investment efficiently and acting as a “valuable discipline” on governments.[44]

This opening of markets would mean the American multinational corporation as well as investor would be better off.[45] Because of technological advances in production, MNCs required more and more credit – in other words, more capital – to stay competitive.[46] They turned to global financial markets for that credit, driving massive changes in the capitalist market economy through increases in the volume and mobility of credit to meet demand.[47] Though these changes, in Wade’s words, there emerged a “powerful confluence of interests between Wall Street and multinational corporations in favour of open capital accounts worldwide.”[48] That confluence of interests involved a number of actors pushing for the free flow of capital – including the U.S. Treasury, the IMF and the WTO.[49] Even in the late 2010s, an emphasis on loosening controls to enable international investment continues.[50] In brief, then, through IFIs, the actions of powerful states, and host-state coercion or cooperation, capital flows were liberalized around the world, and markets were further integrated. The free flow of capital would lead to various forms of financial crises, inequality, unemployment, and uneven growth over the following decades, as well as massive real estate investment.[51]

While removing capital controls and installing investor protection measures became essential to development policy and practice,[52] as John Linarelli, Margot Salomon, and M. Sornarajah argue, beneath the rhetoric of economic growth lay a deeply inequitable power structure – the continuation of the “forms of control and dominance” of the imperial system through “the principles and rules on the protection of foreign investment.”[53] Foreign investment regimes would therefore “ensure that the foreign investment process is subject to an external law other than the law of the host state,” in effect removing it from “the sovereign control of the host state.”[54] For

[44] Chwieroth (2010) 142, citing IMF (1972) 47- 48.
[45] Linarelli, Salomon, and Sornarajah (2018).
[46] Strange (1996).
[47] Strange (1996) 10.
[48] Wade (1998-1999) 47.
[49] Wade (1998-1999) 47.
[50] World Bank (2019) xi.
[51] For an early prediction of what was to come, see Block (1996), discussing how the progressive liberalization of capital flows prohibited growth and increased unemployment.
[52] Eichengreen (2008); Helleiner (1994).
[53] Linarelli, Salomon, and Sornarajah (2018) 146.
[54] Linarelli, Salomon, and Sornarajah (2018) 159.

Global South states, lifting capital controls and imposing investor protection were not politically or socially neutral exercises. During the push for integrated economies and governance, many Global South states found their hands tied by the demands of IFIs, and other aid and funding providers. Antony Anghie notes the tension of twin pressures on such states to both *enable* globalization and to *manage* it in protection of its citizens.[55] While this tension and efforts to balance globalization with social welfare was experienced by the Global North as well,[56] in countries dependent on aid, loans, and development projects due to limited domestic GDP and wealth, policy options were even more restricted. Pressures from the IFIs to open borders to trade and capital flows and to change domestic governance structures and law, and the simultaneous lack of reciprocity in welcoming Global South agricultural, textile, and other goods meant that these countries often suffered the ill-effects of open borders, decimation of domestic products and employment, and reduced tax bases for government funding, with little protection for much of their populations.

That these coercive economic measures were accompanied by a more normative call for so-called developing countries to "catch up" or "modernize" served to further obscure the inequities of international economic and legal regimes.[57] The normativity-laced framing of "catching up" furthers a misleading narrative of a linear process of development where countries in the Global South are left responsible for their own growth and welfare, while structural inequalities built into the international trading, financial, and investment regimes are left out of the story, as has been critiqued by scholars of Third World Approaches to International Law (TWAIL) and postcolonial studies.[58]

[55] Anghie (1999) 259.
[56] See Ruggie (1982).
[57] The idea that economic development is a linear process and that countries (primarily in the Global South) should do what they can to 'catch up' to the more developed ones (primarily in the Global North) permeated development thought during the second half of the 20th century. Rist (2008) 93–109; Prashad (2007) 80–81. The idea of linear stages of development – called Modernization theory – is most commonly associated with W.W. Rostow. W.W. Rostow (1960). The entwinement of economic development (of which capital flows were seen to play an important role by the 1980s) and participation in a global economy with an idea of modernity was reinforced by the rhetoric of policy prescriptions and statements by various international organizations and powerful states. Gupta (2017).
[58] See, for example, Pahuja (2011); Prashad (2009); Rajagopal (2003).

Investor Protection

The increasingly robust protection of foreign investors by host countries is another important part of the story of cross-border capital flows. As Linarelli, Salomon and Sornarajah describe, foreign investment regimes promulgated under neoliberalism included a variety of policies and law:

> "privatization policies insisting on the dismantling of services provided to the public, liberal entry provisions for foreign investment, definite protection for property, the recognition of the sanctity of the foreign investment contract, the equal treatment of local and foreign investment, payment of compensation in the event of expropriation, and, importantly, the existence of a compliance mechanism through unilateral recourse by the foreign investor to external arbitration."[59]

The protection of property rights for foreign investors – instituted in extreme form in the past few decades - has a long history, of which IFI policy is a recent chapter.[60] At least since the 17th and 18th Century activities of the Dutch East India Company have states advocated for property rights recognition outside of their borders.[61] The tension between the interests of "capital-exporting states in developing external norms to protect foreign investment through international law" and "capital-importing states in assert[ing] total domestic control of incoming foreign investment"[62] played out initially in state-to-state negotiation and treaties. However, over time the more powerful interests of capital-exporters left their mark in the formation of customary international law and norms with a strong inclination towards investor protection, which continues to manifest itself in recent times and in new fora.

In M. Sornarajah's seminal account of foreign investment law, an international legal regime around investment was first formed between the U.S. and Latin America through the U.S.' efforts to protect the investments of its nationals.[63] Over time, and with decolonization in Africa and Asia, investor protection became more internationalized.[64] This internationalization brought to the fore challenges to the Calvo Doctrine (Argentine jurist Carlos Calvo's idea that foreigners should not

[59] Linarelli, Salomon, and Sornarajah (2018) 153.
[60] Lipson (1985); Miles (2013); Maurer (2013).
[61] Miles (2013).
[62] Sornarajah (2015) 31.
[63] Sornarajah (2015) 32-35.
[64] Sornarajah (2015) 31-42.

enjoy more rights than citizens in Latin American countries, and should therefore be subject to local jurisdiction for disputes involving their investments in those countries[65]) and permanent control over natural resources.[66]

Since the 1990s, the idea of investor protection has become of utmost importance – in both the conditionalities that IFIs attached to loans, and in regional and bilateral trade and investment treaties.[67] Van Harten attributes a host of factors to the emergence of systemic investor protection, from "[s]tructural factors driven by the legacy of debt crisis" to reductions in foreign aid and the collapse of the Soviet Union, all of which put pressure "on developing countries to attract private foreign capital in order to stimulate domestic growth."[68] The need for capital coincided with the increased mobility of international capital, including both foreign direct investment and portfolio investment, and resulted in multinational enterprises holding a stronger position from which to "demand legal concessions from host states."[69] Under these conditions, host states acquiesced to a number of bilateral investment treaties that included compulsory investor-state arbitration. [70]

Systemic investor protection is now manifest in: a change of *actors* involved in these disputes from state-state to investor-state; a shift of the *forum* of dispute settlement - from those of international legal institutions to those of arbitration;[71] and an evolution of the substantive *law* applied in that forum – towards law that increasingly prioritized foreign investors at the expense of other interests.[72] Each of these dimensions provide powerful support for investors, crowding out other interests including human rights, environmental protection, and a more generalizable *public* interest.

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[65] Juillard (2007).
[66] Sornarajah (2015) 31 – 42; Pahuja (2011). Salomon (2013). Through the NIEO and the Charter of Economic Rights and Duties of States.
[67] For the reasons for the proliferation, see Van Harten (2005) 608-609; Linarelli, Salomon, Sornarajah (2018), Chapter 5.
[68] Van Harten (2005) at 608-609,
[69] Van Harten (2005) at 608-609.
[70] Van Harten (2005) at 608-609.
[71] As Adkins and Grewal point out, however, investment arbitration for the protection of foreign investors has a long history, used at least since the eighteenth and nineteenth centuries to protect colonial investments, before its manifestation as a "tool of economic development" to provide foreign capital with the "special protection" that was believed necessary "in order [for it] to flow into areas subject to ongoing economic and political uncertainty." Adkins and Grewal (2016).
[72] Linarelli, Salomon, and Sornarajah (2018) 163-169.

Modern Financial Instruments

The removal of capital controls and the concomitant rise of investor protection measures enabled a massive expansion of cross-border flows, and is part of the larger context of the 'liberalization of finance' which included deregulation or non-regulation of securities, credit, and other financial instruments. Securitization, derivatives, and REITs have been essential in the rise of real estate investment in particular.

Securitization

A primary investment structure that transformed and expanded real estate investment is 'securitization'. Securitization is a process whereby an issuer creates a new financial instrument by combining financial assets (in our case, real estate-related assets) for risk management and then dividing that combined instrument into different tiers of returns, and marketing those different tiers to investors. It generally refers to a process through which "an owner of a set of assets sells ownership of the *performance* of those assets, while retaining *ownership* of the assets themselves" (though even that structure has transformed with REITs).[73]

What this means in practice, and what this meant in the 1980s when securitization of real estate began in earnest, was that large numbers of real estate loans (individual mortgages or joint venture financing for larger projects) were bundled together and sold to investment banks who then sold them off as debt instruments. This process is known as the creation of the 'secondary mortgage market'. Selling these loans to investment banks effectively removes the loans from the balance sheets of the local, commercial lending banks, and enables them to lend again – to issue more mortgages. This cycle's ongoing repetition has expanded real estate lending significantly.

Securitization has evolved over time. Bryan, Martin, and Rafferty argue that with financialization, securitization has been transformed to include nearly any kind of income stream as an asset, not just those related to companies.[74] This idea is colourfully captured by *The Economist* in 1998:

> "Fancy investing in a security whose payoff depends on how much beer is sold in British pubs? How about a bond to be paid by collections of overdue parking fines in New York City? If you'd prefer, you can purchase the rights to a slice of the revenues from old Italian

[73] Bryan, Martin, and Rafferty (2009) 465. Emphasis added.
[74] Bryan, Martin, and Rafferty (2009) 465.

films, or the amounts raised by selling executive suites in Denver's new stadium, or the royalties earned by pop stars such as David Bowie and Rod Stewart. There is barely a cash flow anywhere, it seems, that cannot be reassembled into a bond-like security that the most conservative of investors might buy."[75]

Derivatives

In considering how derivatives draw in real estate, at least five related financial products and arrangements emerge:

1. The initial *mortgages* – the agreements encapsulating loans given by lending banks to homebuyers, secured by the purchased property.
2. The *sales* of those mortgages from local lending banks to investment banks.
3. The bundling of those mortgages by investment banks and the subsequent sale of the expected returns on those loans through *Residential Mortgage Backed Securities* ("RMBS") (or for loans involving commercial rental properties, Commercial Mortgage Backed Securities "CMBS").
4. The bundling of RMBS and other debt instruments into Collateralized Debt Obligations ("CDOs") which are then sold off through discreet tranches of different expected returns and exposure to risk.[76] Through this stream of products, capital flows to investors: holders of the CDO shares make money when the underlying debt payments are made, which then make their way to the CDO investors.
5. The formation of new financial instruments – derivatives - whose value is determined by *the performance* of those securitized instruments.

The market related to each of these four products has grown considerably over the last few decades.[77] However, massive as these amounts are, they pale in comparison to the last product on

[75] The Economist (1998).
[76] A CDO is a structured financial product that combines multiple assets into a portfolio and distribute the cash flows from those assets to its shareholders through tranches which correspond to seniority/ risk. See Lucas, Goodman, and Fabozzi (2006).
[77] Calculating a single market estimate is not straightforward. Note the multiple estimates from the Securities Industry and Financial Markets Association (http://www.sifma.org/research/statistics.aspx) and the information difficulties noted by the Federal Reserve Bank of Philadelphia (2012).

this financial stream, the one that in many ways is actually an ongoing transaction, and not a single bought-and-sold product: derivatives.

Securitization in a general sense can be distinguished from derivatives, which are “tools of pricing and trading asset exposures without (necessarily) trading the underlying asset.”[78] Therefore, a security is tied to the purchase of an asset, while the derivative is not - meaning, the derivative is basically a bet on the performance of that asset only.[79]

The market for derivatives has been growing exponentially. After reaching highs of $700T in 2011 and 2013, the notional amount of derivatives is estimated to be $559T at the end of 2019.[80] (For perspective, the GDP of the U.S. was $21.4T at the end of 2019; GDP for all countries, just under $86T at the end of 2018.[81]) Not all of that of course is directly linked to real estate debt, but considering the broader world of debt involving housing – the consumer debt to finance appliances, cars, and so on, and even education to finance today’s standard of living – real estate’s centrality becomes clearer.

While derivatives were originally used to insure against uncertainty, most notably by farmers for fluctuations in commodity prices, they have expanded nearly beyond recognition. Investors can now buy derivatives based on the performance of assets or the occurrence of events from everything from weather to, at least until 2013, political elections.[82] Derivatives allow an investor to gain “exposure” to an asset without having to purchase it as the agreements between counterparties depend on the asset’s performance. As Lynn Stout observed, they are “*literally* bets—agreements between parties that one will pay the other a sum of money that is determined by whether or not a particular event occurs in the future.”[83] Because they do not require the purchase of underlying assets and operate just like a bet on some future event, they are often associated with a highly speculative form of finance.

[78] Bryan, Martin, and Rafferty (2009) 466.
[79] Bryan Martin Rafferty (2009) 466.
[80] Bank of International Settlements (7 May 2020).
[81] U.S. Dept. of Commerce (2020); World Bank, Data/ GDP.
[82] See for example, Chicago Mercantile Exchange Group (2007); Commodity Futures Trading Commission, Order (2012). Relatedly, U.S. Department of Defense plans for derivatives based on acts of terrorism were scrapped in 2003 by the U.S. Senate. Hulse, *The New York Times* (29 July 2003); Schoen, *NBC News* (29 July 2003).
[83] Stout (2011) 6.

Derivatives also represent a larger social transformation of capitalism. As Bryan and Rafferty argue, they have "transformed the system of calculation under capitalism" and in doing so, fundamentally changed the "nature of capitalist ownership, the nature of money, and the process of competition."[84] Derivatives have changed calculation by enabling a mutual determination of present and future prices as present-day prices (on, say a commodity) will now be effected by their associated derivatives. The underlying "real" asset does not determine price of the derivative contracts.[85] Rather, it is the other way around. In Bryan and Rafferty's terms, this process shows how derivatives "bind" the future to the present and the present to the future.[86] Many forms of investment today, particularly in form of derivatives, rely on future values yet to be produced. Some consider this the essence of financialization – this form of capital involves the "accumulation of drawing rights over values that are yet to be produced"[87] - meaning, the rights that are accumulated are over *future* values.

In real estate and housing, one kind of derivative is particularly important: credit default swaps ("CDSs"), agreements between two parties that effectively insure one against the default of an underlying security (for our purposes, most commonly an RMBS, CMBS, or CDO). In CDSs, one party (Party A) agrees to pay the other a fixed percentage of the notional amount of the referenced security (the CDO, for example) per payment period, and the other party (Party B) agrees that if the CDO defaults (perhaps because the underlying mortgage holders fail to pay their mortgage payments) Party B will pay Party A the amount that Party A would have received had the CDO not defaulted. How do these arrangements multiply exposure so exponentially? Because they come in two forms – cash (where Party A has actually purchased the underlying security that they wish to insure through the swap) but also in "synthetic" form where Party A has not in fact purchased the underlying security. The synthetic version – basically just a bet on the default of a chosen referenced security, without exposure to that security - is what came under fire in the last decade for causing the Global Financial Crisis of 2008+ ("GFC").

[84] Bryan and Rafferty (2005) 5, 9.
[85] Bryan and Rafferty (2005) 12.
[86] Bryan and Rafferty (2005) 12.
[87] Durand (2017) 4.

As discussed above, real estate derivatives demonstrate the inherent speculation as well as new forms of the calculation and acceptance of risk inherent in derivatives more generally. The destructive force of that speculation was most clearly observed during the GFC. To understand the role of real estate and speculation in the GFC, we will first revisit the mortgage-derivative typology through an example:

> *Let's take an example of the journey of an individual's mortgage in order to demonstrate the Mortgage-Derivative Stream. The mortgagor ("Mort") gets a mortgage for a house from a local bank. The local bank, squeezed for funds, sells the rights to Mort's future payments (interest & principal) as well as a bundle of other similar mortgages to an investment bank. That investment bank turns it into an RMBS, selling off some of those securities directly, and packaging others in a CDO which it then sells to a hedge fund (Fund A). Fund A, ever mindful of the possibility of default, buys protection (CDS) from another fund (Fund B). Fund B, in order to be safe, also buys protection against default from Fund C, basically hedging against what it might have to pay Fund A. Note that Fund B doesn't actually own the CDO that has Mort's mortgage deeply embedded in it. So, if Mort fails to pay her mortgage, not only will the payments on the RMBS' fail, but the CDO will default as well, and Fund B will have to pay Fund A. But, Fund C will also have to pay Fund B. And so on, through the web of financial players who do not hold Mort's mortgage or even know Mort's name.*

In the years before the onset of the GFC, thousands of subprime mortgages were taken out by borrowers like Mort in the United States with terms that made them attractive and easy to enter into, but very difficult (or financially ruinous) to comply with payments that increased considerably after an initial low-interest period. As Mort and many others like her failed to keep up with mortgage payments, the RMBS' and CDOs failed to pay out. This triggered the obligations under thousands of CDS contracts which were dependent on the non-payment of the CDOs. However, because the swaps do not require one to have actually purchased the CDOs, the notional value of the exposure to the bundled mortgages far exceeded the actual mortgage amounts, and because investors from around the world from pension funds to individuals to banks held the swaps and the CDOs, the crisis spread like contagion.

In sum, the speculative power of derivatives exists through a combination of their characteristics: they flood the market with capital, cloak speculation in a false sense of security,[88] and enable enormous, globally integrated exposure that, when the underlying asset fails to deliver, results in

[88] See Taleb (2007).

the entire house of cards coming down as we saw in 2008. Despite the GFC, the notional value of derivatives in 2020 is nearly what it was just prior to the crash.

Real Estate Investment Trusts (REITs)

In addition to debt instruments described above in the mortgage – derivative typology, there are also the powerful equity products of REITs. REITs are related to the financial stream of mortgage to derivative, but also stand alone. Very simply, a REIT is "a company that owns or finances income-producing real estate."[89] REITs are created for specific real estate transactions, and their ownership is divided among many equity shareholders. Those shareholders earn a share of rental or revenue income from commercial, residential, or hotel real estate ownership.[90]

Introduction to REITs

REITs are often set up by private equity funds and investment banks, and purchased by a variety of investors. In general, REITs finance the building of perceived high-return projects, including: "shopping centers, health care facilities, apartments, warehouses, office buildings, hotels and others."[91] They usually include a collection of properties of a similar type.[92] There are two kinds of REITs based on income source (as well as the rare hybrid of the two): 90% of REITs get their income from equity, meaning that investors' dividends come from rental income; 10% of REITs are mortgage REITs, which extend credit and receive their income from repayment streams.[93] Both forms are relevant for high-rises, as high-rises may be commercial rental properties (built by equity REITs), or condominiums – individually owned flats (built by mortgage REITs).

REITs now represent an enormous and rapidly expanding market. REITs are traded both publicly (on exchanges) and privately (as OTC – over the counter securities). As of 2020, the total market capitalization of REITs is estimated to be $1.3B.[94] Their average daily trading volume is massive, and increasing: in 2007, it was $3.4B, which, even with the crisis, increased to $4B by 2012, and

89 NAREIT, "What is a REIT".
90 NAREIT, Learn the Basics of REITS & REIT Investing.
91 NAREIT, Learn the Basics of REITS & REIT Investing.
92 NAREIT, Learn the Basics of REITS & REIT Investing.
93 See NAREIT, Guide to Equity REITs and Guide to Mortgage REIT Investing.
94 NAREIT, U.S. REIT Industry Equity Market Cap.

then to $6.7B in 2017.[95] Publicly-traded REITs alone have been estimated to hold over $2T in assets.[96]

Why, post – Financial Crisis, has real estate remained - and even grown – as an attractive investment? How can this be the case, so soon after a Crisis that began with a failure in the mortgage / derivative market? The characteristics of REITs that investors find attractive are in fact a result of the extensive regulatory regimes that mandate that they operate in ways conducive to profits and dividends. Investors are primarily drawn to REITs because of their high dividends (on account of regulation that requires them to distribute most of their earnings to shareholders[97]) and their exemption from significant taxes.[98] They also appreciate that REITS are required to invest almost exclusively in real estate,[99] their tax transparency,[100] and their flexibility, including the ability to diversify and stay liquid.[101] Finally, perhaps most significantly, as *The Economist* put it:

> "They offer even small investors a lowish-risk and liquid way into property; and, so long as they distribute nearly all their profits—90% in America and Japan—as dividends, they usually escape corporation tax and capital gains tax."[102]

Writing in 2009, Chen and Mills predicted that REITs would likely continue to grow for two reasons. First, "investors are increasingly drawn to the high dividend yields" relative to other investments and the "the stability of the underlying asset class" of real estate.[103] Second, "governments around the world are seeing REITs as a way to improve the relative competitiveness of their listed real estate markets."[104] What the discussion here has shown is that the very aspects that attract investors are the result of deliberate governmental regulation.

[95] NAREIT, REITs and Real Estate: Outlook for 2017.
[96] *Forbes* (8 Dec. 2017).
[97] 26 U.S. Code § 857(a).
[98] 26 U.S. Code § 857.
[99] 26 U.S. Code § 856c.
[100] Chen and Mills (2009) 7. SEC, *Investor Bulletin: Real Estate Investment Trusts* (REITs).
[101] Chen and Mills (2009) 8.
[102] *The Economist* (2004).
[103] Chen and Mills (2009) 8.
[104] Chen and Mills (2009) 8.

A bit of REIT History: The Global Diffusion and "Democratization" of REIT investment

While their basic structure can be traced as far back as 1772,[105] and while they existed in the 1960s, REITs did not catch on in a significant way until the early 1990s through a series of reforms in the United States.[106] In 1993, the U.S. passed the Omnibus Budget Reconciliation Act (OBRA) specifically aimed at increasing institutional investment in real estate.[107] OBRA made REITs a more attractive investment for pension funds by revising the prior constraint on concentration of ownership known as the "five or fewer rule".[108] As a result, pension funds began to invest in REITs more significantly.[109] The expansion of REITs continued through the REIT Simplification Act of 1997 (which revised the types of property eligible to be included in REITs),[110] revision of tax treaties and the U.S. Treasury Department's tax position regarding foreign investors in REITs and other tax provisions,[111] and the PATH Act of 2015 (which made tax and capital markets holding rules more favourable).[112] Notably, these reforms lowered the tax rate that most non-U.S. shareholders would have to pay on REIT ordinary dividends to 15%.[113]

The influx of foreign capital that followed these regulatory changes "encouraged REITs to go public."[114] The shape this 'going public' took is worth attention. A brief tour of the website of the National Association of REITs – the industry association of REITs - demonstrates a clear intention to market REITs to the lay person. While one might imagine that such a website would be incomprehensible to someone unfamiliar with finance, or at least overly technical and dry, the site is designed to welcome visitors with bright images and accessible language.

[105] *The Economist* (2016).
[106] *The Economist* (2004).
[107] Downs (1998) 613.
[108] Downs (1998).
[109] McIntosh (2009) 22-23.
[110] Enacted as part of Taxpayer Relief Act of 1997, P.L. 105-34, 111 Stat. 788.
[111] See for example, REIT Improvement Act of 2003, enacted as part of the American Jobs Creation Act of 2004, (Pub. L. 108–357), 118 STAT. 1418.
[112] Protecting Americans from Tax Hikes Act of 2015 (the PATH Act), enacted as Division Q of the Consolidated Appropriations Act, 2016 (P.L. 114-113) Sections 311-326. http://www.natlawreview.com/article/significant-changes-to-us-taxation-reits-and-investments-non-us-investors-real
[113] British pension funds received even more favourable tax treatment, with no tax on U.S. REIT dividends. McIntosh (2009) 24. Additionally, barriers to foreign investors buying publicly listed REIT stock were eliminated and violations of REIT tax rules were treated more leniently. McIntosh (2009) 24-25.
[114] McIntosh (2009) 24.

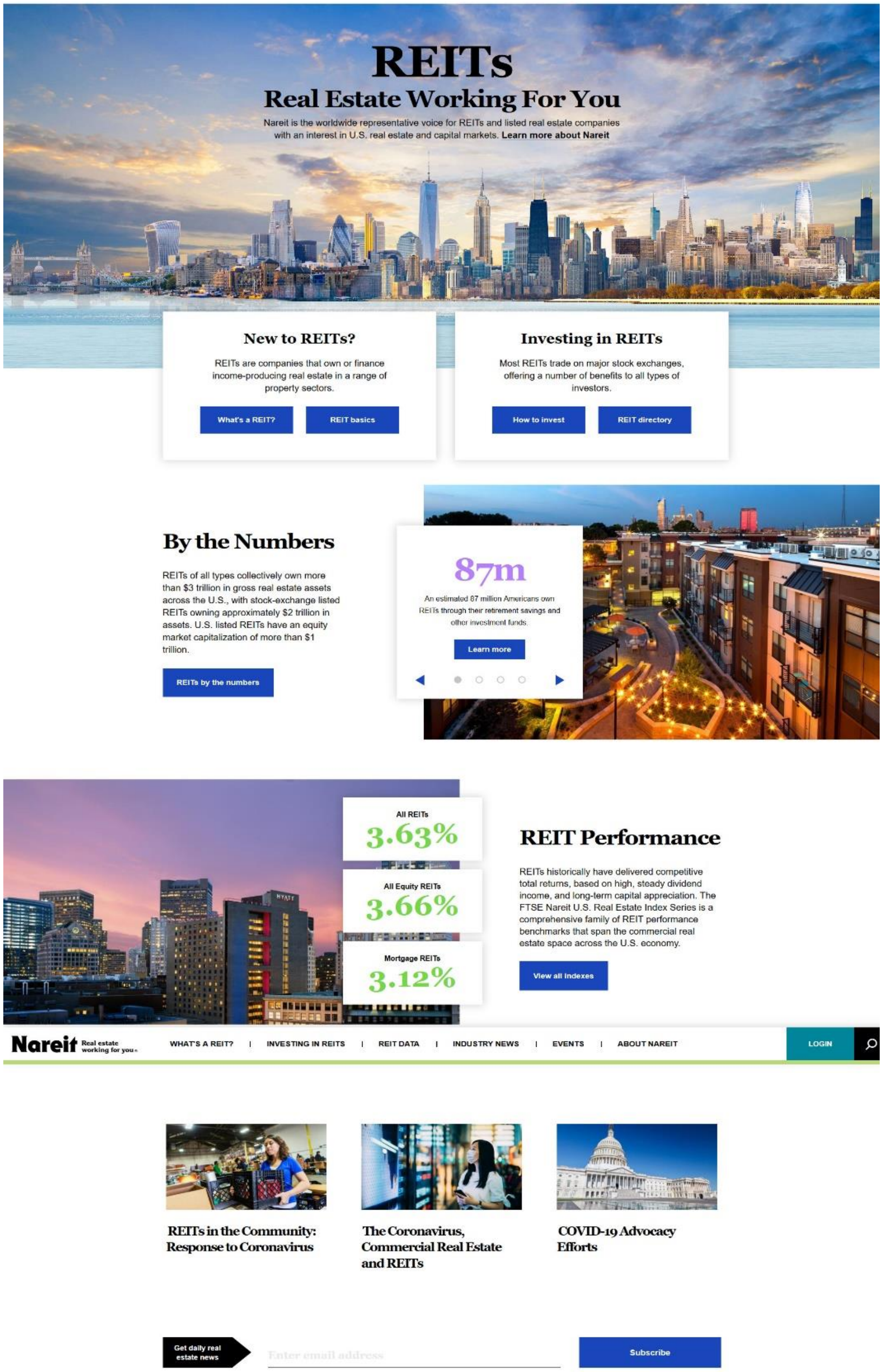

Image 4.1: NAREIT homepage

It encourages visitors who are "New to REITs" to learn about REITs, and rest assured in their safety, returns, and accessibility.[115] It has a page dedicated to individual investors who are told they have an important role to play in REIT investments.[116] The potential investor can watch educational videos,[117] listen to podcasts, celebrate the 50 year history of REITs,[118] and read hopeful news stories about the workings and attractiveness of REITs. One such video demystifies the sophisticated financial product by teaching visitors about "[a] day in the life of a family that realizes how many ways they interact with REIT-owned properties in a given day."[119]

The site tells us that REITs help diversify one's portfolio and enable many people to get real estate returns in a more liquid and diversified investment than buying a home.[120] One can search for REITs by type and location or by using an interactive map. The locating of investments makes it all feel so tangible. One can choose a REIT that operates in one's home state, or perhaps in a city that appears to be up-and-coming. One could even find a mixed use – residential and retail REIT – near one's home. What other forms of sophisticated financial product appear so real, so non-placeless?

