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Financialisation of built environments:

A literature review

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Abstract: This paper provides a review of research into financialisation of built environments, especially in relation to urban politics, social geographies and sustainability. Focus is limited here to the theoretical and conceptual substance of selected literature. Financialisation is conceptualised as a profoundly spatial process, forging social relations that form conditions for urban governance, social geographic change and urban sustainability. The paper frames financialisation of built environments as a process enmeshed with related processes of commodification, privatisation, neoliberalisation, and accumulation by dispossession, associated with the creation and appropriation of rent gaps. Land rent and rent gaps are highlighted as central to understanding financialisation of built environments. We then review research into relations between financialisation of built environments and urban governance, i.e. how financialisation impacts upon, while being facilitated or deterred by, urban politics. This sets the stage for reviewing research into relations between financialisation of built environments and observed patterns of change in the social geographies of cities, and research into the sustainability implications of financialisation of built environments. Conclusions reconsider the nature of the relationship between financialisation and urbanisation, and the challenges of bringing financial systems into the service of achieving social and natural sustainability.





Key words: financialisation, built environment, urban governance, land rent, sustainability

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1 Introduction

This paper presents a review of research literature on relations between processes of financialisation and urbanisation. Focus is limited here to the theoretical and conceptual substance of selected literature. Forthcoming case studies of European cities will involve closer engagement with empirical findings in the research literature. Financialisation is conceptualised as a profoundly spatial process, forging social relations that are conducive to the geographical penetration of finance into the production, exchange and consumption of built environments, while enhancing financial control over the production of urban space and the performance of urban governance. Financialisation of built environments is framed here as a process deeply enmeshed with related processes of commodification, privatisation, neoliberalisation, and accumulation by dispossession associated with the creation and appropriation of rent gaps (Clark and Gullberg 1997). Land rent and rent gaps are considered central to understanding financialisation of built environments.

Profound institutional changes have taken place since the 1970s with the global ascent of neoliberal politics, entailing extraordinary growth of income inequalities and the opening of new frontiers for accumulation by dispossession (Harvey 2003, 2005, 2006b, 2006c, 2010a). Accumulation by dispossession "takes a seemingly infinite variety of forms in different places and times"; the common denominator is dispossessing people of "their assets, their access to the means of life, of their history, culture and forms of sociality in order to make space ... for capital accumulation" (Harvey 2010a, pp. 242-245; cf. Sassen 2010). In a more "polite and rather neutral-sounding way" (Harvey 2014, p. 133), this is referred to also as rent seeking, about which Joseph Stiglitz (2013, p. 44) claims: "To put it baldly, there are two ways to become wealthy: to create wealth or to take wealth away from others. The former adds to society. The latter typically subtracts from it, for in the process of taking it away, wealth gets destroyed."





Processes of uneven development, variously brought under the regulatory control of welfare-state institutions during the middle decades of the twentieth century, have intensified in the wake of institutional reforms entrenching commodification, privatisation and market relations (Brenner and Theodore 2002, Harvey 2003, 2005). As Gareth Dale (2010, p. 241) notes, "the widening and deepening of markets have unleashed pernicious tendencies: the yawning gap between rich and poor, financial crises galore, growing pressure on the natural environment, the commodification of increasing areas of life, the ideological naturalization of commodity relations, and the subordination of society to the casino rhythms of finance and the world market." Privatisation and financialisation of public housing has been one manifestation of accumulation by dispossession particularly common in European welfare states, as has privatisation, commodification and financialisation of institutionalised commons such as health care and education. Financialisation of built environments is inextricably linked with neoliberal reforms. This is the theme of Section 4.

Financialisation of built environments impact directly and indirectly on the social geographies of cities. This is increasingly manifested in processes of social exclusion, displacement, high-income gentrification and low-income filtering, as the social landscapes of cities reflect and contribute to growing inequalities. Section 5 considers some of these impacts.

Built environments are "necessarily connected with the wider natural environment, sometime in complementary, sometime in contradictory ways" (Castree et al. 2013, p. 43). It follows that the notion of a 'right to the city', which in recent years has emerged as a counter discourse to neoliberal governance, commodification and financialisation, invariably also implies a 'right to metabolism' (Heynen et al. 2006; cf. Prudham 2009). Like the relations between of financialisation of built environments and social geographic change, this theme is multi-facetted. In Section 6 we review just a selection of research into relations between financialisation of built environments and wider issues of sustainability.