The marketing towards the middle-class lay investor and overall implicit assumption that investing in REITs is common sense (after all, as NAREIT tells us, millions of Americans do[121]) is reminiscent of the rise of personal financial management in the early 2000s explored by Randy Martin. Martin described the establishment of online finance for individuals as well as literature on raising financially literate children as evidence of the permeation of the logic of financialization into every day ideas around taking responsibility for your own well-being in the receding welfare state.[122] Since Martin's writing, many members of the middle class are responsible for even more of their retirement costs. REITs are made to sound like apparently obvious ways to be secure in an ever more volatile, uncertain world. Here, one is invited to take a risk, but to feel secure in doing so. Perhaps even to feel insecure in *not* doing so.

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[115] NAREIT, Investing in REITs and Why Invest in REITs.
[116] NAREIT, Individual Investors.
[117] NAREIT, Educational REIT Videos.
[118] NAREIT, History of REITs & Real Estate Investing
[119] NAREIT, Educational REIT Videos.
[120] NAREIT, Why Invest in REITs.
[121] NAREIT, Why Invest in REITs.
[122] Martin (2002).

The Financial Crisis precipitated a brief drop in REIT investment, but as homeownership dropped and rentals increased during the recovery, REITs returned to an even brighter spotlight.[123] Individuals invest in REITs directly as well through pension, mutual, and other funds. The REITs, just like the mortgage-backed securities, depend on middle-class financing: more than 87 million Americans - approximately 44% of American households[124] - invest in REITs. This is not just a U.S. story, it is happening around the world.

REITs Go Global

While the global investment that poured into CDOs and derivatives before the Global Financial Crisis of 2008+ was brought under media attention during and after the Crisis, the expansion of REITs has been far less acknowledged. As of 2020, at least 35 countries have REITs. NAREIT tell us that these countries have "adopted the US REIT approach."[125] That the REIT regulatory structure has been exported to a variety of jurisdictions illustrates how orthodox financial regulation policy is built and spread globally. It underlines the importance of understanding real estate as both globalized and localized: the flows of capital and ideas that construct buildings and ways of life in varied geographies. It also hints at how the contours of urbanization are being shaped and made material. The similarity in what is being constructed in so many geographies is not accidental. One can see them depicted in the prospectuses, drawn by graphic design artists and architects to attract global investors. These ways of life are new depictions of 'modernity', new legitimate lifestyles and living and working spaces. The following discussion offers several brief examples of REITs around the world to illustrate the process of dissemination as well as the uniformity.

Bahrain

Bahrain has welcomed REITs. A 2015 publication by the Bahrain Central Bank in English announcing the introduction of REITs also celebrated new financial partnerships with China, Bahrain's recent high placement in FDI rankings, and Bahrain's "pioneering" of IFI regulatory architecture.[126] One REIT mentioned is issued by Eskan Bank.[127] The REIT has two properties,

[123] *The Economist* (2016).
[124] NAREIT (2019).
[125] NAREIT, Global Real Estate Investment.
[126] Central Bank of Bahrain (2015).
[127] Central Bank of Bahrain (2015) 10.

both of which sound like they would be very much at place in North America. The first property is Danaat al Madina, described as a "strategically-located mixed-use development, with retail, offices and residential units," centrally located near a mall and a "local market" which "provides a pleasant and integrated residential environment between workplace and marketplace."[128] The second is Segaya Plaza, a nine-story "prestigious commercial and residential development" with retail outlets on the ground and mezzanine floors and 105 residential units above.[129] Residents enjoy luxurious amenities, including "a swimming pool, roof terrace, gymnasium, and sauna and steam room" and private parking.[130]

The mixed-use "integrated" forms of retail, office, and residential space are depicted in images that give no indication of local circumstances or landscape. They appear to be placeless, attractive investments of "international-style" buildings and lifestyles. These new designs are in contrast to the historic spatial configurations of Bahraini cities and towns, "with their old layout of narrow alleyways and neighborhoods largely intact for more than a hundred years," still home to many citizens with "strong attachments to these areas."[131]

Financial products are depicted as a way to sophistication, to get in on income opportunities, and even to make good on a 'social mandate' through the furtherance of shared public and private objectives, as articulated by the General Manager of Eskan Bank, the issuer of the REIT:

> "The initiative of listing the REIT will be the first in Bahrain by Eskan Bank, where we offer a financial instrument that will add to the breadth of investment opportunities and position the institution as an innovative bank spearheading financial sophistication and depth. In line with our social mandate, this new REIT gives Bahrainis the opportunity to share in Eskan Bank's significant property development activities, and benefit from commercial and residential rental income across diversified assets. This has been made possible by the proactive roles of the Central Bank of Bahrain and the Bahrain Bourse. Both are further developing the regulations concerning investing activities that will lead to capital market growth."[132]

[128] Central Bank of Bahrain (2015) 10; Eskan Bank, Danaat Al Madina.
[129] Eskan Bank, Segaya Plaza.
[130] Eskan Bank, Segaya Plaza.
[131] Alshehabi (2014) 39.
[132] SicoBahrain website.

The rationale that these investment products will give citizens new opportunities as well as "position" domestic institutions as innovative and sophisticated finds echoes in other geographies as well. In the Philippines, where laws were revised in 2016 to welcome REITs, the government reminded the public why they had first introduced regulations for REITs in 2009: "to promote the development of the capital market by enlarging the participation of the investing public in the ownership of real estate and using the capital market as an instrument to finance and develop infrastructure projects."[133] In other words, to draw in more of the populace to finance real estate and infrastructure.

In his powerful work on Bahrain's "spatial-demographic revolution," Omar Hesham Alshehabi gives an account of the social, political, and economic upheavals associated with the rise of real estate investment and finance in Bahrain. Alshehabi gives a fascinating account of the blurring of real estate and finance in Bahrain, the cross-Gulf investment in Bahrain, and government reclamation of land for real estate "mega-projects".[134] He argues persuasively that these developments can be understood as manifestations of David Harvey's idea of dual "spatial-temporal fix" whereby capital seeks to land in "fixed" structures (here, in physical real estate developments), while also seeking a "fix" through the creation of new markets to avoid over-development and declining returns in existing markets (here, "via the creation of space" in the newly reclaimed land).

When that capital is 'fixed' in these physical spaces, it disrupts the existing populations' ways of life— socially, economically, and politically. Alshehabi describes how these real estate projects further divide expatriate and local populations,[135] as well as deepen divisions within them. Construction needs bring in more and more Indian and other lower income expatriates as laborers. This construction does not serve the needs of local populations facing an on-going housing crisis.[136] Livelihoods – the fishing industry for example - and neighbourhood social structures are made to give way for the influx of capital taking shape in mega-projects such as shopping centres,

[133] Valdez, *The Manila Times* (12 June 2016).
[134] Alshehabi (2014).
[135] The expatriate population in Bahrain was estimated to be 51% in 2008. Alshehabi (2014) 35. Internal citation omitted.
[136] Alshehabi (2014) 44-45.

retail centres, and high-end hotels meant to serve Gulf visitors, mainly from Saudi Arabia, seeking "pleasures that are not available in their country"[137] and luxury flats for wealthy expatriates.[138]

In order to support these construction projects, significant amounts of land have been reclaimed[139] by the Bahraini government over the past two decades, at huge expense. [140] Ninety percent of this land, with its high market value – over $40B - has been sold to private investors at low prices, at a loss to the government.[141] The reclaimed land has been used primarily for commercial purposes and "'mega [retail, hotel, and residential] projects' of the luxurious and gated community style"– intended for expatriates.[142] The transfers are made through legal registration of title deeds "in the names of individuals or institutions with considerable influence in the upper echelons of the political ladder" of large swaths of "yet to be created" land.[143] Those landholdings are divided and sold to developers at "extremely low prices."[144] Those developers' resulting projects are promoted by the government through publications and in the various changes of law to accommodate. As Alshehabi notes, there is little public input – economic policy and urban master plans are largely undertaken by foreign management consultant firms.[145]

Through these processes: the actual land transfers, the changes in law, the rhetoric that accompanies both real estate developments and investment products promulgated by both public and private sectors, and the sanctioning of the displacement, segregation, and marginalization of existing populations –the juridification of commerce-friendly legal regimes consolidates private power and control over resources (particularly land).[146] This process reflects Claire Cutler's concept of the privatization of power,[147] demonstrating the disruption of existing populations, and implicit and explicit justifications of such transformations. The fragmented nature of the private power is also at work here: domestic, foreign, the GCC conglomerate, investment and real

[137] Alshehabi (2014) 41.
[138] Alshehabi (2014) 40.
[139] Dredged back from the sea and made appropriate for human habitation.
[140] More than 70 square kilometres, as of 2014. Alshehabi (2014) 28. Internal citations omitted.
[141] Alshehabi (2014) 33.
[142] Alshehabi (2014) 30.
[143] Alshehabi (2014) 33.
[144] Alshehabi (2014) 33.
[145] Alshehabi (2014) 44.
[146] Cutler (2003).
[147] Cutler (2003).

estate.[148] Finally, Bahrain demonstrates the entwinement of real estate and finance: together, along with construction, they make up 30.3% of Bahrain's GDP in 2015.[149] That such financial and spatial transformations are meant to benefit wealthy expatriates is clearly illustrated by what is being built, to whom profits are accruing, and in whose interests law is being revised.

India

In 2014, India's Securities Exchange Board (SEBI) introduced REITs.[150] Media coverage was hopeful regarding the prospects for "small investors" to be able to invest in real estate.[151] "Small" investors, able to invest two lakhs of Indian Rupees (approximately $2,600 USD), would now be able to "tak[e] a bit of the realty pie."[152] The media coverage in 2014 and in the years that followed was replete with implicit (and sometimes explicit) exhortations for middle-class investors to invest in real estate with urgency. [153]

When REITs did not take off immediately, SEBI quickly responded with regulatory changes to enable REIT listings to happen. The revisions allow mutual funds to invest in REITs, allow REITs to raise funds through debt securities and bonds, permit single-asset REITs (a change from the previous two project minimum), open REITs to a wider range of investors, and finally, allow REITs to lend to their underlying holding companies.[154]

After these changes, the first REIT was made available for investment in India in March 2019 by Embassy Group, an Indian partner of the Blackstone Group.[155] Various media outlets celebrated this development as just the beginning of "a big boost" for India's real estate market.[156] As for the likelihood of that 'boost' coming from middle-class investment, at least one commentator argued that, just as Indians prefer real gold to gold bonds, Indians would always prefer having a physical

[148] On real estate-related public-private partnerships in Bahrain, see Mouzughi, Bryde, and Al-Shaer (2014).
[149] Real estate and business services, construction: 13.1%; Financial services: 17.2%. Note that hotels and restaurants are another 2.4 %. Kingdom of Bahrain, Economy website.
[150] See Securities and Exchange Board of India, Notification of REIT regulations (26 Sept. 2014).
[151] Yadav, *Business Today* (Sept. 2014); Nair, *Money Control* (30 Jun. 2017).
[152] Yadav, *Business Today* (Sept. 2014).
[153] See, for example, Pate, Housing.com (2 June 2019), and investment seminars such as Pankaj Agarwal, The Role of REIT in Indian Real Estate Market, zricks.com (19 Dec. 2017) www.zricks.com/Updates/The-Role-of-REIT-in-Indian-Real-Estate-Market/2270
[154] SEBI (14 Jan. 2017); Upadhyay, *LiveMint* (19 Sep 2017).
[155] Embassy Office Parks REIT, *Final Offer Document* (27 March 2019).
[156] Cypher and Madan, *Fortune* (13 Dec. 2016).

ownership of "one's own property" rather than "mere paper investments".[157] That said, it has also been argued that "India is moving away from traditional hard assets, gold is an example, and into financial instruments" and that this shift "will support significant domestic demand for REITs."[158] Two analysts writing for *Fortune Magazine* in India shared the latter commentator's optimism for the turn towards REITs, as investors get to have the perceived safety of real estate, alongside the benefits of professional management and opportunity.[159] It remains to be seen how REITs fare in India, but with the buzz around the new Embassy Group listing, and even NAREIT letting their members know that they can now invest in Indian real estate,[160] we can see how globally dispersed Indian investors may have their interest peaked (a theme returned to in Chapter 6).

Other Geographies

REITs are now found in Singapore, Germany, Japan, Hong Kong, the United Kingdom, Australia, South Korea, Malaysia, France, Panama, Ireland, China, and many other geographies.[161] Despite varied geographies, varied local and national legal regimes, this singular form of financial instrument is being imported. Moreover, the nature of the properties and the images in the investment prospectuses demonstrate the entwinement of REITs with ideas of modern architecture, lifestyles, and consumption.

In closing, both debt and equity instruments support the construction of the high-rises and other forms of real estate. The high-rises are financed through the multiple products described above, each of which is expanding in market size, and the high-rises feed capital back into the system through their rental, sales, and income. This is how the high-rises and real estate are enabled financially, but also how they undergird financial capitalism itself.

Capital Lands in Cities

From the urbanization programs of the World Bank and IMF in the 1970s which framed cities as "engines of growth,"[162] until the more recent focus on cities as places of investment opportunity,

[157] Pate, Housing.com (2 June 2019).
[158] Bloomberg (26 Jan. 2018).
[159] Cypher and Madan, *Fortune* (13 Dec. 2016).
[160] NAREIT, Indian REITs.
[161] The Economist (2004); Waldron (2018); Bloomberg (2 June 2020); Zhen Hao Toh, *Bloomberg* (21 Feb. 2020).
[162] See Chapter 1.

cities have been in the spotlight as places of capital expansion.[163] In order to enable that landing of capital and its expansion, local institutions are meant to reform themselves through large programs as well as small, technical regulations in the image of finance. The logic of "leveraging" the city exists quite openly here, from World Bank reports that call for to "leverage investments that will yield the highest returns for cities"[164] to an approach to city-level economic growth as a competition.[165] What follows are several kinds of incentives that cities are encouraged to adopt, or have adopted in order to attract capital, particularly toward real estate. Some of these are done in coordination with national governments or IFIs, some are entirely local initiatives.

Zoning & planning

Cities' powers to zone – assigning certain uses for areas of land - are central to their governing power. The concept of "zoning" particular city spaces for particular uses of that land, can be understood as a coalescing of planning techniques.[166] Zoning is a regulatory mechanism used by local governments to assign designated uses of land, effectively dividing a jurisdiction into geographically contiguous 'zones'.[167] This includes both allocating which activities – which "uses" - should take place in which spaces, as well as prohibitions on nuisance-related activities (for example, manufacturing). Zoning ordinances control "(a) building bulks, (b) the size and shape of lots, (c) the placement of buildings on lots, and (d) the uses to which the land and buildings may be put."[168] It is the key technique by municipalities to "comprehensively divid[e] the city into districts" with "varying building and use regulations from district to district."[169]

[163] More recently, such reports by the World Bank and private actors from consulting companies to real estate sectoral actors continue to emphasize the idea of "opportunities" and "potential" of cities in the Global South, as well as the improvement of local institutions in order to realize that future. See for example, the 2015 report by PriceWaterhouseCoopers that ranked 20 African cities as "Cities of Opportunity" as part of its "Global Cities of Opportunity series" that purports to "help governments, businesses and citizens improve their economies and quality of life." PriceWaterhouseCoopers (Mar. 2015).
[164] World Bank (2013) 10. "Leverage" appears 32 times in this report. See also their report titled "Leveraging Urbanization in South Asia." World Bank (2016).
[165] World Bank (2015A).
[166] Fischel (2001) draft at 4; See also Hall (2002).
[167] Fischel (2000) 403.
[168] Ellickson and Been (2005) 74.
[169] Ellickson and Been (2005) 75.

Zoning power is crucial to the exercise of local governmental power, not least because it greatly affects land values.[170] Numerous geographies use zoning to regulate activities and populations.[171] It also reflects the values held by those in power. As critical geographers, property and land use scholars, historians, sociologists and others have argued for decades, zoning powers have been used to separate and segregate populations, and to reinforce class and racial distinctions, particularly in the United States.[172] For example, in the United States, by allowing housing only in the form of single-family detached homes, prohibiting multi-family apartment buildings, and designating plot size and other requirements that only housing for the middle-class and wealthy would meet, zoning provided a way for municipalities to *legally* keep out purportedly less desirable members of society, compounding divisions of resources and services. [173]

The World Bank characterizes zoning as a planning tool for "creating functional real estate markets."[174] In their Urban Regeneration project, zoning is a crucial part of planning orientation that enables cities to use their "land assets and regulatory powers to leverage and incentivize private participation in urban regeneration."[175] The project casts "land, community, and the environment" as "three major *assets* that the city can *use* for urban regeneration."[176] In other words, zoning enables a city to lever what are now seen as "assets" to create real estate and to generate a kind of return.

Through both of these zoning objectives – class and race- based segregation in the first, and real estate investment in the second – public power is used to protect private values. As Fischel argues, zoning is "a collective property right that is used by the municipality to maximize the net worth of those in control of the political apparatus."[177] The idea that zoning is meant to maximize the net worth of those in power is reflective of the way that local government – the public - has been used to protect *private* values of exclusive neighbourhoods, property values[178] and economic growth

[170] Fischel (2000) 403; Ellickson (1973) 691: "From an economic standpoint… local zoning regulations are the most significant land use controls; in most areas they have a far greater effect on land values than other kinds of regulatory ordinances."
[171] For examples, see Platt (2004).
[172] Jackson (1987); Freund (2007), Gupta (2015). See also contributions in Angotti and Morse (2016).
[173] Ford (1994).
[174] World Bank, Zoning and Land Use Planning.
[175] World Bank, Urban Regeneration.
[176] World Bank, Urban Regeneration.
[177] Fischel (2000) 404. Internal citations omitted.
[178] Fischel ties the protection of property values to the restriction of non-conforming uses through zoning. Fischel (2000) 409.

that benefits the elite.[179] That protection occurs through what are often seen as technical, detailed regulatory ordinances and bylaws of localities.

The protection of private value has taken on new meanings in zoning with various calls for "flexibility." In 1999, the World Bank warned against "static" zoning that would prevent economic growth on account of distances between housing and manufacturing or inadequate transport.[180] They encouraged cities to be responsive to the needs of economic growth through land use regimes in particular.[181] What we see now is the newest iteration of zoning as wealth protection: flexible zoning, or "de-zoning." Through flexible zoning, planning and public control are ceded to real estate private actors. In property consultant Knight Frank's 2017 *Global Cities* Report, zoning is a key feature of what measures cities should take to more effectively attract real estate investment.[182] Knight Frank sees "de-zoning" as a way to "seize" new opportunities in urban retail by "tearing down the old boundaries."[183] After noting that "[r]eal estate likes the order and logic of zones – CBD, shopping district, leisure circuit, theatre land, or cultural quarter, for example," they offer a new, futuristic vision:

> "true urbanization recognizes none of these artificially engineered boundaries and the utopia of urbanization is a melange of real estate facilities that goes far beyond mixed-use as we know it. A place left to the natural process of urbanization would combine residential, office, retail and leisure in a non-uniform environment. The order we have become accustomed to will not be replaced by chaos – rather, a sense of vitality and diversity which are pre-requisites for every successful location and indeed, a fundamental to retailing in particular."[184]

This concept of zoning goes beyond a local government employing market principles in zoning allocations; rather, it would let the market itself decide what should be built and where, how land should be used, and by whom. It casts zoning regulation as "artificially engineered" (echoing a common neoliberal (rhetorical) attack on regulation more generally) and market-determined allocation as a "natural process of urbanization." This is a vision that beckons cities to be modern,

[179] See Frug (2000).
[180] World Bank (1999) 134-136.
[181] World Bank (1999) 134-136.
[182] Knight Frank (2017).
[183] Knight Frank (2017) 26.
[184] Knight Frank (2017) 26.

to stop holding back progress and vitality and diversity. The appeal of the Knight Frank formulation is that it draws on the discourse of creativity, flexibility, and experimentation – seemingly desirable qualities for the art of governing.[185] However, looking more closely at how those qualities would be enacted in their vision, one sees that although the rhetoric purports to enable a nimble form of (crowd-driven/ city life oriented) governance, it in fact steers governance towards a market-oriented vision of how creativity, flexibility, and experimentation should be put to use. In short, it co-opts the appeal of those ideas into the service of privately-determined allocations of use and ownership. The purpose of those qualities, here, is to attract "desirable" populations and capital, resulting in a new formulation of the "right kind of residents" as well as higher and higher property values.

A market-orientation towards high-rises, for example, builds them higher than what residents of a city would prefer. In many cities, these buildings block light from reaching the ground and even solar panels – affecting both nature and city life.[186] In response to this phenomenon, *The New York Daily News* called the massive construction of tall towers on the south border of Central Park now known as Billionaire's Row a turn to "Central Dark."[187] Young adult literature has begun to echo this tension, for example in Heather Hanson's dystopic young adult novel about a world where towers have blocked out all light on the ground level, and where people battle for life lived on the top floors where only the elite live isn't so imaginary after all.[188] *The Washington Post* reported in 2015 that:

> "Together, these towers [in midtown Manhattan], and new additions in neighborhoods undergoing a building boom from San Francisco to Toronto to even low-rise D.C., have revived a long-simmering urban tension: between light and growth, between the benefits of city living and its cost in shadows… They change the feel of space and the value of property in ways that are hard to define. They're a stark reminder that the new growth needed in healthy cities can come at the expense of people already living there. And in

[185] Knight Frank (2017) 49.
[186] Bliss, CityLab (2016); Badger, *The Washington Post* (4 May 2015).
[187] Ransom and Chaban, *New York Daily News* (25 Dec. 2013)
[188] Hansen (2017).

> some ways, shadows even turn light into another medium of inequality — a resource that can be bought by the wealthy, eclipsed from the poor."[189]

Lest we imagine that nimble decision-making in the hands of private actors called for by de-zoning would only exist in some kind of neoliberal dream, a brief look at Gurgaon, examined in Chapter 6, demonstrates otherwise. Gurgaon, a city that went from villages and farmland to an enormous urban centre in just a few decades, is often criticized for being unplanned, failing to deliver coordinated government services such as sanitation, and existing solely in the hands of private developers. While much of that may be true, anthropologist Shubhra Gururani critically examines the power exercised by the local government and the developers and conceptualizes a theory of "flexible planning," in contrast to the "unplanned." In her account, Gurgaon's dysfunction is not the result of "flawed planning or Third World ineptitude."[190] Rather,

> "Gurgaon manifests a different sort of planning that incorporates flexibility and systematically accommodates the desires and demands of the wealthy and political elites."[191]

In a regime of flexible planning, cities utilize "a range of political techniques through which exemptions are routinely made, plans redrawn, compromises made, and brute force executed."[192] Flexible planning (of which zoning would be a key part) is more than a one-off (corrupt) favour for a developer or investor. Instead, it indicates a system *designed* around such accommodation. We see this not just in Gurgaon, but flowing underneath the language in Knight Frank's report – in other words, as an increasingly rhetorically acceptable technique to attract capital. Attracting capital of course, being part of what is considered good governance. The issue here is not with the attraction so much as the cost – through the analysis of Gurgaon we will see what exclusion and marginalization the systematic design of a city for elites yields for the rest of the population.

In addition to zoning accommodations, there are also a range of incentives that cities often offer to developers or investors to attract them. Some of these are formulated in coordination with national governments. Here, we will briefly examine infrastructure, immigration incentives, tax

[189] Badger, *The Washington Post* (4 May 2015).
[190] Gururani (2013) (3, draft).
[191] Gururani (2013) (3, draft).
[192] Gururani (2013) (3, draft).

and special economic zones, and the lack of regulation around money laundering as a way of attracting capital.