By way of conclusion, we reconsider the nature of the relationship between financialisation and urbanisation, and the challenges of bringing financial systems into the service of achieving social and natural sustainability. We here return to a previously introduced distinction between use-value/object-oriented and exchangevalue/investor-oriented forms of investments. We find this distinction to be particularly helpful to understand problematic impacts of financialisation, especially in the context of urban environments. Among other things, it can help us to highlight issues of democracy and the right to place – the right to habitation.





2 Financialisation of built environments

Before reviewing research literature into processes of financialisation of built environments, the concepts of financialisation and built environments need some clarification. Though the concept of financialisation was barely heard of before the 1990s, historical research recognises processes of financialisation that date back centuries (Hudson 1998). A Google Ngram shows the first occurrences of the concept in 1966, with a slow increase in usage to the mid 1990s, followed by a precipitous rise. Early usage was limited to designating shifts in savings from physical to financial assets. Current usage has roots in the work of Kevin Phillips, who defined financialisation as "a prolonged split between the divergent real and financial economies" (1994, p. 82), and in Giovanni Arrighi's *The Long Twentieth Century* (1994). We agree, however, with Brett Christophers (2010, p. 98) who points out that financialisation, "ultimately, is what Harvey was writing about in 1982 – two decades before the concept began to acquire widespread traction" (Harvey 1982 refers here to 2006a). Not unlike the related concepts of globalisation and neoliberalisation, financialisation has come to be used to convey a variety of connected meanings, getting "stretched and pulled in myriad directions" (Martin 2002, p. 8).¹ Indeed, Lee et al. (2009, p. 728) identify seventeen notions of financialisation, while Aalbers (2015) casts a coarser net and catches ten notions.

A frequently quoted definition of financialisation is "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation

¹ Bearing in mind the wisdom expressed by Niels Bohr (1948, p. 318), that "our task can only be to aim at communicating experiences and views to others by means of language, in which the practical use of every word stands in a complementary relation to its strict definition", we cannot expect consensus on thoroughly unambiguous definitions, however important the work of conceptualization (and of critiquing conceptualizations) is for theory, knowledge and understanding. Martin (2002, p. 9) recognises this in arguing that, "To be useful to any comprehensive understanding of a complex world, financialization must refer to many different processes at once."





of the domestic and international economies" (Epstein 2005, p. 3). As Bianco and Piacentini (2013, p. 20) observe, this highlights "the *inversion* in the functional relationship between finance and the real economy. In the conventional wisdom, common to all schools of economic thought across centuries, finance is one out of the set of servicing activities for the more general economic process (like commerce or transport). Nowadays, it seems that the real economy is servicing a larger financial operation."

Other definitions include: "the growing and systemic power of finance and financial engineering" (Blackburn 2006, p. 39); "a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes" (Palley 2007, p. 2); "capital switching from the primary, secondary or tertiary circuit to the quaternary circuit of capital" (Aalbers 2008); "the growing power of money and finance in contemporary processes of economic, political and social change" (French et al 2011, p. 814); "the growing importance of financial activities as a source of profits in the economy" (Krippner 2011, p. 27); and "the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households" (Aalbers 2015).

Ben Fine (2010, p. 97) emphasises "the increasing penetration of interest-bearing capital across economic and social reproduction", argues that financialisation is "a process that interacts with others that need to be identified in the context of specific economies" (Fine 2011, p. 6), and summarizes:

"In brief, financialisation has involved: the phenomenal expansion of financial assets relative to real activity (by three times over the last 30 years); the proliferation of types of assets, from derivatives through to futures markets with a corresponding explosion of acronyms; the *absolute and relative expansion of speculative as opposed to or at the expense of real investment*; a shift in the balance of productive to financial imperatives within the private sector whether financial or not; increasing inequality in income arising out of the weight of





financial rewards; consumer-led booms based on credit; the penetration of finance into ever more areas of economic and social life such as pensions, education, health, and provision of economic and social infrastructure; the emergence of a neo-liberal culture of reliance upon markets and private capital and corresponding anti-statism despite the extent to which the rewards to private finance have in part derived from state finance itself." (Fine 2013, p. 6, emphasis added)

More recently, Vercelli (2014, p. 5, emphasis added) defines financialisation as "the process of evolution which has progressively increased the crucial role of money in the economy and society shaping the forms of exchange, circulation, distribution and accumulation of *exchange value*." This attention to process, speculative investment and exchange value is important. Focusing on interactions with other processes, from commodification, privatisation and marketisation – driven by neoliberal ideology – through securitisation and financial innovations generating shifts in investment flows and capital accumulation, to geographical, ecological, social and political consequences, we believe, is more illuminating than measures of the share of the financial sector in national economies (e.g. share of GDP or employment, measurement of which has changed, "making finance productive"; Christophers 2011 and 2013a). This is especially the case for understanding relations between financialisation and urbanisation.