Infrastructure

In the Global South, urbanization was seen as key to economic growth in international development policy and programs promulgated by the World Bank and the IMF. In these programs, infrastructure construction - roads, bridges, telecom connectivity, and other large projects - was seen as essential to increasing economic growth by attracting investment and increasing productivity.[193] Urbanization programs were often accompanied by exhortations to engage in various activities involving capital markets (in addition to borrowing from the World Bank itself) including borrowing from capital markets, issuing municipal bonds and land-based financing.[194] In order to enable cities to access "private sources of long-term financing through local capital markets and commercial partnerships" by demonstrating that they are *creditworthy*, the World Bank has also initiated "Credit Worthiness Academies" and "City Creditworthiness Implementation Programs."[195]

Since the 2010s, IFIs, investors as well as national governments have promoted infrastructure around "Smart Cities"[196] initiatives, designed to attract investment in real estate in particular. This idea of infrastructure is intimately entwined with a vision of real estate built through financial markets, as is exemplified by Knight Frank:

> "The cross-fertilisation benefits between infrastructure and property are very real, with infrastructure in many ways acting as the lines that join up the real estate dots, and neither can excel without the other. This can create a virtuous circle of investment and return as the built environment benefits. Global infrastructure investment should be a driver of real estate investment going forward."[197]

These projects involve a re-thinking of what constitutes "infrastructure," shifting it from large energy and transport projects such as dams, bridges, and highways, to technological ones. Such

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[193] World Bank (2015).
[194] World Bank (2009); Un-Habitat (2013); World Bank (1999) 125-138; World Bank (2017).
[195] World Bank, City Creditworthiness Initiative: A Partnership to Deliver Municipal Finance.
[196] Here, I use the term "Smart City" to refer to the mesh of technology, surveillance, and data gathering in city functions from transport to garbage collection to parking that is purported to lead to more "user-friendly" cities.
[197] Knight Frank (2017) 44.

changes require massive funding – one estimate figures "the global smart city market" to expand to US$1.5Tby 2020.[198]

In contrast to the large projects of the 1970s-1990s and the Smart City/ technological projects promoted by developers and investors, the idea of infrastructure has been re-thought by scholars writing "from the South" in ways that differ markedly from the infrastructure-real estate-finance nexus. Their work problematizes the common-sense thinking in IFI programs around what kinds of infrastructure is necessary and whom it should serve. They also re-conceptualize what constitutes infrastructure by examining the people and communities whose uses and relations to land can be thought of as their own forms of infrastructure. For Anand, Gupta, and Appel, infrastructure signifies a "terrain of power and contestation," raising questions of "to whom will resources be distributed and from whom they be withdrawn" as well as "what will be public goods and what will be private commodities, and for whom" they will exist.[199] Their analysis critically examines which "particular kinds of infrastructure have been necessary to capitalism, and, as such, need to be continually produced (by states, corporations, or different combinations of these) to ensure the reliability of capital and labor flows."[200]

Swati Chattopadhyay, writing about Indian cities with particular reference to Calcutta, reconceptualizes infrastructure to include popular uses of city spaces such as cricket and religious ceremonies, re-read in her account as political expressions.[201] The recognition of already-existing communal use is also drawn on by AbdouMaliq Simone, who examines the remaking of infrastructure and space through mixed uses of land – in his words, "improvised livelihoods in mixed-up districts" - and interdependence and isolation in Jakarta.[202] With reference to Johannesburg, he reconceptualizes "infrastructure as people" – infrastructure here being the flexible, creative, and resourceful economic collaborations among otherwise marginalized residents that, like the more traditional sort of infrastructure, serve as "a platform providing for and reproducing life in the city."[203]

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[198] Andrews, *Cities Today* (1 Aug. 2017).
[199] Anand, Gupta, and Appel (2018) 5.
[200] Anand, Gupta, and Appel (2018) 5. See contributions in the same volume.
[201] Chattopadhyay (2012).
[202] Simone (2010), in particular Ch. 4.
[203] Simone (2004) 407-408.

Finally, Ambreena Manji explores what might constitute an effective 'right to the city' in the context of the uneven benefits and inconveniences of highway construction in Nairobi.[204] She questions the taken-for-granted nature of more is better when it comes to a super-highway in Nairobi by turning attention to the populations negatively affected by the construction and the private actors who benefit from it. That pattern –side-lining the interests of already-existing residents in favour of the interests of construction in accord with globalized versions of what cities need – and the benefits that inure to private entities as a result – is one that occurs in many geographies. Moreover, Manji's contextualization of that pattern in who gets to exercise a 'right to the city' and the processes through which those kinds of power are exercised powerfully illustrates how private forms of governance operate. Rather than operating as pure examples of the private acting like a public entity, they operate by shifting what kinds of power exists and how they are exercised – here through the power of globalized discourse celebrating infrastructure, through the technical contracts that award multi-year multi-projects to private actors, and through the taking up of residents' time, energy, and emotion in multi-year protests and campaigns.

Immigration Incentives

Many countries offer a fast track to immigration status if a foreigner invests a certain threshold of capital in the host country. Over 30 countries have such programs including Australia, Canada, Colombia, Greece, Latvia, Panama, the United Kingdom, and the United States.[205] In the United States, a foreign investor must invest $1.8M (from 1992 until the end 2019 this figure was $1M) and create at least ten new jobs to avail themselves of an expedited path to permanent residency (a green card) through the Eb-5 visa program.[206] In other countries, the investment gains one outright residency. Real estate has become the key industry of investment.

In the United States, if a geographic area is designated as a "Targeted Employment Area" (TEA), the investment amount is reduced to $900,000 (from 1992 until the end 2019 this figure was $500,000).[207] TEAs are highly subject to gerrymandering and boundary lines are distorted to attract willing investors.[208] As an example of the malleability of TEA zones, Friedland and Calderon

[204] Manji (2015).
[205] Tanasoca (2016); Dzankic (2012); MSN news (2018
[206] 8 CFR § 204.6; USCIS EB-5 Program Website.
[207] USCIS EB-5 Program Website.
[208] Friedland, *testimony* (2016) 1-2; Friedland and Calderon (2018). Until 2019, the federal government delegated the power to designate TEAs to states through 8 C.F.R. 204.6(i) (orig.). As of 2019, such power rests with the U.S.

found that the Beverly Hills Waldorf Astoria in Beverly Hills, California (90210) qualifies as a TEA property, as does Billionaire's Row in New York. [209] Beverly Hills 90210 has long been amongst the wealthiest zip codes in America. A further example is the controversial Hudson Yards development in the west side of Manhattan, known for its garish display of wealth and its status as the most expensive real estate development in the United States, which gathered over $1B in Eb-5 funds, making it the highest development-recipient of Eb-5 funds.[210]

In the U.S., the Eb-5 visa program has become a "mainstream source of capital to fund large-scale real estate development projects in major urban areas."[211] According to Friedland and Calderon's massive empirical study, the Eb-5 program has channeled over $10B involving over 20,000 immigrant investors, which would "translate to more than 50,000 visa applications."[212] Friedland and Calderon empirically demonstrate the inequity of these investments: "[t]he lion's share of EB-5 capital investment flows to the largest real estate projects in affluent, urban areas, many of which are sponsored or developed by entities affiliated with" what they refer to as "a small, select group of powerful stakeholders - a handful of megadevelopers and regional centers based in Gateway cities" who have had their interests represented by a group of U.S. Senators protecting the program against even bi-partisan reforms."[213] In Friedland's words, "[t]he developers of these projects include the most successful developers in the U.S., if not the world."[214]

The apparent purposes of Eb-5, to attract capital to geographies which need it and to create jobs, have been stymied by how it works in practice. Not only have developers been able to ensure TEA thresholds are kept low and boundaries of TEAs kept manipulable, they also often do not require the Eb-5 funding for any single project to go forward. Because the Eb-5 funds go to high-end projects in already-wealthy locations, the program objective that the project would not have gone forward but for the funds is not met. It is unsurprising that Eb-5 investors choose projects in already-well off areas: Eb-5 investors are exercising "sound business judgment in the same manner

Citizenship and Immigration Services through 8 C.F.R. 204.6(i) (am. 2019). USCIS EB-5 Program Website; Friedland, *testimony* (2016) 12.

[209] Friedland and Calderon (2018) 6.

[210] Capps, CityLab (12 April 2019); Bendix, *Business Insider* (12 Apr 2019).

[211] Friedland, *testimony* (2016) 1.

[212] Friedland, *testimony* (2016) 1-2. Calderon and Friedland (2016).

[213]Friedland and Calderon (2018) 3-6.

[214] Friedland (2016) 4.

as any rational non-Eb-5 investor."[215] While there was a revision to the program in Eb-5 in 2019 that raised investment limits and rested the power to designate TEAs away from local governments and with the federal government, it remains to be seen if it is effective.[216]

Perhaps unsurprisingly, this program has given rise to entrepreneurial professional services who offer to facilitate the investments and visas. There has been a rise of unregistered broker-dealers.[217] There is even a magazine *eb-5 investors* which features articles and coverage of the program from how to choose a development project[218] to top 25 immigration attorneys with whom to work.[219] One of those attorney's websites indicates that her firm has facilitated over $1B in capital.[220]

These programs often involve national and subnational coordination to channel funding to particular geographies. We saw that in the United States, the preferred geographies are the already-wealthy ones. The exchange of permanent residency and subsequent citizenship for capital subjects even the primary legal relationship between individual and nation to the logic of finance. In the modality of leverage, the state trades something – the rights, entitlements and obligations attached to being a legal citizen of a country – in the expectation of a greater gain – which here is capital, resulting in a rebuilding of urban spaces for the elite.

Tax and (Permissive) Money Laundering

Local and national tax regimes have also been used to govern capital towards real estate, for example, tax breaks on capital gains taxes as discussed in relation to REITs above as well as through Special Economic Zones,[221] Tax Increment Financing, and other tax incentives for development (such as the 421a tax credit in New York discussed in Chapter 3).

In the United States, Tax Increment Financing (TIF) programs have been used to raise money for city projects from hotels to affordable housing to sports stadiums.[222] TIF effectively diverts future property taxes for specially designated TIF zones by keeping them static. It has become a popular

[215] Friedland (2016) 5.
[216] 8 CFR § 204.6; USCIS EB-5 Program Website.
[217] See Friedland and Calderon (2018b).
[218] Issever, *EB5 Investors Magazine* (24 April 2020).
[219] EB5 Investors Magazine (20 April 2020).
[220] Mona Shah & Associate Global website.
[221] As the name implies, these are set aside areas with special tax and customs considerations usually located in rural areas to attract manufacturing in particular.
[222] Schneider, *CityLab* (24 Oct. 2019); Weber (2002); Briffault (1990a) and (1990b); Johnson (1999). See also Lincoln institute of Land Policy (2018).

and ubiquitous tool in the United States, including for projects such as Amazon's second headquarters in Arlington, Virginia.[223] Similar to the Eb-5 TEAs, however, the designation of TIF zones has become notoriously political, with nearly any area qualifying, including the Hudson Yards project discussed above.[224] And, similarly to Eb-5, it has also been found that money invested under TIF often ends up in already-well off areas and projects.[225]

Money laundering – in both its forms as tax avoidance and the processing of illegal funds into legitimate forms of capital[226] - is of course rampant in real estate.[227] The primary ways that money laundering works through real estate is through price manipulation, undeclared income, the use of nominees (including false identities), and shell corporations or trusts to hide the identity of the beneficial owners.[228] In other words, *the legal architecture of finance and corporations itself facilitates money laundering*.[229] Through shell companies, the use of off-shore funds, and anonymized trusts, the legal anonymity embedded throughout corporate and financial regimes provides a cloak enabling money laundering.[230] Both persons and entities are able to invest funds with a kind of double anonymity: both the source of funds and the entity itself were long able to remain anonymous.[231]

With regards to urban governance and money laundering in real estate, what is striking is the decades of *permissiveness*. While that permissiveness has been framed as a reflection of the lack of effective *global* law and enforcement,[232] that lack of global governance itself is arguably a reflection of the benefits that some Global North states have received from the capital inflows that laundering brings.[233] Although money laundering has been rhetorically condemned by states and

[223] Schneider, *CityLab* (24 Oct. 2019).
[224] Schneider, *CityLab* (24 Oct. 2019); deMause, Gothamist (11 Oct. 2018), explaining how Hudson Yards uses a form of tax incentive that is just like a TIF but is assigned to a project not a district.
[225] Schneider, *CityLab* (24 Oct. 2019).
[226] Baker (1999) 30-31; Unger and Busuioc (2007) 15-28; van Duyne, Harvey, and Gelemerova (2018) 93-95.
[227] See, for example, OECD (2006). This project aims to turn our analytic attention to rationality of governance and on how money is being directed to real estate. While real estate is a convenient site of money laundering, as is art, for example, the focus here is on what shared cultures and rationalities in urban governance have *made* it attractive. In a sense, the project here is located one step earlier in time than money laundering itself in that what is of particular concern in this project is on the role of local government in making investment in urban space attractive to money laundering schemes - in directing capital to real estate.
[228] OECD (2006).
[229] See Baker (1999).
[230] Financial Action Task Force / Groupe d'action financière, (29 June 2007)
[231] Badger, *The New York Times* (30 April 2018)
[232] See Talani (2013).
[233] Baker (1999).

inter-governmental organizations,[234] in practice, laundering seemed to be long-accepted as a part of real estate investment or more broadly as part of a free market system.[235]

More recently, in addition to transnational efforts to regulate money laundering,[236] there has been increased attention to the nexus between real estate and money laundering in cities, and increased efforts to regulate it. Luxury high-rises in particular have become symbols of those decades of permissiveness in cities such as New York and London.[237] Cities that were particularly prone to money laundering in real estate, for example, Vancouver (through provincial legislation in British Columbia), New York, and London, have all taken steps recently to stem it through regulation which first identifies the source of funds and the entity investing.[238]

In Conclusion

This Chapter has examined how real estate investment has permeated financial markets and cultures. Enabled by their expanded access and attracted to their security and returns, pension funds and individual investors (and others) are increasing their real estate investment. This means that the retirement, the well-being of many people and institutions, are now tied to real estate, even those who may not realize where their pension funds are being directed. In a sense then, given that REITs tend to focus on high-rise towers and their associated environs – high-end retail, office buildings, and also hotels - "we all" are building these luxury tower-worlds. The phenomenon that everyone has a stake in them makes us all dependent on them, but also normalizes them by exposing many to their prospectuses who might not have seen such documents before.

We also have also examined how the rhetoric of "free" movement of capital took hold and expanded and how political choices exist in the technical, in the incremental, and in that which gets taken for granted as neutral or even scientific. Here, under the cover of quantitative methods and calculation, vast amounts of resources have been directed through financial markets towards the construction of high-end real estate. The returns offered – for individual purchasers, for

[234] van Duyne, Harvey, and Gelemerova (2018) 13.
[235] Baker (1999).
[236] OECD (2006).
[237] Story and Saul, *The New York Times* (8 Feb. 2015), (9 Feb. 2015), (10 Feb. 2015), (11 Feb. 2015), and (12 Feb. 2015); Atkinson, *The Independent* (6 June 2020).
[238] There has been increased attention to the financing of terrorism which has led to various transnational efforts to stem money laundering as well, most notably by the OECD. See, for example, OECD 2006.

investors, for cities through an ostensibly expanded tax base – have entrenched this form of development in governance, policy, and legal regimes.

As the discussion of land use, zoning, and incentives showed, decisions around who gets to have a say in the built environment – in the spaces that order daily life– involve often procedural and technical local governmental forms of governance. Decisions around who *should* have access to that built environment – in short, whom it is built for – find their codification in property regimes. Decisions around who *will* have access to that built environment - around how title and rights to use built environments will be allocated - may involve seemingly mundane applications of property or land use law, but we have seen how the values that inform these decisions, whether equitable or financial, have significant effects on city life.

Where, then, is the agency around the form, expansion, and attractiveness of these investment products? In the financial institutions, and government regulatory agencies and legislatures, but also with local government, pensions, individuals, many of whom may be unaware of their governance power over urban space both local and foreign.

CHAPTER 5: The Public Acting Private: Newham, United Kingdom

"*If you can't afford to live in Newham, you can't afford to live in Newham*."

- Mayor Robin Wales[1]

Introduction

Since 2012, the East London Borough of Newham has been in the news several times. First, as the site of the Olympics, complete with the construction and refurbishment of housing and various infrastructure facilities. Two years later in 2014, as the place where a group of young single mothers living in council housing occupied the then uninhabited Olympic housing for several weeks, protesting their eviction and attempted removal from London.[2]

What didn't make as much news outside of the Borough was the re-orientation of Newham Council activities and funds towards real estate investment. In 2014, the Council established a separate council-owned company called Red Door Ventures to directly engage in real estate development.[3] The Council announced – celebrated – this innovation as a way for it deliver "high-quality private rent homes," some of which would be offered at affordable prices.

In the years that followed, other boroughs have followed suit in establishing their own local housing companies (LHCs). It is estimated that 200 out of the 343 councils in the United Kingdom have such companies in 2020.[4]

The impetus for the formation of these companies and the pursuit of the revenue that they bring comes from a combination of factors: legal reforms to the powers of local governments, the lure of finance – and in particular real estate as a way to bring in revenue – and immediate needs to make up for budget shortfalls due to the significant decreases of central government funding. Under the call for "austerity" from 2015 to 2020, the central government decreased the level of funding that councils received by estimates of 77 percent.[5] According to the Local Government

[1] In an encounter told by Focus E15. Focus E15 website.
[2] Chakrabortty, *The Guardian* (2014).
[3] Mayoral Press Release (3 Apr. 2014).
[4] Smith Report (2017) 15.
[5] Bounds, *The Financial Times* (2017).

Association in 2017, 168 councils, nearly half the total councils, were looking ahead to having all central government funding cut by 2019-2020.[6] The budget shortfall led councils to pursue a number of measures, from renting out public parks[7] to establishing the LHCs.

In the absence of public construction of housing, there is a high concentration of private builders, rising rent prices, and to find social housing supply, councils have turned to outsourced, private landlords charging high rents and providing poor services.[8] Even with this turn to private landlords, councils have not been able to meet their obligations under the Homeless Reduction Act.[9] The LHCs were framed as a way also to alleviate the massive housing crisis in London and other cities. However, as the discussion below will demonstrate, while these companies have created some housing stock, they have generally not delivered on the expectations regarding adequate "affordable" or "social" housing. The legal definitions of these terms are worth noting here as they play a crucial role in the kinds of housing that is built and the justifications offered. In the discussion that follows, "Affordable" in the rental context, defined by the National Planning Policy Framework, refers to homes rented at a "maximum of 80% of local market rent" to "to those eligible for social housing and rents." [10] "Social rents" are "generally between 40%-65% of market rent or lower."[11] While "affordable" in its colloquial usage denotes a price level that is accessible, in the context of runaway market prices for real estate, particularly in Greater London, a price point of 80% of market value would still be out of reach for most people.[12] Put more simply, the legal definition of "affordable" does not align with what is actually affordable for most people. That misalignment allows LHCs that actually do not increase housing supply for those who most need it to appear, at least rhetorically, as if they do. Moreover, as Newham's experience demonstrates, even those rather modest "affordable" targets are often not met in practice.

The formation of LHCs demonstrates a governance rationality whereby councils should invest in property directly in order not to miss out on opportunities for revenue streams when budgets are

[6] Bounds, *The Financial Times* (2017).
[7] Carrington, *The Guardian* (11 Feb. 2017); Hancox, *The Guardian* (5 July 2019).
[8] Wall, *The Guardian* (2019).
[9] Butler, *The Guardian* (2019); See also Morphet, *pbctoday* (2019).
[10] *National Planning Policy Framework* (revised Feb. 2019) Annex 2, defining "affordable housing" as "Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)"; and which complies with one or more" of their four kinds of housing definitions, including that it is rented at least 20% below local market rent.
[11] Smith (2017) 10.
[12] Hutchings, *PublicLaw Today* (2018).

tight. While that may sound innovative (as is commonly thought), what this narrow framing conceals are the other *concurrent* actions of councils to move lower income council housing residents out of the borough, and even the city, entirely. Most surprising of all, that *real estate development could now be an investment venture of the council* appears mostly unquestioned, except by the residents' activist groups. In many ways, Newham is a microcosm of London, which is not only one of the world's top destination for real estate investment,[13] but also faces a massive housing crisis.[14] If we understand this in the context of financialization, the two concurrent circumstances are not coincidental and in fact are implicated together in that they reflect the local, national, and transnational priorities and rationalities of finance.

The following discussion first describes the legal stance of local housing companies before giving an account of the national legal reforms which enabled and encouraged local councils to set up LHCs. It then turns to Newham, examining first its initial establishment of its local housing company; second, its significant change of governance approach in 2018; and finally, the organized and creative resistance to the use of urban space and housing for investment purposes rather than as homes. What this examination reveals is an arc of financialization and governance – from an embrace to a turning away, demonstrating the incomplete, imperfect forms of financialization as a governing rationality.

What is a Local Housing Company?

Council programs to build market-rent housing include a variety of endeavours, including wholly-owned Local Housing Companies (LHCs). The LHCs are private companies, incorporated under the *Companies Act 2006* and financed largely by funds from the local councils. [15] The preferred incorporated form is limitation by shares (with the Council as the sole shareholder) because it enables the Council to receive dividends, trade shares, and sell assets and undertakings, and to thereby maximize "future flexibility."[16] For example, Newham's LHC examined below is set up in that form – private and limited by shares, all of which are held by the Council.

[13] See, for example, CBRE (2017).
[14] On the housing crisis in London, see *City*'s special feature: *London's Housing Crisis and its Activisms* (2016) Vol. 20(2), edited by Paul Watt & Anna Minton.
[15] Morphet and Clifford (2017) 32-36.
[16] Carmarthenshire County Council Report (2017).

LHCs build, acquire, and manage properties. Some do this through joint ventures, which serve as "skills support",[17] or through partnerships, which serve a variety of purposes from funding to building management to the limitation of liability.[18] The size and scope of the LHCs vary - some Councils begin with modest development goals and others with larger ones of 1,000 or more/ year.[19] Some Councils establish them to provide housing for the elderly, while others focus on "key worker[s]".[20] Others, as explored below, have primarily used them to build market-rent housing.

Some Councils have also used their LHCs to engage in leasebacks with institutional investors. Through the leaseback programs, Councils sell properties or land to investors and lease them back for some period of time, at the end of which the Council is meant to own the properties.[21]

Start-up and long-term funding for the LHCs come from variety of sources, including primarily the local Council and the Public Works Loan Board. Other sources include bonds and loans, payments amassed from other projects known as s106 payments,[22] and joint venture partners.[23] Councils also may provide the land, planning permissions, and sometimes even the housing itself to the LHC. [24]

The Road to Council-funded Private Real Estate Development

Housing, from Public to Private

State-provided rental housing known as council housing began in the late 1800s and increased in 1919 with the Addison Act.[25] Construction took off after World War II as part of the post-war rebuilding effort. By 1951, Clement Atlee's Labour government had constructed "more than a million homes, 80% of which were council houses, largely to replace those destroyed" during

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[17] Morphet, *pbctoday* (2019).
[18] Dorling and Wainwright, *Inside Housing* (2020).
[19] Morphet, *pbctoday* (2019); Morphet and Clifford (2017) 50.
[20] Morphet, *pbctoday* (2019).
[21] The rent is often "index-linked (subject to caps and collars) and the council will guarantee the LHC's obligations. Dorling and Wainwright, *Inside Housing* (2020).
[22] Local Government Association, *S106 obligations overview*.
[23] Morphet and Clifford (2017) 32-26.
[24] Morphet and Clifford (2017) 32-26.
[25] Housing Act 1919 ("Addison Act") Chapter 35 which enacted a "Duty of local authority to prepare housing schemes (Part 1.1) and to carry out schemes (part I.2).

World War II.[26] For the next two and a half decades, central and local governments worked together to build a substantial amount of housing, much of which was council housing.

Council housing served as the primary form of housing for low- and middle-income households.[27] Local authorities managed and rented the properties, and rental prices were determined by regulation, not the market.[28] The geography of equality of those houses is a demonstration of the political values inscribed in the built environment. Local councils and planners designed council housing so that it would serve "as a social equalizer" by locating council housing all over cities, including in central and "high value" areas.[29] Nye Bevan, the Health Minister (who was also in charge of housing) during Atlee's administration from 1945-1951 is famously quoted as having extolled the virtues of the mixing of social classes in social housing, where "the working man, the doctor and the clergyman will live in close proximity to one another."[30] That said, with changes in administration, the housing got smaller. The garden-style housing of a minimum 900 square feet between 1945 and 1951 as prescribed by Bevan would give way in 1951 to 'People's Homes' under the leadership of Harold Macmillan, designed to be around 750 to 850 square feet[31] which would themselves be eclipsed by tower blocks beginning in the second half of the 1950s.[32]

Despite their changing form, the commitment to housing the population reflected shared political values; the provision of housing was a "hallmark of the history of public policies in the United Kingdom."[33] As noted by Special Rapporteur Raquel Rolnik in her country report on the United Kingdom in 2013, "[f]or generations, women and men have progressively given shape to the notion that a dignified life includes access to [in the United Kingdom] decent and fair housing, regardless of level of income or other status."[34] The council estate, therefore, was a crucial site of this history and of the decline of the welfare state in the United Kingdom in the 1970s and 80s. As legal anthropologist Insa Koch argues, "[t]he history of post-war British council estates is a history

[26] Wheeler, *BBC News* (2015).
[27] Special Rapporteur on Housing (2013) para 16.
[28] Beswick and Penny (2018) 614.
[29] Special Rapporteur on Housing (2013) para 16.
[30] Metcalf, *The Big Issue* (2019).
[31] Boughton (2020); Boughton (2019); Boughton (2018).
[32] Glendinning and Muthesius (1994).
[33] Special Rapporteur on Housing (2013) para 13-16.
[34] Special Rapporteur on Housing (2013) para 11. Some councils did require provide proof of income, and Koch and other scholars have noted the various forms of "[p]aternalistic forms of rent and housing management" on council estates. Koch (2016) 285.

of gradual economic and political dispossession: of how inhabitants have been progressively deprived of their material livelihoods and the political channels that represented them."[35]

In the late 1970s came massive changes to housing, including an increased focus on homeownership. Under Margaret Thatcher's administration, the Housing Act of 1980[36] was introduced which enabled council housing tenants to buy their homes at a substantial discount from market price of between 33 to 50 percent.[37] As a result, approximately 1.5 million social housing units were sold by local authorities between 1980 and 2001 alone.[38] The idea behind the program was to enable tenants to "gain control over a valuable asset, and augment their wealth."[39] However, as David Harvey has noted, "once the transfer was accomplished housing speculation took over, particularly in prime central locations, eventually bribing or forcing low-income populations out to the periphery in cities like London and turning erstwhile working-class housing estates into centres of intense gentrification."[40] That "loss of affordable housing in central areas produced homelessness for some and long commutes for those with low-paying service jobs."[41] Relatedly, the reliance on the private sector since the 1980s for new housing supply has proven to be rather misguided. Giving planning permissions does not obligate developers to construct houses, whose "primary duty, like any other business, is to make a return to their shareholders."[42]

The wave of privatization continued through subsequent administrations and grew through the establishment of new programs. Under Conservative Prime Minister John Major's administration, the Private Finance Initiative (PFI) was launched, whereby "a private sector consortium would raise the capital finance and carry out refurbishment / improvement works as part of a long-term contract (up to 30 years) that normally included providing repairs, maintenance and possibly management services."[43] As geographer Stuart Hodkinson explains, PFI was meant to address the need for infrastructure spending at the same time as budgets were meant to be restrained. PFI

[35] Koch (2016) 285. Koch has also examined the ways in which council estates were not only progressive welfare projects but also of "state-building and classed control." Koch (2018) 15.
[36] Housing Act 1980, 1980 CHAPTER 51, "An Act to give security of tenure, and the right to buy their homes, to tenants of local authorities and other bodies; to make other provision with respect to those and other tenants..."
[37] Special Rapporteur on Housing (2013) para 17, noting that the amount of discount was "based on various criteria, such as length of occupancy and rent already paid."
[38] MHCLG, LT 671; see also Christophers, *The Guardian* (2018).
[39] Harvey (2007) 164.
[40] Harvey (2007) 164. See also Koch (2016).
[41] Harvey (2007) 164.
[42] Morphet and Clifford (2017) 13.
[43] Hodkinson (2010) 913.

"circumnavigate[d] spending controls on certain projects by turning the public sector into a purchaser of long-term private sector services, typically contracted for between 30 and 60 years and ostensibly financed by the private sector," allowing projects to be removed from public balance sheets.[44] Under Prime Minister Tony Blair's New Labour administration PFI deals expanded significantly, as well as stock transfers of housing to private ownership, despite considerable evidence that PFI schemes did not deliver services effectively and actually resulted in *higher* costs to the public. [45]

Measures to empower the private sector in homebuilding and to move away from publicly financed social housing should be seen in the context of broader "austerity" measures. Austerity as a governing principle has been characterized by a rhetorical commitment to restraint, thrift and transparency in public spending which often manifests in reduced spending on social welfare as a first matter.[46] The objectives pursued under the banner of austerity accord with those of neo-liberalism: "to discipline labour, to reduce the role of state and to redistribute income, wealth and power from labour to capital."[47] Reforms under austerity in the U.K. since the early 2000s have ranged from the cutting back of social services to the increase in student fees for education; despite their rhetoric, have not actually led to economic growth and have actually increased social inequality.[48]

The cumulative privatization and lack of new construction has led to housing unaffordability as well as housing shortages.[49] In London in 2017, for example, "the Deputy Mayor, James Murray reported that 80% of new homes built are affordable to only 8% of the population."[50] Stratford, London (a district within Newham) has had prices increase over 80% in the 5 years from 2014-

[44] Hodkinson (2010) 914.
[45] Hodkinson (2010) 914. Further, as the notorious failure of the PFI to maintain the London Underground demonstrated, the risk that was ostensibly being transferred to the private sector was in fact borne by the public in the end. 915.
[46] On austerity as a discourse of neoliberalism, see de Benedictis and Gill (2016). For comprehensive a theoretical and empirical treatment, see Bramhall (2013). On the ill social and cultural effects of austerity, see Blyth (2013) and Cooper and Whyte (2017).
[47] Jensen (2012) 22.
[48] Blyth (2013); Special Rapporteur on Poverty (2018).
[49] See Potts (2020).
[50] Morphet and Clifford (2017) 16, citing Mayor of London (2017).

2019.[51] As a result of runaway property prices and the investment turn to real estate, over hundreds of thousands of homes remain vacant even while there exists a massive housing crisis. [52]

We can now turn to the series of legislative acts and government-commissioned reports beginning in the early 2000s that enshrined the turn to private provision and led to the formation of LHCs.

The Governance Measures that enabled LHCs

> "The time has come to disperse power more widely in Britain today."
>
> - The Prime Minister and Deputy Prime Minister, May 2010, quoted by the Minister of State for Decentralisation in conjunction with the passage of the Localism Act, 2011

The various reforms that enabled the establishment and proliferation of LHCs reveal the commitment to a form of decentralization of power, as well as a reliance on the private sector – its resources, its expertise, and its rationalities – for housing and other provisions. The legislation, the language of the accompanying statements by the government, and the framing and recommendations of influential government commission reports on housing mutually reinforced each other in promulgating a particular concept of housing. Under this view, housing is meant to be provided by the market and the government is responsible for creating favourable conditions through which that will happen. Under that market approach, it follows that housing is meant to be a source of investment return. That the lure of such returns would lead to rationalization of the government entering the market as a private actor is but a small leap from there that we can see illustrated rather starkly through the LHC. While housing may in fact provide crucial investment returns and income in many ways, what is lost in this framing is an appreciation of the necessity of housing for human beings, and the government's responsibility to its citizens in the provision of their needs.

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[51] Knight Frank (2019). Even Parliament recognized the massive price increases in areas in London that hosted the Olympics. UK Parliament Olympic Legacy Committee (2013) Chapter 6.

[52] Estimates range from 214,000 ((https://www.theguardian.com/society/2019/mar/11/empty-homes-england-rises-property) to 1.4 million (Morphet and Clifford (2017)). Government tables indicate just under 650,000. MHCLG, LT 615.

In 2003, the U.K.'s Local Government Act expanded the powers of local councils to establish trading companies (and subsidiaries) "into which a council can transfer businesses and assets and return a profit."[53] Such trading companies could engage in activities for "commercial purposes" in any functions which the Council was allowed but not required to fill.[54] In accompanying guidance to these changes, the government was explicit in the promotion of an "entrepreneurial" public sector as a kind of marketplace where the "diversity and choice" in services would be increased, services would be improved, and "new players" would enter the market.[55]

In 2007, the Secretary of State for Communities and Local Government issued a green paper on housing (*Homes for the Future: more affordable, more sustainable*) which announced a pilot program for fourteen new local housing companies to be established with the assistance of national agencies. The intention was that councils would "contribute land and assist with planning consent" for the construction of new homes, "at least 50%" of which would be affordable." The stated benefit – that councils would be able to "keep a stake in their land and enjoy the benefit of rising land values over time"[56] – reflects an investment logic particular to real estate in the assumption of always-increasing property prices.

The Localism Act was introduced in 2011 in order to "shift[ ] power towards local government and communities" and to spur development. Though this Act, local councils went from having specific delegated powers, to a much broader power to act except where they are specifically prohibited from doing so; in other words, they went from having a positive list of delegated powers, to a broad power with a negative list of checks on that power.[57] The general power of competence in the Act "gives local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited."[58] Through this powerful clause, local government power was significantly expanded to a general "competence to carry out 'commercial purpose' and establish companies,"[59] which included the establishment of LHCs.

[53] Smith Report (2017); Local Government Act 2003, Chapter 95.1.
[54] Local Government Act 2003, Chapter 95.1.
[55] Deputy Prime Minister (2004) 7 (para 11).
[56] DCLG (2007) 38.
[57] DCLG (2011) 6.
[58] This principle is enshrined in the First [Section] of the Act: "Local authority's general power of competence (1)A local authority has power to do anything that individuals generally may do." Localism Act 2011 Chapter 1(1).
[59] Smith Report (2017).

The rationales offered for decentralizing power in the U.K. echo the rhetoric of greater freedom and democracy through decentralization promoted by Milton Friedman and explored in Chapter 3. As a guide to the Localism Act issued by the Minister of Decentralisation stated,

> "The Government is committed to passing new powers and freedoms to town halls. We think that power should be exercised at the lowest practical level - close to the people who are affected by decisions, rather than distant from them. Local authorities can do their job best when they have genuine freedom to respond to what local people want, not what they are told to do by central government. In challenging financial times, this freedom is more important than ever, enabling local authorities to innovate and deliver better value for taxpayers' money."[60]

Key to the Act was that local councils adopt a pro-growth approach to development as the U.K. moved away from regional plans, which were now seen as "centrally driven, bureaucratic and undemocratic."[61] LHCs would quickly come to be seen as a crucial element of that pro-growth orientation. While the Localism Act of 2011 legally enabled the councils to establish LHCs in their current form, several other reforms and government-commissioned reports embedded the rationality around them as common sense, prompting their proliferation.

The efforts to move councils toward direct delivery of market rent housing were accompanied by efforts to spur an increase in institutional investment in housing. In 2012, the government-commissioned Montague Report focused on two key questions: whether government reforms to the stamp duty and to residential REITs had "gone far enough to generate significant new flows of investment," and "if not, what [could] be done to accelerate things."[62] In determining that not enough had been done to attract institutional investment – and that further reform was needed so that the market could better offer "what investors want,"[63] it detailed concerns that such investors had, from "doubts" about yields[64] to public land "not being brought to market quickly enough," to the lack of public landowner interest in innovative joint ventures.[65] The final Report proposed a menu of reforms meant to attract development and investment. Key among those

[60] DCLG (2011) 6.
[61] Special Rapporteur on Housing (2013).
[62] Montague Report (2012) para 8.
[63] Montague Report (2012) para 30.
[64] Montague Report (2012) para 33.
[65] Montague Report (2012) para 34.

recommendations was the relaxing of requirements that developers include social housing in their projects,[66] and the allowance of private investors to build on public land in exchange for "a pre-determined volume of build-to-let" (implying no initial costs to use the land).[67] The Montague Report significantly influenced policy to come, with then-Housing Minister Grant Shapps referring to it as "blueprint" for house-building.[68] From that blueprint would come various council programs to attract institutional investment, even from their own public pensions, including leasebacks, as explained below.

Three years later in 2015, the influential government-commissioned Elphike-House Report was released.[69] Its core recommendation was to shift councils from statutory provider" to "Housing Delivery Enabler." The various recommendations of the report and its rhetoric should be appreciated as a reconfiguration of the nature of local government itself. An emphasis on "facilitation," "return," and "unlocking" land permeate the pages, and reflect a vision of government that would engage with the market as well as reflect market logic itself in its conduct. The report had a number of specific recommendations, three of which are of interest here: (i) it offered various reconfigurations of how councils enable housing, with specific recommendations in regards to local housing companies; (ii) it recommended that public pensions invest in a fund for housing investment; (iii) it recommended the establishment of a "Housing & Finance Institute" to coordinate information, knowledge, and action amongst councils.[70]

With regard to LHCs, the Report offered three possible on-balance and off-balance sheet models: "(i) a wholly owned 'on balance sheet' housing company structure where the council sets up its own housing organisation and funds it through prudential borrowing; (ii) an institutional investment partnership structure where the investor pays for the development of the housing ('forward funding')" and the council provides the land; and "(iii) an operating lease model, whereby the council retains the ownership of homes developed for it, but creates a lease to allow a registered provider (housing association) to manage the homes for them."[71]

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[66] Montague Report (2012) para 49.
[67] Montague Report (2012) para 51; Jowit, *The Guardian* (2013).
[68] Jowit, *The Guardian* (2013).
[69] Elphicke-House Report (2015).
[70] Elphicke-House Report (2015).
[71] Elphicke-House Report (2015) para 7.21.

The terms of the call for the report requested engagement with finance, "particularly innovative financing and institutional investment" including pensions.[72] That "finance" would be of paramount concern in housing construction is of course obvious. However, this engagement with "innovative" finance is presented not just as how to best pay for new construction, but rather how to re-think the role of finance in construction, in effect transforming the role of the council through that new engagement. One way to see this shift to is to consider this in conjunction with how housing is framed – not as a public good or as a human right or even as a human need. Rather, it is framed as something that can have a "positive impact" on "local finances" and as a means to support other strategic (economic) initiatives. In other words, it is framed through the expectation of return. And so, the references to finance are not merely indicative how to finance housing, but rather how to treat finance as an organizing principle in local government's housing policy, which would include the seeking of investment return.

The expanded engagement with finance should also be understood in the context of the report's key recommendation, to go from "statutory *provider*" of housing to "delivery *enabler*." Seeing the council as enabling delivery while also amassing some amount of financial return makes them effectively an investment partner rather than a responsive government meeting *housing needs* of constituents.

The reconceptualized, deep engagement with financial markets is also clear from the Report's exhortations to "lever" private finance and expertise to shape financial markets themselves.[73] The authors note further that "all councils [should] engage in housing activity which can raise and support finance to build and hold homes themselves and with other partners."[74] Finally, displaying a rather clear vision of council as private financial actor, the authors conclude that "*In this way, councils are both borrowers and financial providers to the housing finance market*."[75]

The recommendations also reflect the logic of a housing system organized by financial ideas and markets. The idea of "unlocking" land, in particular, is most commonly associated with Peruvian economist Hernando de Soto's call to "unlock capital" through land titling programs which would

[72] Elphicke-House Report (2015) para 7.1.
[73] Elphicke-House Report (2015) para 7.4 (emphasis added).
[74] Elphicke-House Report (2015) para 7.4 (emphasis added).
[75] Elphicke-House Report (2015) para 7.4 (emphasis added).

enable residents to take on debt.[76] Moreover, here we also see the theme of "leveraging" land and other resources (now referred to in the financial language of "assets") in conjunction with that unlocking, whereby councils are encouraged to "actively use their assets to create and unlock housing opportunities."[77]

Finally, there is a theme of competition that runs through the report, including the idea that, rather than housing as a public good where councils could work together to provide it for all of the U.K. population, councils can be thought of as competitors engaging in a "peer challenge"[78] in housing investment. Elphike published an op-ed after the report underscoring the entwinement of finance and local council provision of housing. She celebrates Council pension funds as "a rich source of potential investment that could hugely increase housebuilding" and encourages local authorities to meet a "3% challenge" noting that if "each council were to invest just 3% of their pension fund[79] in housing[,] up to £5bn of investment could be unlocked."[80]

Two years later, in 2017, the central government's Department for Communities and Local Governments released a white paper on housing (*Fixing our Broken Housing Market*).[81] Noting the high concentration of housing developers in Britain,[82] the DCLG offered support for various endeavours meant to diversify the house building market. It emphasized the importance of the role of local authorities in delivering housing through their "innovative new models" of "Local Development Corporations, local housing companies and/or joint venture models building mixed sites, which include new market housing for sale or private rent, as well as affordable housing."[83] It noted that it wanted "more local authorities to get building"[84] and detailed various forms of

[76] de Soto (2001); for a succinct critique, Gravois, *Slate* (2005).
[77] Elphicke-House Report (2015) 15.
[78] Elphicke-House Report (2015) para 4.9.
[79] Fixsen, *IPE Real Assets* (2017). See also Pielichata, *Pensions & Investments* (2020).
[80] Elphicke, *The Guardian* (2015). Elphicke went on to be the head of the Housing & Finance Institute, the establishment of which was advocated for by the report before becoming MP for Dover. Her co-author, Keith House, wrote the report while he was Leader of the Eastleigh Borough Council, a position he continues to hold at the time of writing. Elphicke-House Report (2015) para 7.19; Eastleigh Borough Council.
[81] DCLG (2017).
[82] "Britain's 10 largest housebuilding firms build around 60 per cent of our new private homes." DCLG (2017) citing NHBC Market Intelligence report 2015 [not available] and DCLG Live Table 209.
[83] DCLG (2017) 52.
[84] DCLG (2017) 52.

support including funding schemes, planning, commercial, and financial expertise and infrastructure support.[85]

As a result of these legal and policy reforms, LHCs have taken off. Newham's Red Door Ventures was the first in 2014. By the end of 2016, 98 out of the 326 boroughs in the United Kingdom had such a practice.[86] As of 2017, it was estimated[87] that the total number was likely between 150-166.[88] It is estimated that as of 2020, between 58%[89] and 78%[90] of councils now have such companies.

The Issues of Leasebacks

A concurrent example of the adoption of financialized rationalities in city decisions is in the proliferation of leaseback agreements. Recently a number of councils have entered into such agreements where the investor involved was the *local government pension fund* itself.[91] The Montague Report in particular extolled the virtues of these, casting them as yet another innovation which enables local government to better "meet the needs of the market."[92] One notable example is in Manchester, where the pension fund and the council created a model for a leaseback structure. As the Montague Report explained, "two investors," one providing the land (the council) and "the other with cash" (the pension fund) entered into a joint venture which then entered into agreement with a developer and a managing agent. Their objective was to build "a market-driven mixed-tenure development across a number of sites which returns a blend of sales and rental income over a period of time."[93] In most agreements, the investment is meant to issue returns through rental income and property appreciation. Here, the Report noted that "the income derived from the investment is sufficient to provide a level of return to both investors *with the pension fund taking a priority return* and the City Council recovering its land values as a *second* priority."[94] Not only does this illustrate a strange entwinement of one organ of local government – pension funds – with

[85] DCLG (2017) 43, 52. It also noted that it wanted that the new affordable homes be subject to the Right to Buy, which they are not.
[86] Braidwood, *The Architects' Journal* (2017).
[87] There is no general register of LHCs.
[88] Smith Report (2017) 15.
[89] Smith Report (2017) 15.
[90] Morphet, *pbctoday* (2019).
[91] Kelly, *The Guardian* (2013).
[92] Montague Report (2012) 10.
[93] Montague Report (2012) 8.
[94] Emphasis added. Montague Report (2012) 8.

another – housing provision – it also reverses the usual prioritization of interest and puts the fund first.

The buildings constructed through leaseback are of course built to maximize investment return and are aimed at the higher end of the market. These deals appear to be financially attractive in the short-term, offering "fresh hope for the arrival of a new income stream." However, through the local government pension involvement with leasebacks, that the investor is a local government pension fund raises its own host of issues. First, those pensions are local pensions, meant for public service workers in local government, with their own responsibility to bring in returns in order to fund retirement. What kind of buildings they will seek to build? According to a survey of 100 local authority pension funds, "none would be prepared to accept lower returns in exchange for achieving social benefit."[95] And so, they are likely to construct high-end, profitable ones with high margins as they seek returns between 7% and 12%.[96]

Second and third, what will happen if the investment is not profitable and the pension loses money or does not make enough of a return? What to do if the council would have liked to pass measures, from zoning to affordable housing requirements, that would effect the profitability?[97] In my interview of Deputy Mayor & Cabinet Lead for Housing Services Councillor John Gray,[98] I asked him about the (double) risk that Newham would take on if both the Council and local pension fund invested in housing together, he acknowledged that there "was a risk" and told me that when he first became involved in local pensions as a quasi-trustee, "we were told, we could take no considerations other than financial return into account and they claimed it was illegal." [99]

This mandate, however, was in tension with his own beliefs about investment:

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[95] Kelly, *The Guardian* (2013).
[96] Kelly, *The Guardian* (2013).
[97] For a discussion of the rising power of investors to sue the state, see the discussion of investor protection in Chapter 3.
[98] I interviewed Cllr. John Gray several times in Spring 2020. Gray has served on Newham Council since 2010 as Councillor for West Ham. He was quite open about his ideological opposition to Newham's previous Mayor, Robin Wales, who led the establishment of Red Door Ventures and the evictions from social housing described in this Chapter. Gray described Wales as an "alpha-male conviction politician… who overstayed his welcome." Gray emphasized that the change in administration in 2018, while within the Labour Party, was a "political change" towards a "traditional left-wing socialist approach to public administration" as well as a coalition of people who tend to share social democratic values rather than liberal ones to economic and social affairs.
[99] Interview with Cllr. John Gray.

> "As a believer in socially responsible investments, I'd always thought, that why are we always investing in shiny shopping centres, or ports, or toll roads? Surely as *part* of our investment, it is better to put it in somewhere there is a social return. Absolutely there has to be a financial return for the pension fund. But if we could get a financial return why not do it?"[100]

He then discussed the possibility of the Council investing in social housing outside of the council or even the city (in other words, avoiding both fund and Council investing together within Newham).

Like the investments in Gurgaon examined in Chapter 6, it is complicated when middle-class pensions depend on real estate investment return. In effect, it makes both the pension and the housing supply uncertain, subject to market. It makes pension holders dependent on higher and higher rents and on rising property prices. And yet, in the face of decreased publicly-funded pensions, an aging and growing pensioner population, and a need for high returns, where else to turn but real estate, and really, where else to turn but *local* real estate?

Finally, as Cllr. Gray told me, while Newham Council has been constantly approached for potential leaseback or leaseback-like joint ventures (as often as weekly or even semi-weekly), including by "big Canadian pension funds," they have found that the terms are usually not beneficial enough for the Council – including forty-year commitments, that the Council bears the inflation risk, and that the Council takes on management risk and guarantee occupancy. [101] The inflation risk was particularly significant – as he described, inflation is one of the biggest risks for pension funds, and so the investor model was for councils to take on that risk. However, the Newham Council had ascertained that bearing inflation risk would usually mean taking on too much risk. Moreover, these kind of ventures were meant to go through a public procurement process, further complicating the possibility of entering into such an agreement. He also mentioned that the Newham Council Staff Pension Fund was planning to invest in social housing vehicles, perhaps in other councils, but not through a leaseback.[102]

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[100] Interview with Cllr. John Gray.
[101] Interview with Cllr. John Gray.
[102] Gray is also Vice Chair of Local authority Pension Fund Forum and has served as Branch Chair of UNISON, the United Kingdom's largest trade union.

Another, related actor entering into leasebacks are local housing associations which are non-profits meant to provide social housing and to turn profits back into the provision in housing. As a recent large leaseback deal in Newham illustrates, these deals while initially providing a capital inflow, can result in the longer term with housing aimed at higher paying tenants, owned by private investors. In 2013, Newham's Genesis Housing Association entered into its first leaseback deal, with asset management firm M&G, and together they built a high-rise – a skyscraper actually at 43 stories - called Stratford Halo. What this example illustrates is the attractiveness of these deals in the short term and the national-local government support of them (as the freeholder of the land), but also the prioritization of the investor's long-term property interests and the increasing entanglements and dependence on private actors for housing supply as Genesis & M&G entered into subsequent deals to provide even the social housing that had been Genesis's initial goal.

Image 5.1: Stratford Halo[103]

Oliver Wainwright of *The Guardian* listed Stratford Halo as fifth of the ten worst skyscrapers in London:

> "Like flies to a compost heap, developers swarmed to Stratford in the runup to the 2012 Olympics, each determined to build the "gateway to the Games" and cash in on the legacy gold-rush. Paying over the odds for small plots, they had to go tall to claw back profits.

[103] Lyndon Douglas website, http://lyndondouglas.com/item/stratford-halo/

> The result is a physical bar chart of inflated land values: steroidal towers now march down the high street, each trying to be more iconic than the next, forming a shouty gauntlet of cheap coloured cladding panels and bolt-on balconies. The Stratford Halo, at 43 storeys, is the biggest and boldest, wrapped with dubious purple pinstripes and topped with a jaunty quiff – and hosting a gaudy light show by night."[104]

That said, the building appears to have been profitable for the investor M&G. Under their "£125m deal" in 2013, the investor M&G "purchase[d] 401 properties for private rent inside the tower and lease[d] them back to Genesis to manage for the duration of the 35-year leaseback period, throughout which the housing association will make inflation-linked payments to M&G." In this particular deal, *the housing association does not recover the flats at the end of the deal.* M&G notes that its investors appreciate both the annual inflation-linked rental payment as well as the "long-term ownership interest in residential real estate."[105] According to a fund manager at M&G, these two aspects provide "the financial returns that institutional investors look for: secure income from a strong counter-party, inflation-linked payments and a long-term stake in a strong property market" and even provides a "template" for other transactions for a company like M&G which has "significant capital to invest into additional projects on this sort of basis" and is "certainly looking to do more."[106] The housing association, for its part, planned to use the capital to build a number of both affordable and shared ownership homes.[107]

With rents starting at 1300 GBP / month (one bedroom) and 1700 GPB/ month (two bedroom) in 2013, the Stratford Halo outpriced many Newham residents, inspiring protests around it at the time it was being built.[108] In the years since 2013, it has actually become known for having "YouTube stars" and "high-profile businessmen" as its tenants.[109]

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[104] Wainwright, *The Guardian* (2014). https://www.theguardian.com/artanddesign/2014/apr/29/top-10-worst-london-skyscrapers-quill-odalisk-walkie-talkie
[105] Kelly, *The Guardian* (2013).
[106] Kelly, *The Guardian* (2013).
[107] Kelly, *The Guardian* (2013).
[108] Holdsworth, *Londonist* (2013).
[109] One notable group of tenants were the "Sidemen", a group of 20-something year old males who post videos of themselves play video games. Some of their videos on Youtube have over 30 million views. Their fan wiki notes that they shot some YouTube videos in their Stratford Halo flat." Sidemen wiki.

Newham's Local Housing Company: Red Door Ventures

In 2014, the Newham Council established an LHC called Red Door Ventures (RDV), which its Labour party Mayor, Robin Wales, proudly publicized as the future of housing in the borough. RDV was set up to build market-rent rental housing (accompanied by the statutory-level of affordable housing) in the borough in order to provide revenue for the Council. RDV is a fascinating story for a few reasons. It was established at the same time as social housing residents were being coerced into moving outside the borough. It represented a local council financial "innovation" which has been widely replicated. And, it did not fulfil its promise of providing housing supply, even for the upper price points to which it was aimed. Its celebrated establishment and its lacklustre performance illustrate both the contradictions of financialization and the embrace of financial rationalities in local government. But, there's more. With a change of government (within the Labour party) in 2018, RDV has been re-purposed as *a vehicle to construct social housing*. The following account examines this arc: the reasoning and justifications offered by the Council for its establishment as well as the circumstances of its repositioning. Newham led the other councils in what was seen as an innovative establishment, it remains to be seen if it will lead again in reorientation of the vehicle towards more equitable goals.

Red Door Ventures was incorporated on March 24, 2014 as a private limited by shares company. It had 100 shares, all held by Newham. Its logo continues, in 2020, to include the tagline "the lifestyle choice."[110]

Image 5.2: "the lifestyle choice"

Council establishes Red Door Ventures

The council meeting materials for the establishment of RDV (referred to initially as Newham Private Rented Vehicle – NPRV or PRV) include a 16-page summary of the various completed reports for the establishment of the venture, including the business case and legal assessment

[110] Red Door Ventures website.

("Decision Materials").[111] The complete versions of various accompanying documents are not public, including the Newham PRV Business Case, the legal assessment, finance implications, KPMG Due Diligence Report as well as the terms of the loan and shareholder agreements. The Decision Materials describes the objective of the company:

> "to let homes for market rent which would purchase land and develop/purchase housing for rent from which the Council will receive a return on its investment as well as re-payment on any loans over a set period. *The company will operate in the same manner as any other private sector company, driven by the requirement to produce profits and to operate in a commercial manner*."[112]

The Decision Materials emphasizes that the objective is profit from market-rent. It describes the "purpose" of the vehicle as operating "a business commercially developing and delivering homes which will be on market rent terms."[113] It notes that the "company like any other will be subject to planning law and policies" and that "the business case *therefore* includes an estimate of affordable homes which is likely to be developed by NPRV to comply with planning requirements."[114] The inclusion of affordability is explicitly framed as necessary on account of planning requirements not on account of public responsibility and it does not include social housing. In fact, it explicitly states that the "core" of the business will be homes "let at full market rent."[115]

Its initial objective was to construct 3000 new properties and to acquire 518 more, and to grow the portfolio over time. It recognized that it might sell units as well, and that the Newham Council would receive value from the company through dividends, loan margins (as between Newham and the company itself), and the appreciation of properties. In accordance with existing law, it was anticipated that there would be a number of affordable units rented at up to 80% of the market rent.