Urbanisation is, above all, a process that involves the production of built environments. The built environment "functions as a vast, humanly created resource system, comprising use values embedded in the physical landscape, which can be utilized for production, exchange and consumption" (Harvey 2006a, p. 233). Built environments consist of "a whole host of diverse elements: factories, dams, offices, shops, warehouses, roads, railways, docks, power stations, water supply and sewage disposal systems, schools, hospitals, parks, cinemas, restaurants – the list is endless. Many elements ... are legacies from activities carried on under non-capitalist relations



of production" (ibid.). These are the material, spatially fixed elements of 'human niche construction', connected through numerous coevolutionary relations with other dimensions of culture and society (Jablonka 2011; Kallis and Norgaard 2010; Harvey 2010b, pp. 189 ff.; Weisz and Clark 2011). The uneven development so characteristic of capitalist societies is rooted in the production of space in built environments (Smith 2008a).

The built environment "plays a vital role in every aspect of the European economy, society and environment" and is "a major contributor in addressing two critical challenges of our time such as providing liveable and functioning cities for a growing urban population and reducing the environmental footprint of the built environment" (Hughes et al. 2013, p. 27). In terms of building stock, in "highly developed countries, real estate reflects some 80-90% of capital formation" (Sotelo and McGreal 2013, p. v). In Europe, commercial properties had an estimated market value of approximately EUR 5 trillion in 2011, which was close to the size of the European stock and government bond markets. Residential housing was the largest property sector, with an estimated market value of EUR 22.5 trillion (Hughes et al. 2013). In terms of investment flows, Europe's built environments (commercial property, housing and infrastructure) represent about 60% of capital investments in the European economy (ibid.):

"The commercial property sector directly contributed EUR 285 billion to the pan-European economy in 2011 – about 2.5 % of the total economy and more than both European automotive industry and telecommunications sector. ... The sector directly employs over four million people, which is more than not only the automotive industry and telecommunications sector, but also greater than those employed in banking." (Hughes et al. 2013, p. 28)

Buildings are fixed, immobile capital comprising unusually large investments that require considerable time to produce and even longer time for full recovery of investment. The credit system therefore "becomes an essential mediating link between the flows of circulating and fixed capital" (Harvey 2006a, p. 265). Historically,





developers commonly financed construction with loans from local banks whose financial base drew largely from local depositors. With the rise of large institutional investors, pension funds and insurance companies became increasingly integrated in the production of built environments. The built environment provided arenas of relatively secure long-term investment for rapidly accumulating pension and insurance funds. Even if these new institutional agents came to dominate flows of investment in the production of built environments, the development process remained by and large regional. In recent decades, however, financial innovations (such as Real Estate Investment Trusts, REITs, Collateralized Debt Obligations, CDOs, and Collateralized Mortgage Obligations, CMOs) have turned the fixed and immobile property of built environments into spheres of liquid investment.² Though highly interrelated, the primary characteristics of this radical transformation can be summarized in four points: divisibility of investment (as opposed to 'chunkiness'); spread of risk over a portfolio (as opposed to one specific property); separation of investment from the function of procuring local knowledge necessary for risk assessment; and markedly increased ease of entrance and exit (as opposed to the thresholds of purchasing/selling specific properties) (Lindahl 1995; Clark and Lund 2000).

From the perspective of neoclassical economics, the expansion of financial innovations associated with securitisation and the move towards subprime mortgage lending and mortgage securitisation are understood in terms of the 'completion of markets' (e.g. Chinloy and Macdonald 2005). But, as Robertson (2014a, p. 10) points out, "the land markets, housebuilding industry, and housing and sheltering of people that together constitute the housing system that underpins mortgage markets are largely absent from such analyses." From a Polanyian perspective this movement towards 'completion of the market' is rather understood as a manifestation of the

² The geography and history of the process is not as simple and orderly as this brief simplification suggests. For instance, Chan et al. (2003) identify predecessors to REITs dating from the mid-nineteenth century. Aalbers (2012) provides a valuable overview.





disembedding logic of market economies (Carton 2014), a deeply problematic logic in that the disembedding of the economy from its material base – carried to its limits in financialisation – has a calamitous historical track record of crises. As Robertson (2014a, p. 79) points out: "What was believed at the time to 'manage' the risk was revealed by the credit crunch to have expanded and intensified risk, and to have rendered it more opaque."