The Decision Materials shows that the Council's legal advisor deemed the use of public funds in this way within the bounds of authorized council activity by analysing the relevant local government regulations examined above. The summary of the legal analysis does not give any

[111] Newham RDV Decision Materials (2014).
[112] Newham RDV Decision Materials (2014) 3. Emphasis added.
[113] Newham RDV Decision Materials (2014) para 2.1.
[114] Newham RDV Decision Materials (2014) para 2.1. Emphasis added. See also para 2.2(1).
[115] Newham RDV Decision Materials (2014) para 2.2(2).

indication of a discussion of whether such a venture *should* be embarked on with public funds, just that it *could* be in a legal sense.[116]

RDV represented a massive commitment on the part of the Council, and the agreement provides a credit facility of up to 4M GBP.[117] The report notes that the Council bears a fiduciary duty "as a trustee of tax and public sector income on behalf of its rate and tax payers," noting that the Council "in effect holds money but does not own it" and that "it spends money on behalf of its business rate and council tax payers."[118] Therefore, it recognizes that in "making the decisions concerning the formation of NPRV, investment and loans to that body (and similar activities)," the Mayor and Cabinet should "give proper consideration to the risks and rewards of approving the recommendations."[119] Those risks/rewards referred to are cast as financial: that the Council would receive "an appropriate return for its risk" and that it had minimized potential exposure to bankruptcy of the NPRV.[120] It then includes a vague reference to the Mayor and Cabinet giving consideration to "whether the Council's involvement in this arrangement is proportionate and properly balanced against the anticipated benefit as well as the wider interests of its local business rate and tax payers."[121] That wider interest, however, is not defined and does not warrant greater elaboration.[122]

The financial rationality inherent in the materials is evident in the language of risks and rewards to the weighing of risk against 'appropriate return', and from the absence of deep consideration given to equity in access to housing. Numerous questions arise outside of that narrow frame, from what kind of return, to who would bear that risk, and what fate for the people who live there who can no longer afford to. It does not appear, at least from the account in the minutes, the accompanying materials, or in the press release that followed, that significant time was spent deliberating over the use of those funds in the public interest, or the fate of the many homeless in Newham waiting for council housing[123] (as this venture builds affordable and market housing, not

[116] Newham RDV Decision Materials (2014) paras 9.1-9.10.
[117] Newham RDV Decision Materials (2014) 2.
[118] Newham RDV Decision Materials (2014) paras 9.26.
[119] Newham RDV Decision Materials (2014) para 9.27.
[120] Newham RDV Decision Materials (2014) para 9.27.
[121] Newham RDV Decision Materials (2014) para 9.28.
[122] Newham RDV Decision Materials (2014) para 9.28 (noting that the Council and Mayor should consider the potential "impact on the Council (and therefore its local tax payers) if NPRV became insolvent or otherwise defaulted on loans it had taken from the Council."
[123] Hopps, *Newham Recorder* (2016).

social housing). The equity report reported that there may be a "negative" effect on certain groups because rents would be higher and people with higher incomes would be attracted to the new housing,[124] but nonetheless determined that in aggregate for "all groups" the result would be "positive".[125] There did not appear to be any countermeasures to alleviate the ill effects, apart from a brief mention of other affordable housing programs that exist.[126] Moreover, the report notes that there had not been any public consultation at the time of the decision to establishing the company, justified because the subject of the Decision Materials was "solely the decision to establish the company and the loan/ financial arrangements."[127] This is seems incongruous, as once the company was established during the meeting that the *equity* report was presented, the act was done.[128]

Mayor Robin Wales believed RDV was a true innovation – a "pioneering council-owned company" - which would serve Newham well and be replicated beyond the borough. The fanfare is clearly indicated by his launch of RDV, where he noted that RDV would make "Newham Council the first local authority to deliver a large programme of private rented homes for residents" and that "to finance the early stages of the programme of development, the council will provide loans to the company *as a commercial investment.*"[129] His press release proceeds with a celebratory tone:

> "I am pleased to announce the launch of Red Door Ventures. This is an ambitious and exciting new company which will deliver thousands of much needed high quality private rent homes in Newham. Our residents deserve the very best…
>
> "Red Door Ventures will provide a new offer in the private rented sector –stable, reliable and high quality homes for residents to rent from a trustworthy landlord. It will also make a significant local contribution to alleviate London's housing crisis. Once the scheme is established, I want to be more ambitious and ensure the council subsidises at least half of the homes at affordable rent or below..."[130]

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[124] Newham RDV Equity Assessment Report (2014) 3-4.
[125] Newham RDV Equity Assessment Report (2014) 10.
[126] Newham RDV Equity Assessment Report (2014).
[127] Newham RDV Equity Assessment Report (2014) 7.
[128] This was confirmed by Cllr. Gray.
[129] Newham, Mayoral Press Release (3 Apr. 2014).
[130] Newham, Mayoral Press Release (3 Apr. 2014).

Image 5.3: Newham Mayor Sir Robin Wales (left) and architect Lord Rogers at the launch of RDV [131]

Re-purposing Red Door Ventures

In 2018, Rokhsana Fiaz was elected as mayor of Newham, pledging to build 1,000 new council-owned social rent homes in her first four years of service. Shortly after the election, she took two extraordinary steps. First, she delegated mayoral governance power to her cabinet – effectively sharing decision-making power with them. This was a significant transformation of the powerful executive-model of mayorship in Newham in that decisions concerning "major plans" can no longer be made purely unilaterally and must have a majority cabinet vote.[132] Second, she repurposed RDV into a *vehicle for building affordable housing*.[133] Under her leadership, RDV was:

> "repurposed from being a predominantly PRS developer; providing up to 80% of its total programme as market rented properties; to one where the aim is to deliver an average of 50% genuinely affordable homes across our programme."[134]

[131] Inside Croydon (2020).
[132] Newham, Scheme of Delegation to the Executive & Offices (2018). During Mayor Fiaz's campaign she criticized then-Mayor Robin Wales for "presiding over an administration that makes decisions in a restricted circle and excludes community participation in formal council meetings that in some cases have lasted less than 20 minutes." Sabbagh, *The Guardian* (2018).
[133] Red Door Ventures – Review and Request for Funding (2018).
[134] Red Door Ventures (2019).

This repurposing has meant significant changes in new constructions. In new RDV developments approved of during a Cabinet meeting in December 2019, the breakdown of the planned properties included over one- third of properties at a social rent of 50% market rent.[135]

From the Public Acting Private to Unfinished Financialization

That real estate has come to be seen as a "safe haven" for investment in an uncertain and immaterial financial world[136] has direct implications the way that urban space is governed in Newham and in other places. It places demands on local governments to make circumstances more attractive for investors. As we saw from the Montague and Elphike-House Reports in particular, government is hearing that call. Not only hearing it but as argued here, taking on the *form* of the investor as well. After or while making spaces attractive for investment, the government itself becomes an investor through the LHCs. The following discussion first takes a closer look at what the demands of real estate investors reveal before turning to the specific rationalities of financialization represented by the LHCs and then finally returns to Newham.

Private developers have been negotiating variances in land use rules and zoning ordinances for decades. What is new now is that some are now calling for structural flexibility to be built-in to local governance policies – moving from one-off rule exemptions to a system where exemptions, or rather, de-regulation, is the rule. This call is couched in language that sees local government regulations as not keeping up with the times. The times are seen as "innovative" and "creative" and fast, which values are then superimposed on an ideal form of local government.

A report from the real estate consulting firm Knight Frank exemplifies this way of thinking, noting that cities are "centre stage in the innovation economy" but are not keeping up with housing demand, causing "young workers [to] struggle to find affordable homes."[137] Their solution to this problem is for cities to "remove barriers" and enable capital waiting to build housing.[138] That idea – that if regulation ("barriers") were removed, capital would be enabled to address social problems is a key theme in the financialization rationalities informing governance. The "removal of barriers" is of course an old trope in neoliberalism, and we see it play out here in an approach to

[135] Newham, Cabinet Meeting Minutes (3 Dec. 2019) item 7.
[136] As examined in Chapter 2. See also Knight Frank (2017) 4, observing that "The financial rollercoaster ride that led to this situation [of low interest rates] has made safe haven assets highly sought after."
[137] Knight Frank (2017) 3.
[138] Knight Frank (2017) 11.

governance framed by an empowerment of developers/ investors to determine the character of housing and city spaces. Interestingly, Newham's district of Stratford is one of the places that Knight Frank encourages investment in, on account of its new construction, Olympic-built infrastructure and "cash injections", massive property price increases, thousands of new jobs "bringing in a *new pool* of tenants," and accessibility to central London.[139]

With the LHCs, the state gets to enter into the market directly, taking advantage of the kinds of investment returns that Knight Frank celebrates. As Beswick and Penny argue, the "local state is no longer limited to providing strategic oversight to the private sector, but rather initiates financialization in order to develop its fiscal and political capacity to intervene in the housing market."[140] With regards to LHCs, the state is no longer, or not just an "enabler" of financialization, but rather, an "active executor of financialization."[141] In this role of active executor, the local state borrows the rhetoric of public control from earlier forms of urban governance while masking the extent to which it is enacting the "core operating logics and practices" of financialization.[142]

While Robin Wales and others have extolled the virtues of LHCs in providing affordable and other kinds of housing, as well as increasing supply and mitigating the wide need for housing, LHCs are not in fact beholden to these values. Very simply, because they are actually companies established under the Companies Act 2006 they remain bound by the rules that govern, including the prioritization of shareholders (the Council, in this case).[143] What this means is that the public land,

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[139] Knight Frank (2019) Emphasis added. See also Watt and Bernstock 2016 (on Stratford as one of the hot spots for post-Olympic real estate investment)
[140] Beswick and Penny (2018) 613.
[141] Beswick and Penny (2018) 619.
[142] Beswick and Penny (2018) 625.
[143] Section 172 of the Companies Act 2006 lays out the duties of company directors.
Duty to promote the success of the company
(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to— (a)the likely consequences of any decision in the long term, (b)the interests of the company's employees, (c)the need to foster the company's business relationships with suppliers, customers and others, (d)the impact of the company's operations on the community and the environment, (e)the desirability of the company maintaining a reputation for high standards of business conduct, and (f)the need to act fairly as between members of the company.
(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.
(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

funds, and resources that are made available to LHCs from councils will be managed in way that is beholden to shareholder value, i.e., investment return to shareholders as examined in Chapter 2.

It should come as no surprise then that LHCs have sought to make profits primarily by serving the top of the market. They seek out investment returns by constructing market-rent homes, in an environment where "market-rent" has become out of reach for all but the most wealthy in many places in the U.K. Here we see directly how the legal form of the LHCs translates into an impetus to provide financial returns by re-designing the built environment to serve the wealthy.

The special purpose vehicle (SPV) structure of the LHC and Council insulates both entities from democratic accountability for the inequities of the housing that is constructed. As Beswick and Penny explain, an SPV is "an 'off balance sheet' limited company, created by a parent company to pursue a specific project or interest."[144] SPVs enable the parent company "to fulfil a temporary or narrowly specific objective" and are "usually set up as a "so-called 'orphan company', which means that it is legally independent from the parent company, often isolating them from any financial risk and enabling access to credit on preferential terms."[145]

In the case of LHCs, the SPV structure enables the Council to give traction to various rationalities of financialization while remaining insulated from democratic accountability. Beswick and Penny detail a number of specific moves the SPV structures enable a council to make: "[a]ct

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There is a wide debate as to whether the 2006 Companies Act represented a *meaningful* recognition of wider interests beyond shareholders to other stakeholders, an approach to corporate governance known as "enlightened shareholder value." Johnston (2006). While the Companies Act reflects enlightened shareholder value in its wording, it appears to be not legally meaningful for those other stakeholders. Davies and Rickford (2008). Tate (2012).

Its first clause – the obligation to promote the success of the company for the benefit of its members – "makes it clear, as was the dominant view at common law, that the shareholders or members are to be the object of the directors' efforts, as far as company law is concerned. Davies and Rickford (2008) 65.

As for the other factors that the director must have regard to, Davies and Rickford give a succinct analysis of their subordination to shareholder value: "However, it is crucial to note that the interests of the non-shareholder groups are to be given consideration by the directors only to the extent that it is desirable to do so in order to promote the success of the company for the benefit of its members. The non-shareholder interests do not have an independent value in the directors' decision-making, as they would have under a pluralist approach. For this reason, it seems wrong in principle to regard the section as requiring the directors to 'balance' the interests of the members with those of stakeholders. The members' interests are paramount, but the interests of stakeholders are to be taken into account when determining the best way of promoting the members' interests." Davies and Rickford (2008) 65-66.

[144] Beswick and Penny (2018) 620.

[145] Beswick and Penny (2018) 620, citing in part PriceWaterhouseCoopers (2011).

commercially and speculatively to build private market housing for sale, which cannot be done within the council's housing budget; [c]ircumvent borrowing restrictions and access new sources of equity and debt funding, including from institutional investors; [g]enerate a new revenue source to fund general services; [t]ransfer existing council housing and tenants from their well protected status under statute to a more precarious status constructed by the SPV; and [a]void right to buy legislation, which enables council tenants to buy their homes from the local authority at a significant discount paid for by the state."[146] In addition to what it enables the *Council* to do, the SPV structure by prompting *incorporation of the LHC* enshrines the necessary pursuit of investment return through the relationship between the Companies Act 2006 and shareholder value as explained above.[147]

The SPV structure in the council-LHC context reflects what I argue is a financialized rationality of risk-taking with public (assets) alongside a removal of decision-makers from the actual risk. Here, what is being put "at risk" is city space, resources, city life itself as it is channelled to SPVs so that they can be leveraged, a process which occurs all while the decision-makers, the Council members and the Council itself, are technically isolated from financial risk. The issue here is not just about financial risk though, but rather about what is being "leveraged" away in hope of return. What is leveraged is something diffuse as well as specific: city space, city resources, but also city life, communal structures. What is being expected in "return" is defined in financial terms. To simply speak in financial ideas of risk-taking and return does not adequately capture the nonfinancial public goods that are put at stake through this process. What we see here is that councils are seeking financial gains based on the leveraging of their "assets" – public money, public space, and the public good of housing. The issues debated should not be limited to an assessment of whether financial gains are high enough or likely to materialize, it should rather be the conversion of public goods to "revenue." Here, revenue itself is recast as a public good in that it is (intended to) go back into council budgets. In that recasting, the Council has shifted what constitutes public good, and who it is meant for.

Housing is the quintessential public good lost through this process. The framing of housing nearly exclusively as a market failure to be remedied by government provision to, and accommodation

[146] Beswick and Penny (2018) 620.
[147] See discussion in and above n [135] above.

of, private financial actors reflects “the conceptual transformation of adequate housing from a social good into a commodity and a strategy for household wealth accumulation and welfare security,”[148] as articulated by former Special Rapporteur on adequate housing Raquel Rolnik. Rolnik used her mandate as Special Rapporteur to draw critical international attention to the global and local forces through which “housing has become a financial asset (“real estate”), and housing markets are increasingly regulated so as to promote the financial aspects rather than the social aspects of housing.”[149] Under this form of rationality, housing as a social good or a human right is left behind as policy measures treat houses as a means to a financial end.[150]

This argument is demonstrated by revisiting Newham. Not only did Newham establish such a company, tout its financial savvy and benefits, but then in 2018, with the election of a new Council mayor, they *changed course*. They “re-purposed” Red Door Ventures to provide social housing for a population who were facing increasing homelessness. In other words, building housing for those who most needed it (when there existed no other mechanisms for constructing new social housing) *required an entire, novel repurposing away from a centrepiece of Newham’s housing efforts for the previous four years.*

Seeing the Rationality of Financialization through Resistance

The failures of financialized rationality can be perhaps best understood through the resistance efforts in Newham. Through their work, we see what was lost in the implementation of the LHCs and other programs examined above, as well as alternative ways of relating to urban space and community.

The power of social resistance to financialized uses of urban space lies both with the actual actions and speech in relation to the particular circumstances, and also for the way that those acts and speech articulate alternative ways of imagining space and participation in the city.[151] The various acts of resistance are sometimes successful in preventing the immediate re-allocation of space or the ensuing displacement. Other times, their success is more diffuse – it is in their articulation of an alternative to the dominant allocations of urban space and the justifications for claims to use

[148] Special Rapporteur on Housing (2012) para 11.
[149] Special Rapporteur on Housing (2012) para 11.
[150] Special Rapporteur on Housing, United Kingdom (2013) para 21.
[151] See Roy (2009); Centner (2011); Holston (2009); Kuymulu (2013); Harvey (2013).

city spaces and in their contributions to the formation of new political subjectivities.[152] Because part of the power of financial capitalism is in its reshaping of culture and rationality, resistance that relies on other forms of culture and rationality holds the possibility of countering – or regulating - financialization in significant ways. If, as Max Haiven has argued, capitalism's power lies not only in repressing workers in factories and fields, but also in "conscripting our imaginations,"[153] then it becomes even more important to consider seriously exercises of participation, protest, and power in the city that speak against the status quo of who gets to claim which space and that present alternative values to determine uses of urban space, even when the immediate circumstances do not reflect their success. In that sense, part of their power exists is in their ability to shift the dominant culture and rationality around the best uses of urban spaces.

In Newham, in 2013, a group of young single mothers living in council housing estate called Carpenters Estate, a 23-acre estate near the large transport hub Stratford Station,[154] were evicted by the Council with little notice. They organized themselves to resist that eviction, forming a group called Focus E15. Focus E15, named after their postal code, is now established as an epicentre of activism, advocacy, and art in London. As part of their resistance, they represented themselves in various legal and council proceedings, and led and participated in numerous housing-related advocacy campaigns.[155]

In 2014, they occupied the then un-inhabited Olympic housing for several weeks, protesting their eviction and attempted removal from London.[156] Their banners, regarding the unoccupied Olympic housing: "these homes need people";[157] in the face of eviction: "social housing not social cleansing"[158] have become iconic. Their occupation made national and international news. As part of it, they decorated the show flat in the Olympic housing and held a collective party for all the missed "birthdays, Christmases, all sorts of things."[159] Paul Watt describes the "audacious occupation" as unfolding in a "celebratory, carnivalesque manner" with, as explained by a resident,

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152 Fields (2017).
153 Haiven (2014) 7.
154 Newham, Carpenters Estate - Equalities Impact Assessment (2018)
155 Focus E15 website; for a history of Focus E15, see Watt (2016).
156 Chakrabortty, *The Guardian* (2014).
157 Kwei, *The Guardian* (2014).
158 Focus E15's website gives an overview of their mission and activities: https://focuse15.org/tag/social-housing-not-social-cleansing-real-estates/
159 Focus E15 member Cath, quoted in Watt (2016) 307.

a party, with fun and "lots of cakes, lots of hats, balloons, everything." As Watt argues, "the decoration of the show flat . . . turned a faux home ('just for show') into a momentary 'real home'—a space for a joyful encounter of laughter and togetherness." [160] The contrast in the moment of the party and the occupation of a large spacious *unused* flat with "the routinized deprivations the mothers faced in their actual real homes in the hostel, homes which were being taken away from them" was deeply felt.[161]

In addition to occupation, Focus E15 works to educate and organize other council housing tenants facing similar circumstances. They have a weekly educational table in a Saturday market, regular meetings around activist events, and they serve as a resource for people in council housing facing eviction all over London. They offer to educate individuals as to how to resist, how to organize their own coalitions of would-be evictees, how to speak in council meetings, and how to litigate. Organizing in this form – the collaboration, the creation of community, and the creativity of form – demonstrates a radical and feminist imagination at work. They are sometimes more immediately successful than other times. Their perseverance over time, and their solidarizing with others across the city lasted during many years of record amounts of capital flowing into real estate, particularly the high-end, unoccupied kind.

The reclaiming of space in cities through occupations, even if temporary, has emerged as a "hallmark of refusal and rejection in an era when all 'legitimate' paths to electoral change have been foreclosed."[162] The occupations are in some ways a powerful first step in imagining and articulating communal and equitable ways of relating to urban space through the coming together of diverse crowds peaceably, and the demand for change. As geographer Desiree Fields has argued, the power of collective action and assembly in relation to urban struggles is that they allow those struggling (with dispossession, in her account) "to shift from individualized feelings of guilt and shame to understanding their problem as a collective, structural one."[163] The occupations both use specific urban space in ways outside of financial imaginaries in their moment of protest, as well as call for other uses of spaces and resources and other forms of politics in society more generally.

[160] Watt (2016) 307.
[161] Watt (2016) 307.
[162] Haiven (2010) 75.
[163] Fields (2017) 9.

Focus E15 have also inspired and collaborated with several artistic occupations and theatrical productions around their experiences. In the Land of Three Towers, a theatre group called You Should See the Other Guy (YSSOG) brought the experience of the women in Focus E15 to community theatre in North London. YSSOG immersed audiences in music, oral histories of early council housing residents, and even sock puppets to their powerful re-enactment of Focus E15's story. They also wove in their own stories of young single motherhood and housing precarity in their music.

Image 5.4: Focus E15 Protest image by author

As part of the formal performances, they performed previews of the production as part of a brief march and occupation of the shiny Stratford Mall, located across from the station and near the Carpenters Estate. The theatrical performances as well as the occupations embody the significance of both voice and bodies in protest, law, and social and legal change. As performance theorist Lynne McCarthy notes in observation of Focus E15, they make a vocal claim to property – a *performance* of a property claim in Carole Rose's terms – and they demonstrate how a "feminist narrative of property can be undertaken through activist tactics of becoming a vocal nuisance."[164] Their vocal presence in public space – from housing to public streets and a fair to the theatre – encapsulates performance, nuisance, as well as a performance-based claim to occupy that space. McCarthy makes a powerful argument for how their actions constitute a feminist "narrative of property":

[164] McCarthy (2020) 22.

> "In making matters of the private sphere public – for instance, by objecting to how people are housed as a matter of political importance – the mothers performed a materialist feminist move against liberal individualism and its separation of private and public spheres. In coming out of the private sphere and making themselves a public nuisance, Focus E15 framed their dispossession by the council in terms of their subject positioning as single mothers in order to dispute how liberal democracy enables certain classed subjects of property but disenables others. Focus E15 announced a feminist suspicion of the state's support of private economic practices – in the sale of public housing stock on the Carpenters Estate – at the expense of social protection for low income-populations."[165]

Here we see the individualism, the resource allocations made under the banner of austerity, and the privatization of social services from housing to care endemic to financialized forms of governance and associated forms of property regimes being resisted and re-framed through performance.

In addition to voice, the performative acts of Focus E15 also use their bodies to articulate their resistance. The idea that bodies in motion can provide an alternative register and sociality in the face of financialization and crisis has been eloquently observed by Randy Martin, who, in addition to being a cultural theorist, was also a professional dancer: "When official registers fail to provide an adequate account, dance may prove a suggestive alternative from which we can orient ourselves to what we should value most when the standard reckonings have gone bankrupt."[166] Moreover, the issue of temporality is shared by both dance and social protest, as is the spark of desire that it holds the possibility to set off. What he observes in relation to dance has insights for resistance through music and theatre: a dance performance, he writes,

> "reminds us of what remains tantalizing and often frustrating in the demonstrations organized by a political or social movement. Both raise questions of durability and efficacy. The energies required to assemble the bodies in attendance disappear in the event, which is fragile, ephemeral. And when it ends and everyone goes home, it is hard to say what lingers. Both protest and performance are commonly haunted by a sense of insufficiency. ... Yet in both cases the dispersion of bodies at the event's close also produces the desire

[165] McCarthy (2020) 29.
[166] Martin (2010) 56.

> for more such activity. The mere possibility that so much effort spent organizing bodies to arrive and move in a particular place suggests an abundance of capacity where we thought lay only scarcity. Bodies can move against the odds, through unexpected pathways, uncommon mutual reliance, arresting delivery–all of which countervene the claim that none of it mattered at all."[167]

There is theatre (and expressions of joy) through bodies throughout the Focus E15 approach to activism and participation. Outside of the legal venues, the women of Focus E15 made art, created iconic banners, included their children, had parties, collaborated with theatrical productions, and occupied public space. They demonstrated multiple other ways of relating to urban spaces and in doing so, created communities and meanings attached to those spaces. They brought renewed attention to the matriarchal traditions in East London and the estate as a powerful form of community.[168]

Image 5.5: Mayor Robin Wales as Sock Puppet image by author

Focus E15 resisted through the large acts of occupation and art, and also through the small acts of demanding to be heard in other ways – through the presence in the market, through advocacy efforts, and through organizing. Those everyday and larger acts – and the negotiation of the right to stay in Newham claim by claim, right by right – recall Koch's examination of the ways in which citizens at the margins "personalize" the state by "appropriate[ing] political, legal, and bureaucratic processes to fit with their understandings of what it means to be a good person."[169] Through that personalization, citizens "negotiate their own dependence upon what they experience

[167] Martin (2010) 58.
[168] On the matriarchal structures in East London, see Young and Willmott (1957).
[169] Koch (2018) 6.

as a coercive system[.]" In the micro acts of resistance *and simultaneous engagement with local officials*, all during (for many) tenancy in social housing, the members of Focus E15 appear (sometimes) able to gain access to the entitlements of citizenship in ways reminiscent of Koch's analysis.[170] In my conversations with Cllr. Gray, it was clear that Focus E15 was a familiar interlocuter with the Council, both during the Robin Wales administration as well as the later Rokhsana Fiaz one. Their *presence*, and representation of their own as well as the wider interests of Newham residents, speaks to an ongoing antagonism and engagement with the Council, and their commitment to making them make good on the promises of citizenship.[171] In Koch's account, a kind of personalization of the state occurred through the inclusion of officials in personal disputes and everyday life; here, a different form of personalization is demonstrated in the sock puppet as well as in the antagonistic, regular interactions with the Mayor's office.

Newham, revisited

Through the past decade, the Carpenters Estate and the Olympic-renovated area of Stratford provides a near-perfect example of the re-allocation of urban space towards wealth-producing uses[172] and processes through which such re-allocation reflected and generated its own common sense around how urban space should be used. Under Mayor Fiaz's leadership in 2018 however, the plans for the Carpenters Estate were transformed significantly. With that change, Carpenters Estate now also provides a fascinating example of the *state* re-imagined and responsive, and even resisting that common sense.

The Council had various negotiations and failed attempts to find a partner or a separate party to renovate or raze the Carpenters Estate for years.[173] When Mayor Fiaz took office in 2018, the Council ended – "effectively ripped up" in Cllr. Gray's words - the joint venture procurement initiated by the previous administration.[174] The Council recognized that there had been little public consultation during the long period of failed negotiations of various kinds.

Since 2018, the Council held resident meetings and community engagement workshops over a 10-month period to co-plan the renovations, and the mayor "met with estate residents and apologised

[170] Koch (2018) 6.
[171] For a detailed account of their interactions with the Mayor and his office, see Watt (2016).
[172] Wainwright, *The Guardian* (2013).
[173] Newham, Carpenters Estate – Options for restoration and next stage (2019) 2.
[174] Newham, Carpenters Estate - Equalities Impact Assessment (2018) 2.

for the way in which the estate had previously been dealt with."[175] The workshops and architects produced various options which will subjected to resident vote in 2020. They also supported the residents in reconstituting a residents group called Carpenters Destination Steering Group who are participating in the new regeneration process. The Council also is working with them to revise a "the Residents' Charter," which was originally formulated in 2012.[176]

When asked, Cllr. Gray agreed that Newham's change in direction was in contrast to earlier housing and public administration policies inspired by Elphike-House Report. He told me that Newham now believes that "in-source services tend to be better," and that they have "taken back" public control of parking control, parks, park keepers, green space and are considering other services as well, including cleaning and caretaking services, all in reflection of Newham's Community Wealth Building Strategy which includes local sourcing, labour, and local procurement.[177] Not only is this driven by a belief that "we serve better," Newham also "want[s] the profits that the private sector gets," for example in relation to Carpenters' Newham "wants the 20 - 25% developer's profits in order to recycle that into producing more homes at truly affordable rates and social rents."[178]

Newham presents an arc of the (local) state, from the embracing of the financialized rationalities of leveraging public goods in pursuit of financial returns through investment in real estate to a more participative form of governance and possibilities for urban space and housing. More specifically, we can break down the idea of the unitary (local) state into several constituent entities (mayor, council, housing company), each with evolving practices. Through this discussion we see how the state itself is less a "thing" and more a concept that continually takes and retakes "shape as political imaginaries and material practices inform and constitute each other," in Davina Cooper's words.[179] The constellation of organs, values, practices, and encounters with its own residents reveals how that "concept" comes into being in Newham. Space/ housing/ LHCs provided the site through which allocations of resources, interaction with residents, and

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[175] Newham, Cabinet Meeting Minutes (3 Dec. 2019) Item 6. but see Architects for Social Housing (2019).
[176] Newham, Carpenters Residents' Charter (2012).
[177] Newham, Community Wealth Building Strategy.
[178] Interview with Cllr. John Gray.
[179] Cooper (2016) 411.

governance values were revealed. In other words, who governs, how they govern, and who is governed.