While REITs clearly contribute to the financial liquidity of otherwise fixed capital, they are unable to change the localized character of the fixed capital they liquidize. Clark and O'Connor (1997) address this issue in terms of the transparency vis-à-vis the opaqueness of financial product types. Even if trade with values anchored in properties has become as easy as trade with currencies in international foreign exchanges, the buildings that the values are anchored in are nevertheless fixed locally and are vulnerable to place specific devaluation. Clark and O'Connor distinguish between transparent, translucent and opaque financial products. Transparent financial products, exemplified with gold, are characterized by: a probable market scope that is global, an information intensity that is ubiquitous, a low requirement of specialist expertise and a low perceived risk-adjusted return. Opaque financial products, exemplified with REITs, are characterized by: a probable market scope that is local, an information intensity that is transaction specific, a vital requirement of specialist expertise and a high perceived risk-adjusted return. Translucent financial products have an intermediate position.

Another perspective emphasizes the importance of local elites and their global networks (Olds 1998; Yeung 2003). This perspective underscores the embeddedness of 'economic actors' in networks and institutions that reflect the sociocultural and professional systems of which they are part. By focusing on key actors and their networks it is possible to bridge the global and the local, captured in the notion of 'glocal' (Swyngedouw 1997).

The penetration of financialisation into the urbanisation process works through (generating while building upon) the related processes of privatisation,





commodification, and securitisation. Rent-seeking finance capital and landed developer interests drive the commodification and privatisation of built environments (and the environment broadly speaking; Clark and Hermele 2014), and the formation of market relations, extending the process wherever social relations retain characteristics of commons, hindering the free flow of investment.³ Once commodified, built environments are increasingly securitized, treated as pure financial assets, and, turned liquid, enter the orbit of rent-seeking finance capital: as potential sites for investment, or disinvestment, depending on their valuation in the calculations of finance capital (potential yield to shareholders). The financial sector, "ever in search of new fields to securitize" (Mirowski 2013, p. 215), actively engages in the creation of conditions allowing built environments to circulate through financial instruments such as REITs and CMOs.

The mushrooming of innovations in financial instruments since the 1970s, and precipitous increase in volumes of trading across these instruments since the early 1990s, by "creating liquidity out of spatial fixity" (Gotham 2009), has radically changed conditions for urbanisation and the geographies of real economies (Leyshon and Thrift 1997; Clark G 2008; Corpataux, Crevoisier and Theurillat 2009; Harvey 2010a; Pike and Pollard 2010; French, Leyshon and Wainwright 2011; Dorling 2014). Characteristics of property, as fixed capital, immobile, unique in relational space, vulnerable to place specific devaluation and accounting for a considerable share of the world's wealth (Beauregard 2005; Olds 1995), render it of special interest as a sphere of financialisation, while underscoring the importance of land rent.

³ We use 'commons' in the sense of environments, built or otherwise, which are "both collective and non-commodified – off-limits to the logics of market exchange and market valuations" (Harvey 2012, p. 73; cf. Hodkinson 2012; Larsen and Lund Hansen 2015).





3 Land rent and rent gaps

"If rent and land value are the theoretical categories whereby political economy integrates geography, space and the relation to nature into the understanding of capitalism, then these become not residual or secondary ... rent has to be brought forward into the forefront of the analysis, rather than being treated as a derivative category of distribution as happens in Marxist as well as in conventional economic theories. Only in this way can we bring together an understanding of the ongoing production of space and geography and the circulation and accumulation of capital and put them in relation to processes of crisis formation where they so clearly belong." (Harvey 2010a, p. 183)

Land rent is fundamental to grasping the dynamics of financialisation of built environments. The various elements of built environments are fixed to the land, and thereby acquire unique characteristics in absolute, relative and relational space.⁴ Understandably, therefore, land rent has been a central concept of political economy from its beginnings over three centuries ago.⁵ Sir William Petty's 17th century effort to explain the 'mysterious nature' of land rent is just one of the more recognised early attempts. The positive roles of land rent, commonly presented as justification for its existence, are "the co-ordinating functions that it performs in allocating land to uses and shaping geographical organization in ways reflective of competition and amenable to accumulation" (Harvey 2006a, p. 333).

⁴ Space does not allow for thorough presentation of connections between concepts of space and various conceptualisations of land rent. We would however emphasise that the most significant quality of any piece of urban land is the composite set of investments in the elements of the surrounding built environment on all other units of land at various time-space distances, i.e. its position in relational space. On space as a key word in understandings of socio-spatial relations and dynamics, see Harvey (2006c).