The organ within the local government exercising power shifts through the arc. We start with a rather powerful single executive to a deliberate power-sharing with the cabinet. We also see how the entire mode of governance is opened up to make the organs more reflective of their own residents, as explained below. We can also see how a single organ can hold contradictory or differently evolving positions at the same time.

The values and rationalities have quite explicitly shifted through this arc. In their original form, they demonstrated the "public acting private" – first by paving the way for private power and profit and then by stepping in to that vehicle for profit itself. In that moment, numerous forms of financialization were at work, from the actual prioritization of the investment return from housing rather than its use as a home, the rhetoric of one's ability to afford to live in Newham as the arbiter of whether one can live there, to the expulsion of residents who apparently could no longer afford to live there after having been evicted from social housing. These dynamics can also be observed in the values employed and espoused by the Newham Council in 2014 in both their attempt to expel the residents of Carpenters Estate and their establishment of Red Door Ventures. These values are reflective of the national turn to LHCs. The employment of "private" values and activities by the public entity can also be observed in the increase of financial activity and dependence on financial markets by the Council. It also illustrates a final financial logic: that public "goods" that make city life – from land and space to resources and even residents – should be "traded up" for some idea of "return" measured in financial terms. The Decision Materials, and notably the lack of meaningful public consultation demonstrate how taken-for-granted this logic was for the Newham Council. That this was accepted as good governance is more broadly evidenced by the rapid proliferation of LHCs in the same time as an increasing number of people faced precarity and housing insecurity across the U.K. As Cllr. Gray told me, "the reason there is so much homelessness in a place like Newham is due to government policy."[180]

[180] Interview with Cllr. John Gray. Gray was explicit regarding the Wales' administration poor treatment of rough sleepers, the lack of any effective homeless policy, and exacerbation of the problem of homeless in Newham, which has the "worst homelessness" in the United Kingdom.

And yet, we also see how financialization is not totalizing, it is not perfect, and it isn't impervious to the (material) world of interactions, people, and time. We can see, for example, that in the people in the local government who persisted into the new administration. This bring us to the final aspect of the (local) state: its constitution by, and relationship with, civil society and constituents. Focus E15 and their collaborators held a mirror to the absurdity of neoliberal/ financialized rationalities being employed in Newham's governance. The performance by You Should See the Other Guy depicted Mayor Robin Wales as a sock puppet in a much too large suit. The occupation of Olympic housing reveals the inequity of relying on legal claims to possession – the farce of a logic that would rather have homes empty than housing people, and a legal regime that protects that logic. The organizing of these residents into a collective power has demonstrated a counterforce to evictions, not just in Newham but in other areas of London as well.

The nature of the relationship between council and constituent has been re-configured through their encounter. Through this re-configuration, who is seen as a resident/ constituent and how they are seen has shifted. In a literal sense, the distance between state and citizen seems to have been reduced. The Council and cabinet meetings are now longer and more deliberative. They are live-streamed on social media. This style of deliberation is in contrast to the earlier, more opaque, and more 'efficient' short meetings. This is messy, this is democratic, and this is distinguishable from a mode of governance reflective of finance. There are more public materials and the materials are longer and more engaging. There are more ways for constituents to be involved in co-planning, from workshops to meetings with the Mayor. Each of these specific changes in the institutions through which residents interact with local government reflect a more participative mode of government conceptualized by Davina Cooper, whereby local governments enact "socially activist registers of governing, embedding themselves in non-elite communities while they advance a range of causes (such as gender equality, anti-poverty initiatives, international solidarity, ecology and peace)."[181] In that reconfiguration of government lies the possibilities for the state to be a guiding force in progressive social transformation.[182] What we see with the re-design of Carpenters Estate is a government that appears to be making a genuine effort to be "managing, coordinating, representing, and sharing"[183] rather than implementing (even well-meaning) top-down plans. That

[181] Cooper (2016) 414.
[182] See Cooper (2016).
[183] Cooper (2016) 414.

said, this is not to be overly naïve about exercises of power. If the state is a constellation of actors, practices, and events over time then it takes constant work to keep that state reflective of any set of values, including democratic or equitable ones.

Closing Thoughts

In 2007, Doreen Massey observed that the "world city" London illustrated how the local produces the global:

> "it is not only that the local is not simply a product of the global, but that the global itself is *produced* in local places... The 'global' forces that have their effects in London by no means always have their origins elsewhere. Manifestly, this local place is not purely a 'victim' of the global."[184]

The mutual constitution, the transnational work of global, national, and local on local spaces and the emanation of those patterns – as well as those of resistance - outward are all present in Newham. Newham's establishment of the local housing company and its replication across the U.K. provides a powerful illustration of a local government utilizing financial motives and rationalities in decision-making and how that mode of governance takes hold elsewhere. Focus E15's occupation, advocacy work, and performances offers alternative public values articulated through entirely different registers of voice and body. Newham also demonstrates a more radical kind of *state* with its massive transformation. From the more deliberative and public council and cabinet meetings and the delegation of decisions to the cabinet (now live-streamed on social media), to the cancelling of the sale of Carpenters Estate, to the new forms of community-sourced plans for its regeneration, Newham presents an example of how a state might not only transform but rather be generative of new processes of de-financializing governance.

Newham's experience also illustrates how contradictions in and around financialization can continue over time and be held onto by resistance efforts, or even within the government itself. That Newham continues to engage directly in property development for the upper-middle class appears to be part of the ongoing effort to bring in more funds to a borough that has suffered massive cuts from central budgetary allocations and to reconfigure the legal form of its LHC.

[184] Emphasis added. Massey (2007) 99-100.

However, while in its earlier iteration, the high-end property investments were not adequately subjected to deep public deliberation and the wisdom of such investments were rather taken for granted, we now see significant and new forms of deliberation – of planning itself - facilitated by the state.

CHAPTER 6: The Private Acting Public: Gurgaon, India

The gently curving highway takes you through a city of tall, modern buildings, green trees and grass, overpasses, underpasses and turn off lanes. The modern architecture and the absence of a distinctive skyline makes it difficult to place yourself geographically. There isn't much traffic as you speed along. It is a peaceful, fast, and easy.

This vision is from the beginning of a promotional video simulation for a new luxury tower in Gurgaon, the "Millennium City" in the Indian state of Haryana.[1] Gurgaon is known for its rapid transformation from rural to ultra-urban in barely three decades. The real estate developer of this building, DLF, prides itself for "pioneer[ing] the metamorphosis of once sleepy [Gurgaon] into a bustling epicentre for corporates."

As infrastructure and transport are an essential part of any such transformation, the DLF video then turns to the highway, constructed through a partnership with Haryana. They assure their public that the road will be of the highest quality.

Continuing on our video adventure, the road passes the corporate offices of some of the 200 Fortune 500 companies that have their offices in Gurgaon as well as the exclusive 'Emporio' shopping mall and multiple (gated, high-rise) communities, before you turn off on a "tree-lined, secure, private road" that takes you to a well-landscaped entrance to a luxury high-rise with low-rise bungalows in the distance. The six towers of The Crest, designed by a renowned architect rise up from the acres of greenery, which "cocoon you from the bustling city, making The Crest your private oasis."

You are home now. The car enjoys valet service, while you enter a light-filled lobby with sparkling tiles and modern furnishings. You feel safe and secure, finally, once you enter the building. You look at the elevator bank, assured that there is no direct access from the basement to the upper

[1] This account is a depiction of DLF, The Crest – Walkthrough video. Gurgaon has had many names, reflecting changing sensibilities of religion, modernity, and right and left politics. It was recently officially renamed Gurugram, which is believed to be a better form of its original name after Hindu legendary figure Guru Dronacharaya. It is also referred to by its self-styled name, "The Millennium City." *The Times of India* (24 April 2016); *The Times of India* (12 April 2017). I use Gurgaon in this project for recognizability. *India TV News* (13 April 2016).

residential floors. You know that all public areas are "monitored 24/7," that there are extensive CCTV cameras on the grounds, and that "all visitors are screened before going further."

In the lobby, you pass several computerized light-skinned people. One is a woman, sitting with what looks like an Apple computer, wearing a knee-length, sleeveless dress. Most of the computerized people you meet are wearing western clothing, and many have exposed skin that one does not often see in Delhi. They feel safe at The Crest.

As for safety against the elements, you also feel secure that The Crest has been built to the highest standards, and is part of the catchment area of one of the two private fire stations in India, with up-to-date equipment and personnel. DLF also has its own sewage facility.

You take the elevator to your flat, which has enormous windows that offer "sweeping vistas of the city and beyond while keeping you cut off from outside noise," all in a tower that is built to "cocoon you from the noise of the bustling city." The master bedroom, children's room, kitchen, bathroom, deck are all outfitted with clean modern furnishings.

The grounds are lush, designed by international landscapers, and they block out city noise. There is a clubhouse, a pool table, reading room, and a "state of the art" gym. The children have a place to play outside, where you can "watch the kids laugh."

The private management company is ready to respond to your needs, should you have any.

In short, you are home in this blend of fantasy, real estate, and lifestyle. You are happy that you have "come [to] live the life you've always dreamed of, the lifestyle you deserve." Your video fantasy closes and assures you, "the time has come to live the life that you have always desired and the life that awaits you at The Crest."

Introduction

The district of Gurgaon encompasses ~1,258 square kilometres in the Indian state of Haryana, approximately 30 kilometres south west from the centre of Delhi. In the past thirty years, it has been transformed from a rural constellation of villages and farmland to a built-up commercial, hotel, residential, and retail materialized real estate fantasy. During that time, the population has grown considerably; as of the last census in 2011, the population was 1,514,432, a 74% increase since 2001.[2]

Gurgaon hosts Indian and global multi-national companies, upscale shopping malls, and has become well-known for its exclusionary gated communities. As depicted in the narrative that opened this chapter, it hosts high-rise living spaces as well as low-rise bungalow-style communities.

The active role of real estate developers in Gurgaon's rapid transformation and everyday lifestyles make it a fascinating site in which to study the changing relationships between citizen and state, economic liberalization, and Indian social imaginaries of the rural and the urban. At interest here are two dimensions of that transformation. First, the processes through which Gurgaon came to be governed in such significant ways by private entities. Not only does the real estate developer DLF hold responsibility for a multitude of what-used-to-be public services such as sanitation, water, electricity, and transportation infrastructure, but also, in the provision of those services as well as in their residential, commercial, and retail construction, it exercises enormous power to shape the built and lived-in environment. In doing so, DLF and other developers shape lifestyles, work patterns, social structures, and community formations. The second dimension of Gurgaon examined here is how global investment entities have turned to real estate in this geography, channelling capital through newly developed financial instruments and exercising opaque forms of control over real estate developers and residential and city spaces.

Critical accounts have drawn attention to how Gurgaon is neoliberalism's dream of the built environment, complete with accompanying (nightmares of) exclusion and protest.[3] The interest here is in understanding *how* this city came to be through an understanding of its local governance. The discussion that follows examines Gurgaon as a site of the encounter between financial capitalism and local government. It analyses the rise of real estate development and privatized forms of urban governance. In doing so, it looks to Gurgaon to illustrate the processes through which financialized values, rationalities, and culture can permeate urban governance. Crucially, though, it also illustrates that this "permeation" is a constant process and is not as simple as financialization permeating and local government receiving it. This process is never complete and

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[2] Indian Census 2011, Gurgaon.
[3] Bhatia (2006); Srivastava (2014); Searle (2016).

is a constant process of mutual making and re-making. This examination of Gurgaon, then, serves as a critical illustration of the processes of how financialization and local government are constantly re-constituted through their ongoing encounter and how this mutual constitution is ever-evolving.

As this Chapter examines, local government initially responded to national and international pressure and pressure from local political and private actors to attract financial resources and also financial actors. This turn towards finance in turn shaped local governance in Gurgaon. Those transformations of local governance attracted further financial resources which had now been adapted to land there. The attraction of capital and the forms of local governance that resulted has led to the replication of Gurgaon's form of local governance (one-which-successfully-attracts-financial-capital) outward in India and abroad. In turn, more capital continues to land in Gurgaon, and more laws are adapted to enable that process. Crucial to that mediation between local government and capital is the role of real estate developers. To that end, the article focuses on the activities of the real estate developer DLF as well as international investors.

Gurgaon illustrates a crucial part of the story of the transformation to financial capitalism – the role of different levels of government welcoming capital – as well as the spatial and societal consequences of that landing of capital. The way that capital lands – what is built, for whom, and how populations are both shaped and shape themselves around it – demonstrates what happens when the rationalities of finance govern urban spaces. I argue here that Gurgaon demonstrates the "private acting like the public" – meaning, a private actor assuming the governance responsibilities of public actors. This form of governance includes the following dimensions: the assumption of the duties of local government by private actors such as real estate developers; the transformation of the built environment to both reflect the desires of investors and to include only certain populations; and a form of self-governance whereby the population takes it upon itself to transform in the reflection of financial values and financialized lifestyles.[4] In short, governance power is delegated to private actors – here, real estate developers and investors – and the eventual result is the use of land and the activities of populations that benefit financial instruments and investment.

[4] Martin (2002).

This examination supports two broader observations: i) financialization does not just land from the outside in a local space, but so-called local space also emanates outward in its shaping of both financialization and of governance of other local and national spaces, and ii) rather than see Gurgaon as an example of neoliberalism or financialization as conceptualized primarily through views from the Global North, it is more accurate to appreciate the Gurgaon and other places in the Global South as not just "examples" but actually the stuff of which financialization depends on for both resources and its own constitution. In that sense, the relationship between financialization and Southern local governments is much more intimate than is often acknowledged. It is not just that financialization merely exploits Southern geographies. As the story of Gurgaon shows, it is welcomed and celebrated by certain actors at the same moment it is resisted by others. Not only does neoliberalism say "yes",[5] so does local government (sometimes, and with conditions).

The story begins in Part I with the multi-level state role in attracting capital as the initial foundation to the rise of transnational financial activities in India and Gurgaon. The discussion then turns to Gurgaon, the ensuing resulting rise in investment and real estate development as well as the belated inception of the local government in Gurgaon. This examination of the formal structure and responsibility of local government lays the foundation for the argument that private real estate developers have taken on the role and responsibilities of local government in Part III.

Part II examines the rise of real estate development through the story of India's largest real estate developer DLF, and the entrance of financial capital, actors, and activities. As the story of long-time CEO of DLF K.P. Singh illustrates, real estate investment began in Gurgaon well before Gurgaon had a local municipal government (during which time its local administration was done by the state of Haryana). Real estate investment – both domestic and foreign – adapted to fit the existing laws and regulation as well as influenced the adaptation of those regimes by various levels of government in their attempts to attract further investment.

Part III turns to the processes and consequences of the delegation of governance authority to real estate developers. Three dimensions are explored in detail: the assumption of the formal obligations of local government by real estate developers, and the ensuing transformation of the built environment and of daily lives in the image of financialized values.

[5] Neoliberalism's ideological power comes in large part, not from its outright oppression, but rather from an appearance of enabling people to get what they (have been taught to) want. Han (2017).

National, State, and Local Governmental Institutions Govern for Capital

Transnational, national, as well as subnational governmental institutions around the world increasingly made the attraction of international investment central to their governance agendas in the 1990s.[6] The multi-level governmental efforts in India to establish legal and policy institutions that reflected the interests of investors enabled both real estate developers and international investors to amass significant forms of governance power in Gurgaon. The discussion below examines how national, state, and local government enacted numerous regulations to make investment in Gurgaon profitable and more secure; capital was, in short, regulated towards real estate in particular.

Decentralization

Gurgaon's local government was established relatively late – its two primary institutions began by state mandate in 2008 and 2017 - in the story of its exponential economic and population growth and the construction of its built environment. Formally speaking, Gurgaon is recognized both by the Indian 74th Constitutional Amendment which recognizes the power of local urban governments, and by the legislative acts of the State of Haryana which established its actual institutions.

In 1992, local governments were recognized in the Indian Constitution through the 73rd and 74th Amendments. These two amendments, which concerned rural and urban local governments respectively, were meant to revitalize local government, promote community participation and democracy, and alleviate some of the failures of the central government with regards to economic development.[7] As the preamble of the 74th Amendment notes, the legislature was seeking to reform many urban local governments that had "become weak and ineffective" and unable to "perform effectively as vibrant democratic units of self-government" for various reasons, including "inadequate devolution of powers and functions."[8] Therefore, the 74th Amendment was passed in order to better define the relationship between state and local governments with regard to various functions, including taxation and revenue sharing; regular and timely elections; and adequate

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[6] M. Sornarajah (2015); Gupta (2017).

[7] Idiculla (2020); Chaudhuri (2006).

[8] Preamble, The Constitution (Seventy-Fourth Amendment) Act, 1992. Devolution in the Indian context refers to both decentralization and sharing of authority.

representation of under-represented populations such as scheduled castes, scheduled tribes, and women.[9]

The 74th Amendment provided for the devolution of certain state powers and responsibilities to municipalities, including economic development and social justice and taxes.[10] The particular devolutions of power from state to local governments were left to the decisions of individual states.[11] The accompanying 12th Schedule to the Amendment enumerates 18 functions that states could choose to delegate to local governments. These responsibilities as well as the ones delegated by the Haryana state government to Gurgaon local government are examined in detail here to show later how private actors, namely real estate developers, have taken on nearly all of them. The functions include urban planning, land use and construction, economic and social development, poverty alleviation, various forms of infrastructure, water, health, sanitation and waste management, fire services, environmental protection, urban amenities and services, as well as "safeguarding the interests of weaker sections of society, including the handicapped and mentally" impaired.[12] The responsibility for these matters remains shared with the state governments, which did not "vacate its operative jurisdiction" in those areas.[13] Moreover – and this remains controversial today - there was no line specified for this decentralization.[14] Perhaps not surprisingly, India's experience with decentralization has been highly differentiated by state and locality.[15]

"Decentralization" refers to the devolution of "authority and responsibility of major government functions from central to sub-national governments."[16] The World Bank's influential framework for decentralization includes the provision of power in local governments and private actors such as civil society and the private sector.[17] In the 1970s and 1980s, the World Bank increased its decentralization efforts as part of its poverty alleviation programs.[18] The hope was that greater

[9] Preamble, The Constitution (Seventy-Fourth Amendment) Act, 1992.
[10] Preamble and Article 243W and 243X, The Constitution (Seventy-Fourth Amendment) Act, 1992.
[11] Chaudhuri (2006).
[12] 12th Schedule, The Constitution (Seventy-Fourth Amendment) Act, 1992.
[13] Datta (1995) 2396.
[14] Datta (1995) 2396.
[15] For a detailed, empirical assessment of rural local government decentralization within the 14 largest states in India (then-representing 93% of the population of the country), see Chaudhuri (2006).
[16] World Bank (2013).
[17] Rondinelli (1981); Rondinelli and Cheema (1983); World Bank, Decentralization.
[18] See Rondinelli (1981); Rondinelli and Cheema (1983); Parker and Kirsten (1995); Parker (1999). Manor (1999). Bardhan (2002).

exercises of power by local governments would mean greater local expertise and autonomy, less bureaucracy, more direct democracy, greater citizen participation, and more effective governance overall.[19] Many states in the Global South experimented with different forms of decentralization during that time with mixed results.[20] It continues to be a powerful method of structuring national, state, and local control over administration.[21] The World Bank delineates three kinds of decentralization: political decentralization - the transfer of "policy and legislative powers from central governments to autonomous, lower level assemblies, and local councils that have been democratically elected by their constituencies"; administrative decentralization - the transfer of "planning and implementation responsibilities in the hands of locally situated civil servants and these local civil servants under the jurisdiction of elected local governments"; and fiscal decentralization - the transfer of "revenue and expenditure autonomy to local governments, including the power to levy taxes and user charges."[22] Each of these forms of delegation is reflected in the 74th Amendment – from elections to planning to taxes – even if it is within the final power of particular state to determine how much power will be devolved.

India's decentralization in 1992 through the 73rd and 74th Amendments was reflective of its emphasis of democracy at the local level.[23] It also coincided with its various measures of economic liberalization during the early 1990s as well as with international economic development policy orthodoxy promoting decentralization at the time. [24] Decentralization set the stage for a greater diversity of actors in governance beyond public government, as illustrated by Gurgaon.

Gurgaon's governance

Until recently, the State of Haryana exercised direct governance of Gurgaon which had significant consequences, particularly for land. From the 1970s – the early 2000s, the Chief Minister enacted a series of reforms that enabled private developers to purchase land in Gurgaon. The centralization of power in the Chief Minister also meant that decisions were done quickly. Developers, and in particular DLF, amassed large land holdings. With the cooperation of what Debroy and Bhandari call the (elite) political class of Gurgaon, developers were able to convert the land designations

[19] See Rondinelli (1981). See also Bardhan (2002).
[20] Bardhan (2002); Conyers (1986).
[21] See, for example, World Bank, Decentralization Toolkit.
[22] World Bank, Decentralization; On fiscal decentralization, see Oates (1972) and (1993).
[23] See Idiculla (2020); Chaudhuri (2006).
[24] Frankel (2006); Rudolph and Rudolph (1987).

from agricultural to non-agricultural – a conversion that was necessary for their projects.[25] They built their own infrastructure within their projects. This was all done without a local government master plan.

Currently, two primary institutions, similar to other cities in India, formally govern the Gurgaon. Together, they are responsible for a range of functions, from planning to development to infrastructure to public safety. The first, the Municipal Corporation of Gurugram (MCG), was formed in 2008 when Haryana shifted Gurgaon's status from a council to corporation. It elected its first mayor in 2011. It has delegated as well as shared responsibilities with the state-level Directorate of Urban Local Bodies (ULB) of Haryana. Gurgaon and other Haryana-based ULBs are responsible for various acts of administration, town planning, establishment, engineering, accounts and pensions, fire control, budgets, elections, and statistics.[26] The second, Gurugram Metropolitan Development Authority (GMDA), was formed in 2017 by the state government of Haryana.[27] It is meant to exercise delegated as well as shared authority with the state-level Haryana Urban Development Authority (HUDA); its designated Chairperson is the Chief Minister of Haryana.[28] It was established in order to "develop a vision for continued, sustained and balanced growth" of Gurgaon as well as to "redefine the urban governance and delivery structure in coordination with local authorities in the context of the emergence of Gurugram as a rapidly expanding urban agglomeration."[29]

When one considers the timeline of real estate development of Gurgaon, 2017 is rather late for the addition of a public actor to control what has already been largely delegated to private actors. Debroy and Bhandari argue that the massive development of Gurgaon was in fact expedited *because of* the lack of local government.[30] As the New York Times put it in 2011,

> "The absence of a local government had helped Gurgaon become a leader of India's growth boom. But that absence had also created a dysfunctional city. No one was

[25] Debroy and Bhandari (2009) 16.
[26] Haryana, Urban Local Bodies: Organization.
[27] The Gurugram Metropolitan Development Authority Ordinance.
[28] Section 5, The Gurugram Metropolitan Development Authority Ordinance.
[29] Preamble, The Gurugram Metropolitan Development Authority Ordinance.
[30] Debroy and Bhandari (2009) 16.

> planning at a macro level; every developer pursued his own agenda as more islands sprouted and state agencies struggled to keep pace with growth."[31]

The lack of local government also meant that community consent and democratic processes "didn't exist."[32] Gurgaon's "belated construction"[33] of its local government is both common in postcolonial context as well as uncommon in that in this case, it seems to reflect a rather deliberate strategy to delegate power towards private actors.

Attracting Capital

Federal, state, and local governments have all played different roles in attracting capital and directing it towards real estate in India.

Central Government Efforts to Enable Investment in Real Estate

Post-Independent India made various efforts to support rural and urban life by experimenting with complex webs of property regimes, supplementing those laws that were in place before Independence.[34] By some estimates, there are currently over 1000 laws in place regulating property.[35] For our purposes, we will highlight several of the ones most relevant to the attraction of foreign investment towards real estate. The Urban Land Ceiling and Rent Control Act was passed by the Central government and by states at that time or soon after. These Acts were meant to prevent "the concentration of urban land in the hands of a few persons and speculation and profiteering therein" and to bring about "an equitable distribution of land" by placing legal limits ("ceilings") on individual person or entity ownership.[36] Instead of lowering land prices and promoting the construction of affordable housing however, it dispossessed modest rural holdings, it was avoided by influential landowners through extended litigation, and it led to artificially high prices and low supplies of housing of all kinds.[37] While the Central Act was repealed in 1999, the

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[31] Yardley, *The New York Times* (8 June 2011).
[32] Debroy and Bhandari (2009) 16.
[33] Parnell and Pieterse (2010).
[34] Planning Commission (1983); Datta (1995).
[35] Centre for Policy Research- Land Rights Initiative (2019).
[36] Urban Land Ceiling (Ceiling and Regulation) Act, 1976.
[37] Kurup, *The Economic Times* (16 Dec. 2007); World Bank/ Acharya (1989); see also Pethe and Nallathiga (2017).

legacies of these state-level acts and their different timelines of repeal continue to have effects on urban development and ownership today.[38]

In 2006, the Central Government introduced the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a nationwide program for urban development which "encouraged cities to improve their 'bankability' to enable services provision through public-private partnerships, and to free up property markets to promote the influx of private capital." [39] The JNNURM required states to reduce stamp duties and to repeal the Urban Land Ceiling and Rent Control Acts (if still in place) to access its funds and it introduced new forms of property tax for the local authorities.[40] While the "implicit aim was that [local authorities] would promote and effectively manage a local property boom, redirecting some of its benefits in favour of the urban poor,"[41] it facilitated various forms of property booms and had mixed results with regard to the urban poor.