⁵ For an overview of the history of land rent theory, see Clark (1987).





A core aspect of the rise of neoclassical economic theory was the generalization of the rent concept, rendering land rent theory obsolescent under the ubiquitous price mechanism of market supply and demand. As Anne Haila (2015) summarizes:

"The rise of property rights theory and the generalisation of the rent concept left rent theory in the shadow. ... Generalizing and extending the concept of rent to all factors of production, fusing rent and yield of financial instruments ... and regarding landed property as a thing that owners put to use as they like – all obfuscate the landed property relations."

Urban land rent theory gained considerable attention in the 1970s and 1980s,⁶ but has since attracted less attention. In *The Limits to Capital*, which to this day remains the most exhaustive theoretical expounding of Marxist land rent theory, David Harvey (2006a, p. 347) drew attention to the "increasing tendency to treat the land as a pure financial asset", as land markets came to function "simply as a particular branch – albeit with some special characteristics – of the circulation of interest-bearing capital." And he has repeatedly insisted that, "The role of rent and the valuation of nature need to be brought back into the centre of analysis" (2006a, p. xxii).

Still today, after the 'great' financial crisis starting in 2007⁷ – strongly associated with financial practices of subprime mortgages – "little attention has been paid to" land rent (Park 2014, p. 88), and land rent theory has seldom been invoked to understand the mechanisms underlying the crisis. Valuable exceptions to this are, aside from the work of Harvey, the empirically powerful analyses of Elvin Wyly, Dan Hammel and colleagues (Wyly et al. 2006, 2009 and 2012; cf. Anderson 2014). Another valuable contribution to correcting this neglect is the work of Mary Robertson (2014a), in which land rent plays the lead role in analysing the financialisation of British housing

⁶ See especially the work of Harvey (1973, 1985 and 2006a), Lamarche (1976), Lojkine (1976), Scott (1976 and 1980), Ball (1985 and 1986), Ball et al. (1985), Haila (1990), Sheppard and Barnes (1990).

⁷ Commonly referred to as global, Sum and Jessop (2013, p. 416) argue it is better understood as a North Atlantic financial crisis and that "labelling it as global distracts attention from its origins in a particular accumulation regime".





from a systems of provision approach. Robertson complains that development gain⁸ is "under-theorised" (p. 118) and that "attempts to grapple with it theoretically are thin" (p. 111). But we suggest that when Robertson argues that finance has turned the focus of "housebuilder activities on maximising the uplift accruing to land between its acquisition and sale" (p. 86), that finance tends to "chase land values" (p. 88) more than provide housing, and emphasises "the role of finance in encouraging and creating new opportunities for monopoly rent appropriation" (p. 134), she is reconstructing theoretical arguments associated with rent gap theory, which does grapple with 'development gain'.

The term rent gap denotes a disparity between actual land rent and potential land rent (Smith 1979; see figure 1). The potential land rent of a site is determined solely by the site's 'highest and best' use, while the actual land rent of a site is a function of also the site's current intensity and type of land use. Development on the site will involve an intensity of fixed capital investment designed to accommodate the site's 'highest and best' use, i.e. will be appropriate for the procurement of potential land rent at that point in time. Thus, actual land rent will equal potential land rent as "the full resources of the site" are developed (Marshall 1961, p. 797). In the course of time, surrounding conditions may change, allowing for a higher and better possible use of the site, while the existing building fixed to the site constitutes an element of inertia for adaptation to a higher and better use. In this way, the building may come to "no longer correspond to the changed circumstances" (Engels 1975, p. 20), as urban growth pushes up the site's potential land rent to a level corresponding to a greater intensity of capital investment and/or a 'higher' type of use. A rent gap arises, the expansion of which acts as an incentive for the property owner to disinvest. The financial practice of redlining areas (restricting loans) fuels expansion of rent gaps by coercing disinvestment. Consequential neglect of repair and maintenance contributes to the pace of building depreciation, which in turn influences actual land rent negatively as use of the existing

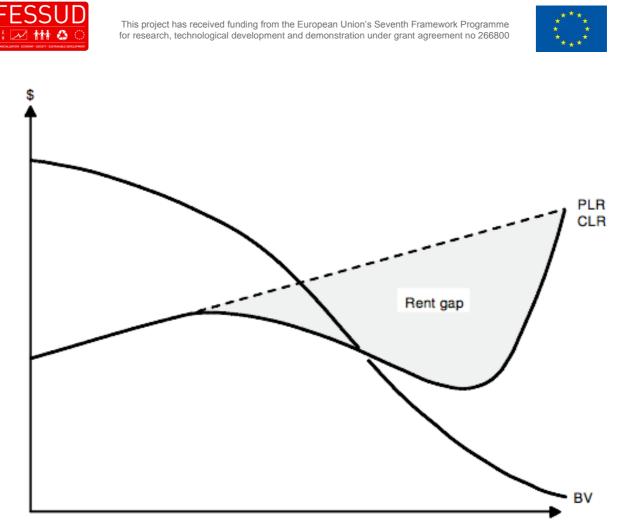
⁸ Robertson considers development gain to be a form of monopoly rent. We suggest the way she presents and analyses development gain renders it, in some instances, nearly synonymous with rent gaps (see below).





structure shifts to 'lower uses' (e.g. filtering in the housing market).⁹ As the actual land rent associated with current use becomes increasingly removed from the potential land rent associated with the site's 'highest and best' use, the property is increasingly considered an object ripe for redevelopment by property capital agents. Speculation on future land rent income sets in and there occurs an upswing in capitalized land rent during the years prior to redevelopment. Redevelopment may take the form of demolition and new construction or renovation and improvement of the existing building (Clark 1988).

⁹ Filtering is a social geographic process opposite to gentrification. While gentrification involves upward shift in socio-economic composition of residents in combination with (re-)investment in the built environment, filtering involves downward shift in socio-economic composition associated with disinvestment. See Clark (2005 and 2010) and Hedin et al. (2012).



Time from construction date

Figure 1: The rent gap. PLR is potential land rent. CLR is capitalised land rent. BV is building value. (Source: Clark 1987)

In a nutshell, the rent gap constitutes initially an economic pressure to disinvest in the fixed capital on a site, which consequently becomes increasingly inappropriate to the site's 'highest and best' use, and eventually an economic pressure to redevelop the site in order to accommodate higher intensity and type of use.

Fundamental to the rent gap is the condition that investments in the built environment involve a 'spatial fix' (Harvey 1985). In urban contexts, capital investments on land are generally several times the value of the land. Though adaptations in the





form of additional building investment (e.g. adding on floors or annexes) or upward shifts in use (e.g. conversion to office space) are not uncommon, the original investment tends to lock the site into a given range of intensity and type of use for the duration of the economic life of the building. Due to the sheer size of building investments, the durability of buildings, and the interest of financers to secure returns on investment, changes in potential land rents do not lead to corresponding instantaneous and continuous adaptation in the urban space economy. 'Sunk costs' call for return, and this is a powerful force of inertia in the built environment (Clark and Wrigley 1995, 1997). The dream world of constant equilibrium in the space economy through instantaneous responses to every small shift away from equilibrium corresponds to a nightmare of chaos in the built environment resembling what Harvey aptly describes as a "frenetic game of musical chairs" (2006a, p. 393). In the real world, the game of musical chairs in the built environment is much slower and less continuous, with local bursts of sweeping change rather than constant smooth progressions of marginal change.

The closest real cities come to approximating the hypothetical extreme of nearinstantaneous adjustments is during periods of very rapid urbanisation. In Chicago, for example, during a period of exceptionally rapid growth, Hoyt (1933, p. 335) could note that "thirteen-story skyscrapers with a structural life of a century or more have been torn down to give room for twenty-two- or forty-four-story tower buildings." Rapid urban growth underlies rapidly increasing potential land rents, and like rapid technological change, involves massive capital depreciation as rent-maximizing behaviour requires the destruction of recently invested capital. Nevertheless, the need to recover sunk costs in the form of building investments entails inertia, however diminished by rapid growth, and this spatial fix constitutes a real basis for the existence of actual land rent as distinguished from potential land rent.

There have been many empirical rent gap analyses, drawing connections especially to gentrification and social geographic change (rent gap theory has its origins in gentrification theory; see section 5 below), but also to urban governance (e.g.





Lopez-Morales 2010, 2011), and to regimes of accumulation (e.g. Whitehead 2008). Tom Slater (2015) provides both an overview and a concise argument for the intensified relevance of rent gap theory "to expose and confront new geographies of violence."

Philip Ashton makes no reference to land or rent, but we suggest that the appetite for yield he identifies in his anatomy of the subprime mortgage crisis is fundamentally an appetite for land rent, and that the financial innovations he claims have "changed the terrain for risk assessment, promoting new modes of financial competition that have intensified systemic risk and extended it to a widening set of firms, households, and communities" (Ashton 2009, p. 1420) are designed to facilitate the capture of rent gaps, thereby indirectly driving the politics of rent gap formation.