The Central government continues to support real estate development through the easing of regulations originally meant to manage the flows and influence of foreign investors. Despite the massive economic liberalization of trade and some forms of investment of India in the early 1990s,[42] real estate remained closed to foreign investors (except for Non-Resident Indians ("NRIs") and NRI-owned corporations for certain programs) until the early 2000s.[43] Since the early 2000s, the Indian government has eased restrictions on foreign direct investment (FDI) through a series of regulatory reforms in order to attract foreign capital. Limits on which kinds of projects could be invested in, the size of such projects, and, crucially – the percentage of projects financed by foreign funds, have all been softened.[44] As advertisements for developments in Gurgaon reveal – explored in more detail below - NRIs represent a crucial part of the market that developers aim to attract.[45]

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[38] Kurup, *The Economic Times* (16 Dec. 2007); Nandy, *Live Mint*, (4 Apr. 2008).
[39] Williams, Omanakuttan, J. Devika, and N. Jagajeevan (2019).
[40] Williams, Omanakuttan, J. Devika, and N. Jagajeevan (2019).
[41]Williams, Omanakuttan, J. Devika, and N. Jagajeevan (2019).
[42] Frankel (2006); Rudolph and Rudolph (1987).
[43] Ministry of Commerce and Industry, Press Note 2 (2000).
[44] Ministry of Commerce and Industry, Press Note 4 (2001), Press Note 2 (2005) and Consolidated FDI Policy (10 April 2012) Section 6.2.11.
[45] See also Searle (2016).

In 2015 restrictions on loans taken out by Indian borrowers from foreign lenders ("External Commercial Borrowing") were revised to enable more FDI to flow to real estate.[46] Further, in an effort to increase transparency and consumer protection in the real estate sector and thereby give comfort to investors, the government passed a number of reforms in and after 2016, including notably the Real Estate (Regulation and Development) Act (RERA) in 2016.[47] The Act is intended "to protect the interest of consumers in the real estate sector" – and to increase FDI in particular[48] - by establishing dispute resolution mechanisms, the registration of agents with enumerated responsibilities, obligations of real estate promoters, and the rights of allottees.[49]

The Central government also passed a number of acts to increase transparency and reform taxes, including the Benami Transactions (Prohibition) Amendment Act in 2016 (which prevents "benami transactions" – transactions where the recorded name on the transaction is not the actual buyer that are meant to circumvent the land ceilings);[50] the 101st Amendment to the Constitution of 2016 and the Goods and Service Tax Act, 2017 which simplified and reduced taxes; and further regulations reducing the goods and services tax on real estate projects under-construction and on affordable housing in 2019;[51]

These reforms have had their intended effect: an influx of capital investment in real estate. As the Chairman & Managing Director of real estate investor Knight Frank India noted, the reforms "collectively set a new order and changed the perception of global investors" with regard to Indian real estate by reducing perceived risk and increasing the availability of assets, resulting in significant increases in foreign investment.[52]

State and Local Government Efforts to Enable Investment in Real Estate

Even before the federal government turned its attention to attracting capital for real estate development, states had been taking measures to do so. In order to facilitate the growth of Gurgaon in the 1970s, Haryana passed various measures to reduce bureaucracy in real estate sales,[53]

[46] PriceWaterhouseCoopers India (2 Dec. 2015).
[47] Real Estate (Regulation and Development) Act, 2016.
[48] The Institute for Company Secretaries (2016) 6.
[49] Real Estate (Regulation and Development) Act, 2016.
[50] Benami Transactions (Prohibition) Amendment Act, 2016.
[51] The Central Goods and Service Tax Act, 2017 (and related State Acts); Mishra, *Housing.com* (20 July 2020).
[52] Babar, *The Economic Times* (11 July 2018).
[53] Kalyan (2017) 125-135.

including the introduction of the Haryana Development and Regulation of Urban Areas (HDRUA) of 1975;[54] the creation of a state-level development agency called the Haryana Urban Development Authority (HUDA) which could exercise eminent domain for "public purpose" (this would later be interpreted to include private development);[55] and the allowance of conversions of designations of agricultural land to non-agricultural land relatively quickly.[56] HUDA's massive acquisition of land and transfer to private developers and HDRUA's streamlined procedure for re-designation of agricultural land as non-agricultural enabled the developers purchase land quickly and amass large land banks necessary for large developments.[57] In 2011, Haryana further reformed its land ceiling to allow even larger holdings of land.[58] These reforms were effective in drawing in considerable real estate development in Gurgaon and transforming it from an "economic wasteland" to a "financial hub" as observed by its Municipal Commissioner.

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This section has discussed the powers formally held by the local government in Gurgaon, as well as the various efforts of national, state, and local government to attract capital. At the same time that various levels of government were undertaking various endeavours to attract capital and to direct it towards real estate, India's (current) largest real estate developer, DLF, was amassing holdings and beginning projects in Gurgaon.

Enter Private Actors & Investment

The largest real estate developer in Gurgaon, DLF, is responsible for its own city-within-a-city and demonstrates the power of private real estate developers with particular sharpness. DLF's extraordinary role in transforming Gurgaon even before India opened its doors to international investment in real estate is its own lengthy story. For our purposes, three aspects are particularly relevant: the role of its enterprising Chairperson K.P. Singh in gathering the large land masses acquired by DLF from the 1970s until the late 2010s; the ongoing negotiations and interactions between different levels of central, state, and local government and DLF; and the nature of the

[54] Haryana Development and Regulation of Urban Areas Act, 1975.
[55] Haryana Urban Development Authority Act, 1977.
[56] Through HDRUA, The Department of Town and Country Planning (DTCP), Haryana controlled land use designations at this time, before Gurgaon's local government was instituted.
[57] Kalyan (2017) 134.
[58] Haryana Ceiling on Land Holdings (Amendment) Act, 2011.

power to govern that DLF holds. DLF not only made the built environment of Gurgaon what it is today, it made the land regulations what they are in Gurgaon and India more generally.

DLF’s Massive Land Acquisition in Gurgaon

K.P. Singh came to DLF in the 1970s, reviving it from a failing Delhi-based real estate developer to India’s largest real estate developer.[59] He did this by turning its attention to the then-rural area of greater Gurgaon.[60] One of the significant challenges to real estate developers in India is to build a land tract that is large enough to develop. Often this means assembling a number of small holdings or buying directly from the government in order to ensure clean title.[61] For this reason, in order to enable Special Economic Zones and other forms of industrialization, the Central government often used the 1894 Land Acquisition Act to acquire farmland before selling it to developers.[62] (Not surprisingly, this led to countless lawsuits over the public purpose of the acquisition as well as the compensation amount.) In contrast, Singh amassed much of DLF’s initial land bank piece-by-piece, directly from the farmers who owned small tracts. In his account, he convinced them to part with their land by building strong relationships with them through multiple visits and conversations as well as various favours including facilitating school admissions, health care, and jobs at DLF. He credits his rural background as providing him the ability to build a rapport with them.[63] In addition to purchasing their land, he also convinced many of them to re-invest the sale proceeds in DLF.[64]

In K.P. Singh’s account of the growth of DLF, it was his slow process of acquisition that made DLF’s approach to development more sustainable for those who sold their land than that of other developers. He expresses his concern for people who sold their land for fast cash, and not having experience investing or managing such amounts, spend it all on consumer goods and expendables. In his account, he tried to counsel sellers towards longer-term investments – including in DLF – and management.

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[59]Singh et al. (2011). DLF, Singh’s father-in-law’s company, had built some of the most exclusive areas of Delhi in the 1950s. However, a series of government regulations restricting land development to the government had nearly put it out of business by the time Singh took over.
[60] Singh et al. (2011).
[61] Gupta (2010).
[62] Gupta (2012).
[63] Singh et al. (2011).
[64] Singh et al. (2011) 106-107 and 109.

His efforts succeeded in amassing an extraordinary amount of land for DLF. They continue to dwarf other developers in consideration of their land bank of approximately 3000 acres in DLF City and 4000 acres of land in Gurgaon according to a company presentation circa 2009/2010.[65]

Transnational Business & Local Legal Change

Singh's story also reveals how land laws were changed at the state and national levels through his personal relationships and lobbying. He tells a now (in)famous story of helping someone on the side of the road whose vehicle had an over-heated engine, only to have that someone be Rajiv Gandhi, the son of the Prime Minister of India Indira Gandhi and the then-future Prime Minister himself.[66] Through that relationship as well as others in the Central Government and with the various Chief Ministers of Haryana, Singh was able to lobby for several significant legal reforms, including with respect to land ceilings and permit processes in the regulations described above.

His autobiography is a testament to the power of personal relationships and encounters in legal change and in business. He describes multiple interactions with the national and state government over decades and in various circumstances – official meetings, dinner parties, country clubs, as well as weddings and memorials – and the various laws that he successfully pressured them to reform as well as the exceptions that they gave him.[67] He also describes in great detail how one key personal relationship with a Chief Minister of Haryana went sour – and the profound effect on the company's ability to acquire and develop land as well as infrastructure that that had. The future Chief Minister went from being a "well-wisher" to a "bitter foe" which resulted in a "grueling battle" for DLF during its two decades of expansion.[68] He also details close relationships with American businesspeople and the influence that they had on his leadership skills as well as their involvement with financing DLF. His book includes photographs of some of them on golf courses together and at parties. The detailed account of particular incidents, parties, and meetings underscores a fascinating process through which real estate development processes and legal regimes can be demonstrated as emanating from the local / specific to the global.

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[65] While exact numbers of other developers' land banks are not known, "other developers are nowhere close to DLF when it comes to their respective land banks in Gurgaon," making Singh one of the 10 richest people in the world in 2008. *Forbes* (6 Mar. 2008).
[66] Singh et al. (2011) 6-7.
[67] Singh et al. (2011).
[68] Singh et al. (2011) 118-121.

Transnational Financial Actors in Indian Real Estate

These various measures taken by the local, state, and Indian national government as well as the loosening of capital controls internationally (described in Chapter 4) have led to considerable global investment in real estate. Despite the Global Financial Crisis of 2008+ and the ensuing slowdown of economies, investment in Indian real estate projects continued after a brief drop.[69] As of 2017, the size of the total real estate market in India was estimated to be $120B, with the projection of $1T by 2030. As of June 2019, there had been over $40B foreign direct investment in construction alone.[70] A variety of global investment entities from private equity firms to pension funds continue to invest in or show interest in investing in the Indian real estate market. For example, after opening an office in Bombay in 2015,[71] the Canada Pension Plan Investment Board (CPPIB) announced several investments in 2018, including a C$185M investment in retail and entertainment complexes in partnership with Indian partners Phoenix Mills[72]; and a $144M investment in renewable energy projects.[73] These projects added to their already existing C$6.1B invested in India.[74] Other global investors in Indian real estate include a variety of foreign pension funds, private equity investors, and sovereign wealth funds;[75] in August 2017, K.P. Singh sold his one third stake in DLF's rental arm to Singapore's sovereign wealth fund, GIC, for $1.9B.[76] According to the Indian Economic Times, in 2016, over $1B of foreign & domestic capital was invested in Gurgaon alone.[77]

The entrance of these investors has changed the investment landscape considerably. As of 2017, "five of the seven top office owners and developers in India are either foreign-owned or have foreign capital behind them."[78] These investors have also gathered a considerable amount of wealth from real estate: "[t]he six largest foreign real estate investors in India have collectively

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[69] *Financial Express* (21 Oct. 2016).
[70] Ministry of Commerce and Industry (4 Sept. 2019).
[71] CPPIB (27 Oct. 2015).
[72] CPPIB (10 April 2018).
[73] See Nandy, *Live Mint*, (4 Apr. 2008).
[74] CPPIB (22 Jan. 2018)
[75] Khan, *The Economic Times* (3 Nov. 2016); Chong, *IPE Real Assets* (Nov./Dec. 2017). Lampert and Rocha, *Reuters* (21 Feb. 2018).
[76] *Forbes* (2020).
[77] Khan, *The Economic Times* (3 Nov. 2016).
[78] Chong, *IPE Real Assets* (Nov./Dec. 2017).

amassed more than US$30bn (€26bn) of assets, across a number of sectors."[79] They see India as a territory ripe for further accumulation.[80]

The regulations examined above have not only led to this influx of investment, they have in turn transformed the spatial environment through massive construction, which in turn has transformed the kind of investment that is being drawn in. As described in Chapter 4, India has also been moving into REITs through regulatory reform and now, actual investment. The first REIT is underway, and more are expected, particularly from pension funds.[81] The process of pension funds investing in Indian real estate is worth noting, as it promises high returns while also furthering the opacity of financialization. As financial activities in Gurgaon expands, its processes become more and more opaque. It draws in resources from a multitude of sources, some of whom may not even be aware that they are involved. International investment vehicles like pension funds who invest in real estate include millions of individual middle-class investors from around the world, perhaps many of whom aren't even aware of where their pension investments are being made.

The consequence of so many financial actors turning their attention to real estate is clearly illustrated in Gurgaon. It is not merely that financial actors such as investment banks and private equity firms are in search of investment return. They also exercise power through their influence of non-financial firms – including real estate developers such as DLF. DLF may not consider itself a financial actor. It is, after all, a corporation engaged in production. However, the ascendancy of shareholder value in corporate governance subjects corporations to a variety of rationalities of finance.[82] SHV generally implies not just profit seeking, but short-term profit, and pay-outs to investors rather than re-investment in longer term projects such as research and development. What is crucial here is what SHV might mean for a real estate developer who, in effect, controls large parts of a city. Here, we see spaces being built in the image of what an investor would seek – high returns within relatively short time frames, security, certainty (particularly with regard to those who inhabit those spaces) and buildings meant for upper classes or wealthy foreigners. This involves treating land primarily as a financial instrument through which returns can be extracted, physical security measures (to protect the physical "assets"), and even the promotion of social-

[79] Chong, *IPE Real Assets* (Nov./Dec. 2017).
[80] Chong, *IPE Real Assets* (Nov./Dec. 2017). See also Grant Thornton (2017).
[81] See discussion in Chapter 4.
[82] Stout (2012); Horn (2017).

economic homogeneity to ensure the certainty of that protection and to achieve higher returns. Each of these dimensions is examined in the section that follows.

Privatized Governance

> **“**No-one would have ever imagined that an economic wasteland that Gurugram was considered to be in 1980’s, would evolve out to be the Financial Hub for Haryana as well as a Model globally reckoned only a decade later. There’s no denying the fact that the distinction of being called a millennium city is well deserved and suitably earned.**”**
>
> - MCG website, message from Municipal Commissioner Yashpal[83]

This section examines the consequences of the private governance of Gurgaon through (and for) its built environment and population. This analysis illustrates how Gurgaon is being built and lived to reflect “a cultural idiom of securitization.”[84] As Haiven has described, the cultural idiom of securitization refers both to investment returns as well as an idea of personal security: “the way that individuals and institutions are increasingly encouraged to reduce the possibility of potential disruptions, errors, and catastrophes by policing, guarding, anticipating, and interdicting possible threats.”[85] Here, I argue that Gurgaon illustrates the spatialization of that cultural idiom of securitization through private forms of governance. The following discussion examines the ways that Gurgaon is being governed so that maximized future investment returns can be extracted from its rural-now-urban space and the concomitant advertisement and construction of it in ways that are meant to reduce security risks. In this sense, both investment and physical security are entwined. Both of these dimensions, however, also depend on the formation of a certain kind of population meant to increase certainty and reduce risk in both spheres.

That transformation of population by a private actor, or a constellation of private actors, raises questions around what it means for a private entity to govern and what consequences come with that governance. The interests embedded in governance can be seen in the buildings themselves – who they have been constructed for, which lifestyles they promote, and who is left out. Moreover,

[83] Municipal Corporation of Gurugram, Commissioner Message.
[84] Haiven (2014) 74.
[85] Haiven (2014) 75.

what Gurgaon illustrates is the aggregate consequences of islands of private governance. If each developer is allowed to fortify their separate enclaves,[86] take little responsibility for displaced former residents, and take what resources they need, then the broader, more diverse, general interest of the public is scarcely taken into account. The failure of governance in Gurgaon to provide for essential needs of the population is widely acknowledged.[87] A typical encapsulation of the situation comes from Gupta and Dhawan:

> Gurgaon does not have: "a functioning citywide sewer or drainage system; reliable electricity or water; and public sidewalks, adequate parking, decent roads or any citywide system of public transportation. Garbage is still regularly tossed in empty lots by the side of the road. The ongoing water and power crises in the rural as well as urban areas are soon reaching a flashpoint, jolting the civic agencies and turning into a law and order problem in Gurgaon district."[88]

While urban centres have long histories of privatization in a more traditional sense – from the privatization of utilities to public-private partnerships in areas such as transport – the example of Gurgaon goes far beyond one-off deals and partnerships. Instead, it illustrates a near-total ceding of sovereignty and responsibility to a private actor in the case of DLF, and the spatial and societal consequences of that transfer of political power.

As detailed in Part I above, the enumerated responsibilities of the Gurgaon local government include a range of functions from infrastructure to safety to economic development. Here, DLF and other developers, supported by international investors, perform those functions as well as most of the eighteen from the 12th Schedule. They provide the water, they provide the electricity, and the sanitation.[89] They promise to keep residents safe from bodily harm and fire. They answer the concerns of residents. They build the roads, and drive the process of highway construction. Within the broader context of their influence to transform laws and regulation as well as the built environment and daily lives, it is not simply that specific functions have been delegated to them.

[86] On "fortified enclaves," Caldeira (1996).
[87] See for example, Kumar and Misra, 2012, *Forbes India* (13 Sept. 2012); *Hindustan Times*, (12 Feb. 2019).
[88] Gupta and Dhawan (2012).
[89] This is as evidenced from various planning permissions, the DLF Annual Report, as well as media reports of these provisions discussed above. The DLF-related documents include planning permission No. ZP-927-B/SD(BS)/2015/708 (for new DLF construction, on file with author); Environmental Clearance Letter No.: SEIAA/HR/2013/823 and the subsequence Compliance Report (2015/2016) (for the Crest); DLF Annual Report (2018/2019).

Rather, the role of the private investor/ developer has been extended much beyond that of delineable public functions and into governance. They control the territory (what gets built, what gets preserved), the population (who gets to live where, and do what where), and they even get a say in the broader laws and regulations that surround it.

Local Government Obligations under the 74th Amendment	**DLF**
Urban planning	✔
Land use and construction	✔
Economic and social development	✔
Infrastructure, water, health, sanitation, waste mgt.	✔
Fire services	✔
Environmental Protection	✔
"Safeguarding the interests of weaker sections of society"	✗
Slum improvement	✗
Poverty alleviation	[✔]
"Urban amenities and facilities" including parks, gardens, playgrounds	✔
Promotion of culture, education, and aesthetics	✔
Vital statistics	✗
"Public amenities" inc. street lights, parking lots, bus stops, public conveniences	✔
Other: burial grounds, cremation, animal welfare	✗

Figure 6.1 Table of Obligations by author

Not only is the power held by private actors, and not only is it opaquely exercised, but that governmental cessation of power towards them is seen as an exercise of *good* governance in that they are more effective at delivering some of those services – but only to some populations. In the face of a failing public authority the developers are able to create environments which ostensibly offered safety, water, and electricity – but only for some. As discussed below, public authorities have not just accepted this model of private governance, but they have also worked to perpetuate it. Through this examination, we can better appreciate how Gurgaon illustrates various dimensions of financialized governance: (i) the spatial environment has been transformed in ways that enclose resources and public space in the name of security, and (ii) ways of life and the population itself have been transformed.

Transforming Space for Finance & Security

"The growing disposable income of India's middle and upper income classes, together with changes in lifestyle, has resulted in a substantial change in the nature of their demands. Increasingly, customers are seeking better housing and better amenities in new residential developments… The sort of amenities now demanded by consumers include those that have historically been uncommon in India's residential real estate market such as 24-hour electricity, power back-up, running water and amenities such as security, parking, waste disposal and management, janitorial services, landscaped gardens, playgrounds, swimming pools, fitness centres, tennis courts and golf courses."

- DLF Prospectus (2013, 54)

The massive influxes of international investment have significantly rebuilt Gurgaon. The real estate developers plan[90] and provide the infrastructure, water, sanitation, street lighting, and parks.[91] There has also been a shift in the kind of residences constructed from single bungalows to complexes of high-rise towers.[92] Particularly striking in the new spatial environment are the many visual indicators of security or fortification. The kinds of security enacted in the DLF enclaves both reflects and diverges from spatialized security as observed by critical urban scholars in other cities around the world.

In his seminal 1990 account of Los Angeles, Mike Davis characterized the numerous ways that Los Angeles is policed and secured as part of a "defense of luxury lifestyles" that had been "translated into a proliferation of new repressions in space and movements, undergirded by the ubiquitous 'armed response'." That "obsession with physical security systems" and "the architectural policing of social borders" had made L.A. an example of the "zeitgeist of urban restructuring, a master narrative in the emerging built environment of the 1990s."[93] Walls, private

[91] Gururani (2013); Debroy and Bhandari (2009).
[92] *Anshuman Magazine*, (9 Apr. 2014).
[93] Davis (1990) 223.

security guards, cameras, and even highways enforce social segregation in the name of "security". Davis further notes that the "market provision of 'security' generates its own paranoid demand": it serves as a "positional good" or a "prestige symbol" indicated by "income access" to private security forces and entrance into restricted enclaves.[94] In that constellation, he argues, "'security' has less to do with personal safety than with the degree of personal insulation, in residential, work, consumption and travel environments, from 'unsavory' groups and individuals, even crowds in general."[95]

Gurgaon represents a strange instantiation of visual security, rather than merely a replication of security as prestige. The pervasiveness of private security guards that Davis observed in L.A. could very well have been a comment on Gurgaon two decades on. That said, the idea that security has "less to do with personal safety" (in Los Angeles) is more complicated in the case of Gurgaon. The everyday forms of violence in the lives of women and girls in India and in Haryana in particular attest to the unperformative nature of safety concerns.[96] That women's safety is often included in advertisements in these gated communities in Gurgaon is not by accident, and I would argue, nor is the fact that they are wearing clothing that likely is meant to reflect a feeling of safety in their environment.

That said, what is done in the name of security – from displacement to walls to a proliferation of tinted SUVs - works to secure only certain lives and lifestyles. The vulnerability displaced onto lower socio-economic classes of women and girls through that displacement, through work as domestic workers, through commutes in areas flooded because of poor infrastructural management and rife with pedestrian injuries and death attest to the troubling contradiction inherent in the reliance on gender-based security as justification. The argument here is not that higher or middle socio-economic classes of women do not face real bodily and other threats or shouldn't guard against them, the point is rather to highlight the need for further nuance in arguments for the "security for women" as justification for selective protections.

The DLF video profiled at the start of this Chapter makes rather clear appeals to this personal security of body through the monitoring of visitors by guards and reception, the configuration of

[94] Davis (1990) 223-4.
[95] Davis (1990) 224.
[96] Sharma (2019).

elevators (that do not go directly from the basement level to the residences, but rather stop at the lobby level), and the presence of CCTV cameras, offering 24-hour surveillance as well as reliance on private security (which sends a signal of avoiding the public police force, known for abusing women in custody).[97]

The reliance on architectural forms of separation in securitized residential and city spaces in São Paulo, Brazil has been powerfully examined by Teresa Caldeira. Caldeira captures the anthropological shifts in daily lives represented by the then- newly constructed closed residential spaces, what she refers to "fortified enclaves," as well as the context of the larger social and political economic transformations in which they arose.[98] In her analysis, São Paulo had turned into a "city of walls," where physical barriers had become ubiquitous and where the middle and upper classes sought to segregate themselves from the poor. The material transformation of the city in the form of fortified enclaves both represented and "provoked" societal transformations. The enclaves, while diverse in purpose (residential, work, etc.) shared some characteristics, such as being "private property for collective use", "physically isolated, either by walls or empty spaces or other design devices," "turned inward and not to the street", and "controlled by armed guards and security systems."[99] Caldeira contextualizes each of these characteristics within an argument that the enclaves "attack" public space and use modernist architectural forms to enforce class segregation.[100] That attack and the ensuing spatialized segregation has rather serious deleterious consequences for openness and equality as well as social life.[101] In her account, the fortification and spatial segregation of classes had to be understood in four contexts in which it arose: an increase in economic inequality, the instalment of a democratic government (which regularized illegal land holdings, further pushing the poor to the peripheries), an economic transformation away from industry and towards finance and specialized services (of the kind Sassen examines), and an increase in violent crime and fear (including as perpetrated by the police).[102]

Over a decade later, in Gurgaon and in DLF City, there are several dimensions of how architectural security is envisioned that mirror what Davis observed in Los Angeles in the early 1990s, and what

[97] Harris, *The New York Times* (22 Jan. 2013).
[98] Caldeira (1996).
[99] Caldeira (1996) 308.
[100] Caldeira (1996) 316.
[101] Caldeira (1996) 316.
[102] Caldeira (1996) 316.

Caldeira observed in Sao Paulo. The concepts of "fortress" and "fortified enclaves" are highly relevant for understanding the design of Gurgaon. Like Sao Paulo and Los Angeles, Gurgaon's real estate projects have been built in ways that turn the entrances and appearances of life away from the street (in this case, highway). In fact, part of the appeal of these developments to would-be residents is the apparent security and privacy of that design. The high-rise residences such as the ones in DLF City also exist on their own large expanses of land, which recalls Caldeira's observation of separation through "empty spaces." In addition to the exclusion written into the architectural design[103] the presence of private security guards serves to reinforce the segregation and appearance of safety.

The advertisements of DLF also offer a kind of environmental security from the point of view of the body that needs to be protected, and not the environment. With the increasingly poor air quality in Delhi and other northern Indian cities, health-related problems in both children and adults have increased dramatically. DLF advertisements offers green spaces, cleaner air, living spaces that are not overcrowded, "neighbourhoods" with no visible garbage or burning of garbage. This is a particular individualistic-imagined version of environmental security, with little mention of green technology in the construction of the overall compound, or recycling, or the necessity of using one's own car to get to and from the building. The emphasis, however, is on the body that needs protection from a polluted environment, rather than the environment in need of protection from pollution. The draining of the water table, for example, which has led to severe water shortages, is not mentioned, nor are potential green architectural innovations. The DLF Annual Report includes just brief mentions of environmental efforts to make buildings green and to reduce carbon emissions.[104]

Transforming Governance

The nature of that private authority exercised in Gurgaon recalls Claire Cutler's concept of a 'global mercatocracy': a constellation of elite global businesses, investors, lawyers, government officials, and representatives of international organizations which has been able to use their "near hegemonic influence" to "harmonize" laws to the ends of merchant law.[105] First, there is the

[103] See Schindler (2015).
[104] DLF Annual Report (2018-2019) 13.
[105] Cutler (2003) 12.

entrepreneurialism of a (then) domestic real estate developer and their direct negotiation with state government to enable their activities. Next, there is the welcoming legal and regulatory environment for that developer as well as others and investors being created through the transformation of local, state, and national laws that welcome investment and enable large-scale real estate development to receive it. All through this process, finance plays an increasingly lead role, augmenting its own power as it snowballs along: the investors turn to other forms of financial structures, drawing in vast sums through mechanisms such as pension funds and REITs which enable them to mobilize the assets of middle-class workers around the world and direct them to real estate, and in Gurgaon and India in particular. Through this process, control over governance functions and space and daily life is amassed by private actors and financial motives.

That augmentation of power reflects a financial rationality of accumulation of capital from the lower and middle classes. Describing a process that sounds remarkably similar to how pension funds work, Singh recalls the wonder of what we might think of as crowd-sourced funding for DLF. After narrating his tract-by-tract land acquisition and the investment of land sale revenue by farmers into DLF, he observes how "ordinary farmers ended up financing DLF to take it to being a leader in its field."[106] Here in both DLF in the 1970s as well as pension funds today we see a key process to financialized forms governance – harnessing diffused power and resources from individuals, households, and communities; aggregating it; and using it to exercise new forms of governance.

This process reveals one manifestation of how a mercatocracy amasses the powers that enable it to govern through its control of actual living spaces as well as through the influence it has on lawmakers and the law. In Gurgaon privatized governance involves displacement, planning, land use designations, constructing the built environment, determining the kinds of infrastructure, the locations and intended users of that infrastructure, and the access to utilities. In totality, this control encompasses decisions around who is allowed to be where, who is allowed to access which resources, and for which purposes. This is the essence of the kind of power (traditionally) exercised by local governments.

[106] Singh et al. (2011) 108.

DLF and other developers are not answerable to those who cannot afford to live within their islands of developments. This form of exclusion is both unusual and yet increasingly common in a country where urban spaces of the past had often enabled interactions between classes. The consequences of this non-recognition become all too clear in the spatial and social stratification of Gurgaon. In addition to the clearance of homes and communities to make room for new built environments, public life and space in the city has largely been reduced to closed private spaces – where shopping centres with security guards replace open air markets, where gated communities are built in stark contrast to the close quarters of village life, wealthy and poor, that existed before Gurgaon was rebuilt. That privatization of spaces transforms democracy by reducing contact between different classes, by increasing segregation and reducing the awareness of interconnected, interdependent lives. The separation of classes, and therefore the homogeneity, is reinforced in high-end malls in Gurgaon, which have security guards who ensure that only certain populations are allowed inside.

When developers govern living spaces and are answerable to investors, land is developed to be profitable. It is marketed toward the wealthy, domestically and abroad. *With islands of land enclosures, no single entity sees or is accountable for the aggregate*.[107] Residents are forced out of their land. Resources are depleted without appropriate management. For example, in 2019, water was running out in Gurgaon as developers had emptied the underground water tables. The lack of societal, environmental, or other accountability by developers for Gurgaon in aggregate echoes Fleur Johns' examination of public-private infrastructure projects in Australia.[108] Johns depicts how such projects are deal-driven, resulting in financial considerations being weighed per deal, but not with a wider public interest in mind, reinforced by the "socio-legal architecture" of the public-private deal which "encourages [private actors] to conduct themselves as if the deal were a more or less a stand-alone field of work, set apart from surrounding circumstances and constituencies."[109] Deal by deal, "financing-related forms of knowledge" gain traction, in aggregate resulting in the "marginalization of public law considerations and public stakeholder interests, the loss of accountability of governments to their constituencies for the former's exercise of power, and the diminished access of those constituencies to information and processes of deliberation surrounding decisions materially impacting their lives."[110] As she argues, those

[107] My thanks to Yashraj Singh Deora for discussion of this point.
[108] Johns (2011).
[109] Johns (2011) 399.
[110] Johns (2011) 394.

"financing-related forms of knowledge" are not mere technical tools of financing modelling but rather constitute a type of governance power, implying that "private" infrastructure financing decisions are in fact "saturated with 'public' considerations" and public infrastructure decisions are likewise "structured by so-called private factors."[111] A similar dynamic is at work in Gurgaon, where in addition to the deal-by-deal traction of financial knowledge in governance, there is territorial-driven traction as developers take on nearly all local governmental functions.

Transforming the Built Environment and Society

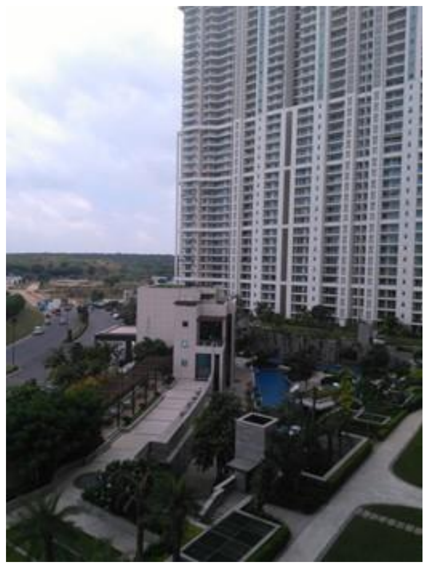

Image 6.1: DLF Crest image by author

DLF advertisements make clear that should residents have any issues with amenities or infrastructure, they can contact DLF. Developers who continue to manage their properties remain answerable to residents with regard to the provision of infrastructure and their living spaces. In this sense, Gurgaon is a different example than that of other cities with new high-rise towers in that it is largely inhabited. While the flats are built for investment purposes, they are also largely lived in, bringing with it a different set of consequences.

From the advertisements for flats to the architecture to the lifestyle magazine that DLF issues, there is a clear image of the kind of social homogeneity that the flats are meant to promote. These enclaves support certain kinds of lifestyles and populations. In this, we see what James C. Scott has referred to as a statecraft that makes landscapes, land records, and even social processes,

[111] Johns (2011) 395.

names, as well as populations more standardized, legible, and therefore more manipulable.[112] The promotion of social homogeneity has also been highlighted as a marker of financialization – an effort to reduce the risks posed by others by proximity to so-deemed "at risk" populations.[113]

The assurances of security above include more implicit markers of personal security as well which promote ideas of social homogeneity. The reference to living with "like-minded neighbours" in similar ads by DLF[114] may be understood as a tacit assurance that the potential buyer should feel secure in both body and property value. This kind of homogeneity can also be read from presence of only wealthy classes that would inhabit that building – only they would be able to afford flats, and unlike prior living situations in most of Delhi and Gurgaon, these are not "mixed" developments or "close quarters", nor is this building close to close-quarters of *bastis* and other settlements.

Another register of "security" and social homogeneity that may be read from the advertisements and the construction of the premises is that of a community-based security. Once one is secure in one's own body (as the above dimensions ensure), one can turn to the protection of the community. In the ads for The Crest, the images depict women walking about (freely), socializing (note the clubhouse), exercising and even swimming (implying that one would feel comfortable wearing a swimsuits), and shopping and cooking (as per the lifestyle magazine described below). In other words, they are free to participate in this closed community, and form relationships with other women in it.

This community-based and personal security can also be observed in the distance from "the city" that is offered by this form of residence. The flats offer separation and privacy from that which is seen as immoral as well as inherent in city life. Echoing colonial – as well as Indian elite – tropes of cleanliness, hygiene, health, and modesty found far from the crowds of the city[115] the ads are replete with appeals to living private lives away from the city and its gaze. The separation of classes here is no accident and rather is meant to appeal to wealthy buyers. Moreover, technology and new forms of labour has made it possible to for the middle and upper classes to spatially segregate themselves from the lower classes. In other words, social separation is supported by the physical

[112] Scott (1998).
[113] Martin (2006).
[114] DLF Delhi, Brahma City Brochure.
[115] Chakrabarty (1991).

security infrastructure. While the lower economic classes had previously been relied on 24 hr/ day for household service (and who therefore tended to live with or very near their employers), with the introduction of household appliances, faster-to-prepare food at international style groceries, and other forms of technology, the need for such forms of service declined. This released family-employers from the previous patron-like relationship they often had with their domestic service providers. Moreover, household service might now come from a centralized agency rather than through word of mouth.

DLF issues not one but three magazines for its residents and beyond. The first is DLF Trend, which examines shopping. The second is DLF City News which gives current events and construction news specific to DLF's "cities."

Image 6.2: DLF Magazines

The third is fascinating and relevant for our understanding of what kinds of lifestyles and residents are promoted and shaped in these spaces. Titled High5, (after DLF5, where some of the newer residences such as The Crest are located), the magazine features a number of stories written by residents. [116] One issue begins with a letter from Senior Executive Director of DLF highlighting

[116] DLF, High5 Magazine.

healthy living; safety – for women, surveillance, police presence; and cultural activities.[117] The table of contents includes images of a light-skinned girl eating healthy food, an Audi, and various stories on personal wellness. There are also ads for various DLF residences as well as for home loans. There is a story of Ajanta Ellora, a world heritage site of rock-cut religious cave monuments with located in the state of Maharashtra, considered to be markers of Buddhist, Hindu, and Jain heritage. There are also stories of celebrating various Hindu holidays at the residences as well a story of a resident who works on financial inclusion – literacy, how to use an ATM. A clearer marriage of Randy Martin's idea of financial fitness and an idea of living well under the roof of enclaved residences can hardly be found. The magazine ends with reflections, contemplating the moment and a giant picture of white nuclear family. In examining numerous DLF floorplans, it is clear that the flats are very built for nuclear families. There is master bedroom and smaller bedrooms all around. There is generally one kitchen. In older houses in which extended families lived, more than one kitchen and living areas were more common.

DLF also relies on social media to promote itself. It has multiple accounts, for its shopping centres as well as for DLF5, the "city" in which The Crest is located.[118] Its DLF5 tweets are filled with well wishes for (Hindu) holidays, news of how its real estate developments are doing well in the market, references to its social/ golf clubs, health & food events in its residences and clubs, as well as advertisements of its corporate entity, DLF. The use of social media by real estate developers in the name of actual buildings offers an interesting insight into how cultural idioms are taking hold, impression by impression, in societal imaginations. The Burj Khalifa in Dubai, the tallest building in the world at the time of writing, has had its own Twitter handle since June 2014. The building, whose name roughly translates into English as "tower governance" (!) has nearly 360,000 followers.[119]

The promotion of social homogeneity, the lifestyle magazine, the flats built for nuclear families, and the use of social media is not unrelated to the investment structures of these real estate developments. First, these particular (Western-style meets Indian sensibility) lifestyle images are meant to entice both wealthy Indians who have lived or spent time abroad as well as NRIs for

[117] DLF, High 5 (Jan/ Feb 2018).

[118] DLF 5 Twitter account, https://twitter.com/MyDLF5.

[119] Burj Khalifa Twitter account, https://twitter.com/BurjKhalifa.

whom a return to India may be a long-held dream. For both of these populations, the images of security as well as lifestyle are meant to strike a chord. For both as well, it is not just the lifestyle that is meant to appeal, but the combination of lifestyle and investment.

Second, when one considers the flat as a real estate investment for both the owners as well as those who invest in real estate more generally, certainty is integral. What we can see here with the direct line from investment to project to a particular intended population is the way that the pursuit of investment certainty exists in a spectral sense alongside that line. DLF's Annual Report for investors, for example, lists any number of "uncertainties" from tax to new legislation. In their optimistic description of their strategy, however, they underscore an intention to achieve higher sales prices by focusing on their "core" businesses of leasing and "premium or luxury residential developments and plotted "gated" colonies" because of which, they believe, they are better able to achieve their (high) margin and (short) cash flow cycle targets.[120] Social homogeneity – which we see here in the many references to middle class or upper-middle class or luxury - is thought to ensure certainty of governance and security. We also see an implicit reliance on a common pattern in property regimes and thought – that of the seeming relationship between higher property values and certain populations. Here, we see a variation of racialized hierarchies of property prices, where *class* is tied to an idea of security of certain property values and investment. NRIs living in London may be well familiar with regular "property expos" held there, and advertisements at Tube stations exhorting them to invest back in India.[121] Moreover, there are appeals to financial security for flat purchases that come from the developers, the real estate agents, and the newly emergent mortgage lending banks.

INDIA
PROPERTY
MELA
SLOUGH 2019
4TH, 5TH & 6TH MAY

[120] DLF Prospectus (2013) 26.
[121] The India Property Mela [Fair] is one such regular event in London. India Property Mela Website.

Image 6.3: India Property Mela

Image 6.4: NRI Investing Advertisement[122]

Conclusion: Gurgaon as Model

Gurgaon has been celebrated as a model by the Indian government for over a decade. Laws were reformed in ways that furthered its development, other cities have been encouraged to follow its lead, and new cities have been built with it in mind.

One of the clearest examples of the ways in Gurgaon was supported through legal reform can be found in the "10th 5-year Plan." The Indian Government issues an economic and social plan for the country every 5 years. In the 10th 5-year Plan, issued for 2002-2007 was particularly important in bringing forth the reforms that would sanction and further enable the real estate development discussed here. In that plan, it was noted that in efforts to develop urban areas, the model of "integrated townships" offered by Gurgaon was a primary example to follow.[123]

That said, Gurgaon's "untrammeled development" has brought with it a host of problems including water shortages,[124] environmental degradation,[125] air pollution,[126] loss of livelihoods, significant personal debt, and infrastructure failures which critics fear will not be mitigated in future cities

[122] roofandfloor.com
[123] Planning Commission, Tenth Five Year Plan (*2002*-2007).
[124] *NDTV* (6 Oct. 2018).
[125] Including through an amendment to the Punjab Land Preservation Act (PLPA) allowing real estate construction in areas that were previously protected. Nandi, and Rao, *Hindustan Times* (12 Feb. 2019).
[126] *The Times of India* (3 Jan. 2019).

using Gurgaon as their model.[127] The inadequate recognition of the situation of farming communities, and the inadequate protections for them in the face of threats of violence should they attempt to resist selling their land leaves them with little recourse apart from agitation.

Gurgaon, considered locally, nationally, and transnationally, demonstrates a complex amalgamation of many of the themes and contradictions of financialization of urban governance. Actors who exercise agency in its governance are local, national, and transnational as well as private and public. Its late-arriving local government speaks to a lack of decentralization of power at the same time that the governance power of its real estate developer-managers powerfully represent a form of decentralization of power to private actors. It also illustrates some of the spatial transformations wrought by globalization and financialization – from the rebuilt urban environment to the displacement of farming populations and ecological destruction. That rebuilt urban environment reflects a number of the rationalities of financialization, including “security” as well as social homogeneity. Taken together, what we see in Gurgaon is the power of private urban governance at an extreme – the purview of private real estate developer-managers to shape space, the law, everyday lives, as well as to stand in for the entity which purports to be answerable to citizen-resident concerns.

[127] *Hindustan Times* (12 Feb. 2019).

Chapter 7: Conclusion: Of High-rises and High Finance

Since at least the early 20th century, vertical towers have signified an entwinement of economy and society, or more specifically of industrialization and urbanization. They have embodied both capitalism and wealth in the skyscraper office building as well as immigration, migration, labour, and poverty in tenement buildings. The multiple storied skyscraper changed the city, and offered a place from where the streets and buildings and inhabitants could be viewed from "up top". They inspired numerous films, stories, and advertisements from depictions of skyscrapers as frontiers to the wealth swirling around in their "mid-air dining clubs" to dystopic fiction.

The luxury high-rise residences of today are all of those things and none of them. They continue to illustrate skylines with capitalism, albeit now a financial one. They are, to quote Cass Gilbert, machines that make the land pay... even more. They make the land pay even when they are empty. And yet they continue to hold private gardens, private city lives, and they advertise themselves as oases and as paradises in the sky. The towers – tall, futuristic, and placeless in cities around the world - embody financialization. In many ways, they *are* financialization: they are built by it, they store its main currency – capital - in physical form, and through them, further financialization is enabled. By studying real estate financial instruments, luxury high-rises, and their associated imagined lifestyles depicted in their advertisements, it becomes clear, quite literally, what implications there are for a spatialized financialization on everyday life. In this way, towers illustrate imagined spaces of pure financialization. If we think financialization will keep expanding in both precise yet incomprehensibly large figures and in the proliferation of its logic, we must understand its relationship to urban space. This relationship shows us how financial logic already dictates how land should be used, how resources should be distributed, and even how daily life should be conducted.

This project has examined both high-rises and real estate financial instruments and the role of local government and urban governance in financial capitalism. The pervasiveness of real estate's physical forms – namely, the construction of buildings in central city spaces – through the processes of financialization materializes and spatializes financialization in ways that are currently under-appreciated. Simply put, this spatialization implies that financialization isn't the immaterial, intangible ether that it is often made out to be. It is in the air, yes, but it is also on the ground. Because, as I hope to have shown show here, real estate is such an integral part of financialization, the fate and future of financialization is dependent on and tied to the built environment and urban space, and therefore to urban governance. The project has analysed that relationship through the following themes.

The local government delegation of governance to these real estate developers and the provision of services by individual high-rises (dry cleaning, leisure facilities, green space) is a manifestation of a larger turn to ***private actors for services and infrastructure***. In the examination of Gurgaon in Chapter 6, this was illustrated through a reliance on real estate developers not only for activities but for transport, utilities, fire, security, and much more. This “turn to the market” encompasses not only the local government’s delegation, but also the faith of the investors and new residents in the running of a “city like a business.” As Gurgaon powerfully illustrates, this has carved up its landscape into ‘islands’ of large gated communities with all amenities internalized. In these circumstances, each private actor is only responsible, or only takes into account that which they own or manage. No one, it seems, is empowered to take responsibility for the aggregate.

Real estate developers and their partners have increasingly turned to the market in various ways for financing through IPOs, private placement, real estate investment trusts (REITs) and other forms of capital raising. This turn to the market exposes ***developers and the particular joint-venture projects to shareholder value*** as a principle of governance. Prioritizing shareholders has meant primarily the pursuit of quarterly profit, which ideally is distributed to the benefit of the shareholder, rather than reinvested for longer term development. In other words, these various real estate related phenomena reflect the turn to short term, profit-seeking in the name of shareholder value. The reliance on shareholder value as an organizing principle manifests itself in relation to the governance of urban space by treating it as a resource to be exploited for monetary profit rather than as the site of city life. Specifically, this happens when city spaces are being governed by private actors such as REITs/ developers whose activities are increasingly governed by the principle of shareholder value. It also happens when local governments themselves adopt this kind of logic in governance.

Newham illustrated the employment of financial rationalities akin to SHV as well as the turn of even non-financial entities to financial markets. More broadly, in the exponential growth of real estate financial instruments, developer financing, and the new real estate development ventures of United Kingdom local governments such as Newham, we see reflected ***the pursuit of profit from financial activities as a core activity of* nonfinancial *actors*.** In this project, the pursuit of financial profits by nonfinancial corporations, intergovernmental organizations, states, and local governments has been explored.

The phenomena examined in the project reflect the spread of the ***cultures of* financialization**. Max Haiven has described the cultures of financialization as "the way the logics, codes, value paradigms, speculative ethos, measurements and metaphors of the financial sector have filtered into other (non-financial) economic and social spheres, offering a set of techniques or *dispositifs* for the recalibration of institutional priorities towards an alignment with financialization."[1] Here, that culture is produced in the ads, films, images, and even in the shape of the built environment. It is also *manifested* in the normalization of exclusionary spaces, population displacement, every-day real estate investment, desirability of profit from real estate, rising property prices beyond affordability: the adoption of the ethos, logic, and measurements of finance in societies and in governance.

These phenomena also reflect the ***networked structure of financial capitalism,*** for example as in the disaggregation of asset or debt across global financial actors who may only hold the investment for fraction of a second, who may not even know that they hold it at all, and yet from that investment comes a luxury high-rise. This is how financial instruments and global financial markets operate. The proposal here is not only that urban space is being governed *like* a financial instrument, but rather that because of the nature of institutional investment, investment funds, private equity firms, investment banks, high frequency trading, structured financial instruments, publicly traded development companies and real estate-related financial instruments, *urban space is being governed through financial instruments, actors, and motives*.

They reflect the treatment of ***urban space as an asset to be exploited through capital markets*.** Here, the key processes do not just commodify urban space but rather securitize it through financial instruments which divide and distribute ownership as well as profits extracted from it. One significant implication of this disaggregation is the dissipation of agency to govern the underlying

[1] Haiven (2019).

"asset" (the urban space turned into real estate investment). In the absence of intimate connection between shareholder (for example, a pension or mutual fund holder) and actual real estate project, what then governs the use of urban space? The norms that govern institutional investors, such as shareholder value.

This exploitation of urban space and land leads to ***negative environmental effects*** associated with financial capitalism, including air, land, and water pollution, over-use of water and the draining of water tables, as well as human and animal displacement and exclusion as discussed in relation to Gurgaon in particular.

Relatedly, what we see through these different phenomena are forms of both the inequities of ***Global North-South relations*** and relatedly, the normalization of ***racialized extraction***. We can observe direct manifestations of racially disparate extraction in: the dependence on migrant labour in construction in Dubai and Doha, but also London and other real estate centres; predatory real estate taking up city spaces and resources; decreased public housing and services; and recasting and thereby revaluing populations and geographies in financial terms;[2] and finally similar to the Global Financial Crisis of 2008+, we can see echoes of race and empire in decisions made in global centres of finance have far-reaching consequences for debt accumulation, dispossession, and de-industrialization "elsewhere".[3] This last point does not always follow a predictive kind of logic. For example, middle classes in North America are increasingly reliant for their retirement support on private pensions and other forms of individualized instruments which invest in real estate development – from hotels to high-rises - in those far-away places. We can also see racial extraction resulting from the increasing acceptance of the notion of individualized responsibility in charge of their own finances, retirement, rent etc., a blind eye towards exclusion and dispossession as implicitly deserved on account of personal irresponsibility.

Through these interrelated processes, I have argued that there is "something" being lost, locally and transnationally, in the idea and manifestation of the public. I have tried to demonstrate what is meant by that idea of the public – a constellation of a wider idea of public interest, diverse

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[2] For example, even when lives and homes were destroyed in the Caribbean by hurricanes such as Irma in 2017, in a concern for those geographies as tax havens through headlines such as "Caribbean Tax Haven Begins to Bounce Back After Irma," Metcalf, Fieser, and Browning, *Bloomberg News* (15 Sept. 2017). See also Weaver, *The Guardian* (12 Sept. 2017).

[3] See Li Puma and Lee (2004) 5.

participation in a public sphere, and constitution of public realm and a law reflective of that, all of which is becoming even more elusive. In my understanding, the transformation to the practices, rationalities, and cultures of financial capitalism, enabled by and reflected in multiple legal regimes, is most tangibly illustrated by the luxury high-rise and the unrecognizability of many skylines today.

Appendix 1: Methodology & Methods

My aim in the project is to offer a three-dimensional account of the relationship between local government and financialization as it manifests in urban real estate. In order to do that, I draw upon both legal-doctrinal and ethnographic methods, although this is not a legal ethnography of a specific geography or object. I made the decision to try, instead, to pursue anthropologist George Marcus' idea of a multi-sided methodology. In 1995, Marcus described how a segment of ethnographic studies had turned towards being 'multi-sited', as "self-consciously, embedded in a world system."[1] This form of ethnography "moves out from the single sites and local situations of conventional ethnographic research designs to examine the circulation of cultural meanings, objects, and identities in diffuse time-space. This mode defines for itself an object of study that cannot be accounted for ethnographically by remaining focused on a single site of intensive investigation. It develops instead a strategy or design of research that acknowledges macrotheoretical concepts and narratives of the world system but does not rely on them for the contextual architecture framing a set of subjects . . . Just as this mode investigates and ethnographically constructs lifeworlds of variously situated subjects, it also ethnographically constructs aspects of the system itself through the associations and connections it suggests."[2]

In focusing both on the transnational patterns as well as local instantiations of financialization and urban governance, I chose three sites of primary analysis: Newham, United Kingdom; Gurgaon, India; and the U.S., with other brief examples throughout. The U.S. appears primarily in Chapter 4, as the source of the financial regulations as well as in several illustrations drawn from New York City. I chose these locations in light of not just a shared colonial history and precedential lineage in common law (both of which were important), but also because of a shared sensibility in the practice of law relating to real estate investment and the linkages of the interests of investors who travel between / invest in / maintain residences in two or three of the respective countries.[3] Each site also demonstrates how financialization – its economy, rationalities as well as cultures - is *constituted* through the local in ways that are currently under-appreciated. That local constitution

[1] Marcus (1995).
[2] Marcus (1995).
[3] I witnessed this first-hand as a structured finance attorney at a law firm with operations in all three countries.

of a *globalized* financial capitalism motivates my approach to "transnational practices of urban governance" as explained further in Chapter 1. Finally, I also chose these sites as each represents a different aspect of the experience with financialization: for Newham, the history of activism and the contrast with London which serves as an epicenter of deal-making and capital generation; for Gurgaon, the ways in which the idea of the "Global South" is confounded as well as constituted through the cooperation of local elites; and for the U.S., the formulation of certain forms of financial regulation which would travel throughout the world with little acknowledgment of the socio-political-economic as well as legal contexts of their origin.

The specific sites of analysis are financial instrument and building, city and company, as well as transnational pattern. In employing an idea of governance as a multi-faceted collection of practices (described in Chapter 3), I prioritized an examination both of government statutes and related guidance but also of similar "guidance" issued by private actors such as real estate investors, developers, and brokers as well as international organizations. Their materials provided a wealth of texts from which to glean meanings and implications, which is why, for example, I included a close analysis of the advice given to lay investors on NAREIT's website.

In relation to Newham and Gurgaon, I visited construction sites and city places multiple times, and I engaged in a limited number of semi-structured interviews as well as participant observation, including several interviews of the Council Lead for Housing Services in Newham. I also attended multiple events and protests in London around housing, some specific to Focus E15. I collected local papers and I examined local blogs and other media in both places. Publications examined over time, such as *The Evening Standard*'s Property and Homes section, proved invaluable in giving me a sense of the *culture* being inculcated through the high-rises. In London, I was fortunate to meet a professional wallpaper installer who let me accompany him on one of his jobs in a luxury high-rise. In Gurgaon, I was fortunate to tour The Crest in person. In New York, I interviewed the city official who served as Housing Commissioner during the construction of One Riverside Park.

In London and Delhi, as well as New York, I examined the advertisements. They not only drew me to the project, they often served as reminders of why it mattered – what was being etched into societal imaginations and what was (attempted to be) sterilized. I also immersed myself in literature and films in which high-rise living was reflected, work which unfortunately only found limited references in this project in the end, on account of time and space. My hope is to continue with this engagement in future work.

Lastly, a word on my reticence to engage in what might be considered standard doctoral work of long form, formal interviews with those in resistance efforts. While researching Focus E15 and other specific resistance efforts, such as in relation to the “poor door” in New York’s One Riverside Park, I found a wealth of information online in primary accounts in blogs, local papers, and social media. I was also able to supplement those accounts with in-person activities – regarding Focus E15, the attendance of the plays and the occupations as well as the Saturday market. While I introduced myself to Focus E15 and explained my work and got their consent for my attendance and participation in their activities and accompanying research, I deliberately refrained from asking them for more of their time. They are a group which continues to attract the attention of researchers, and I strongly feel that too often academics take theirs and others’ time for granted in their reliance on long-form interviews. I felt that what I needed to say about their work could be drawn from existing accounts as well as my own experiences, without further burdening or exploiting their time. To put it very plainly, I didn’t think their time or experiences were mine to “take” if I knew I couldn’t be part of their movement in a sustained way, given that I don’t regularly reside in London.

Acronyms

CDS	Credit Default Swap
CDO	Collateralized Debt Obligation
GFC	Global Financial Crisis of 2008+
IFI	International Financial Institutions
IMF	International Monetary Fund
LHC	Local Housing Company
NRI	Non-Resident Indian
REIT	Real Estate Investment Trust
RMBS	Residential Mortgage Backed Security
SSF	Social Studies of Finance
WB	World Bank

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