A key function of finance in the urbanisation process is to mediate provision of funds for investments. But as Robertson (2014a, p. 86) points out, while the activities of finance capital "increase investment", these investments commonly "do not contribute a net increase to the housing stock, but merely transfer properties". This raises fundamental issues surrounding improvements to and investments in built environments. What does it mean to improve and to invest in built environments?

Financialisation has thrived on, indeed discursively drawn upon, common mystifications of improvement and investment. Assumed to be universally positive, critical examination of their historical usage reveals how problematic implications of some kinds of improvements and investments become hidden behind reasonably positive characteristics of other very different improvements and investments. Under the heading "Habitation versus Improvement", Karl Polanyi argued that "it was improvement on the grandest scale which wrought unprecedented havoc with the habitation of the common people", and consequently recognized the need for "legislative acts designed to protect their habitation against the juggernaut, improvement." Elsewhere Polanyi acknowledges a more positive meaning of "improvements fixed in a particular place" (2001, pp. 41, 191, 193). The key distinction is not in physical design and technological characteristics of an improvement, but in

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social relations underlying its production and, upon completion, regulating its use and income flows.

In his brief essay on 'improve', Raymond Williams explains that in "its earliest uses it referred to operations for monetary profit, where it was often equivalent to invest, and especially to operations on or connected with land, often the enclosing of common or waste land.... The wider meaning of 'making something better' developed from C[entury]17." He goes on to note "the sometimes contradictory senses of improvement, where economic operations for profit might not lead to, or might hinder, social and moral refinement" and emphasizes that "the complex underlying connection between 'making something better' and 'making a profit out of something' is significant when the social and economic history during which the word developed in these ways is remembered" [Williams 1985, pp. 160–161].

Among noteworthy analyses of financialisation and rent-seeking behaviour proliferating in the aftermath of the financial crisis, Andrew Sayer revives the distinction between earned and unearned income, contributing to the insights of Polanyi and Williams by distinguishing between two profoundly different forms of investment. Sayer sees a "fundamental slippage in the use of the word 'investment'", and identifies:

"two radically different uses:

(1) Use-value/object-oriented definitions focus on what it is that is invested in (e.g. infrastructure, equipment, training)

(2) Exchange-value/'investor'-oriented definitions focus on the financial gains from any kind of lending, saving, purchase of financial assets or speculation – regardless of whether they contribute to any objective investment (1), or benefit others.

The standard move is to elide this distinction and pass off the second as based on the first'' (Sayer 2012, p. 171).

Under the sway of investments [2], allocational efficiency (the legitimizing function of land rent and rent-seeking behaviour) is understood in terms of "where expected





rates of financial return are highest", regardless of "neutral or negative effects on productive capacity – through, asset stripping, value-skimming, and rent-seeking" (ibid.; cf. Harvey 2006a, pp. 368-9). Neoliberal varieties of urban entrepreneurialism open up spaces of 'opportunity' for profitable investments [2] through commodification, privatisation and marketisation of the environment, facilitating processes of accumulation by dispossession by bringing urban governance "into line with the naked requirements of capital accumulation" (Harvey 1989, p. 15; cf. Tasan-Kok and Baeten 2011). The shift in urban governance from 'managerialism' to 'entrepreneurialism' (see section 4 below) manifests the broader variegated process of neoliberalisation, involving the construction of a world in which "certain truths stand out as self-evident, chief of which is that everything under the sun must be in principle and wherever technically possible subject to commodification, monetisation and privatisation. ... Exchange value is everywhere the master and use value the slave" (Harvey 2014, p. 60).

As Christophers (2010, p. 98) suggests, this is perhaps the quintessence of financialisation, that more and more elements of our niche – natural and built environments – having become private property, are "increasingly being valued on strictly financial grounds. And this was precisely Harvey's point about property: that it comes to be treated by all types of owners less for the uses that can be made from it, and more for the money that can be extracted from it – it becomes, in a word, financialised."





4 Relations with urban governance

Given the values of built environments and their central significance for systems of production, exchange and consumption, it is somewhat self-evident that changes in built environments and in social relations channelling the flows of and control over these values are politically loaded and among the key concerns of urban governance.¹⁰ Not surprisingly then, built environments figure prominently in research into urban politics, urban government and urban governance. The research literature on urban governance broadly speaking is vast. Some of the more influential literature includes Molotch's (1976, 1999) and Logan and Molotch's (1987) critique of the city as a 'growth machine', Ambrose's (1994) analysis of power in the process of generating new built environments, and collections of essays in Judge et al. (1995) on theories of urban politics, in Lauria (1997) on urban regime theory, and in Hall and Hubbard (1998) on the entrepreneurial city. More recent work includes Brenner's (2004) analysis of shifts in urban governance and the rescaling of state space, Hackworth's (2007) study of neoliberal urban governance (management, corporatist, pro-growth and welfare), and

¹⁰ Governance refers to the self-organisation of inter-organisational relations through networks and partnerships (Amin and Hausner 1997). The rise of governance to become a keyword in social science parallels a shift in contemporary societies from hierarchical government to networked and partnered governance. Government is commonly understood as a subset of governance, with governance including a broader set of agents from business and civil society. Mark Bevir (2012, p. 1) summarizes: "Since the 1980s the word 'governance' has become ubiquitous. ... Governance refers ... to all processes of governing, whether undertaken by a government, market, or network, ... and whether through laws, norms, power or language. Governance differs from government in that it focuses less on the state and its institutions and more on social practices and activities. To understand governance requires that we look at abstract theories of hierarchy, market, and network as types of organizations, and then at more concrete debates about the shift from hierarchy to markets and networks in corporations, the public sector, and global politics." Anne Mette Kjær (2004, p. 3) emphasises that the concept of governance does not consider *"state* actors and institutions as the only relevant institutions and actors in the authoritative allocation of values."





McCann and Ward's (2011) collection of essays on urban policymaking in 'the global age'. Here we focus on research that more explicitly analyses relations between financialisation of built environments and urban governance, a theme largely bypassed in the otherwise extensive literature on (urban) governance.

As 'powerhouses' of the globalized economy, cities constitute the stage for capital accumulation and regulation (Amin and Graham 1997). Traditional patterns of government have changed in Western as well as in East Asian cities, from hierarchical top-down co-ordination, with the nation state as key player, to urban governance in which markets play a greater role (Wu 2002). This has been understood in terms of a shift from urban government to urban governance (Jessop 1994), or as Harding and Le Galès (1997) and Ward (2000) suggest, a combination of government and governance at different geographical scales (cf. Brenner 1998, 2004; Smith 2008b; Swyngedouw 1997).

The contours of a major shift in urban governance, part and parcel of the concomitant rise of neoliberalization, were outlined in Harvey's (1989) much cited article 'From managerialism to entrepreneurialism; the transformation of urban governance in late capitalism'. Harvey makes three assertions about this transformation. First, that the centrepiece of the new urban entrepreneurialism is the notion of 'public-private partnership', integrating traditional local boosterism in efforts to attract investments. Second, that the activity of this partnership "is entrepreneurial precisely because it is speculative in execution and design and therefore dogged by all the difficulties and dangers which attach to speculative as opposed to rationally planned and coordinated development." And third, that this new entrepreneurial urban governance "focuses much more closely on the political economy of place rather than of territory", the latter meaning "the kinds of economic projects (housing, education, etc.) that are designed primarily to improve conditions of living or working within a particular jurisdiction." Neoliberal urban governance thus facilitates exchange value to become master, as "investment increasingly takes the form of a negotiation between international finance capital and local powers doing the





best they can to maximise the attractiveness of the local site as a lure for capitalist development" (1989, pp. 5-7; cf. Swyngedouw et al. 2002).

The new urban entrepreneurialism emphasises inter-city competition and the necessity of strategic policies to invest in becoming – or in creating an image of being – attractive locations for capital investment and 'the creative class' in the globalized economy. Richard Florida (2002, 2005) is arguably the most well known expert on and exponent of such policies, and enjoys celebrity status among urban elites and policymakers in spite of substantial scholarly critiques (e.g. Peck 2005; Podagrosi and Vojnovic 2008).

In their recent analysis of transnationalizing urban governance across the OECD zone, Theodore and Peck (2012, p. 38) conclude that "One of the sources of the political durability of neoliberal urbanism has been the ability to appropriate and integrate institutional flanking mechanisms that contain some of the more destructive tendencies of market rule without fundamentally challenging the (il)logics of the evolving development model itself. For this reason, projects of neoliberalization are associated with experimentation and adaptation, institutional variation and hybridity, rather than static ensembles of marketized institutions." It is against this background that Harvey (2009, p. 71) critiques what he calls "the ideology of governance ... grounded in ideals of efficiency and rationality of administration, bringing together significant 'stakeholders' (the favoured term) to come up with 'optimal' but 'politically neutral' public policies", claiming that "governance effectively masks the class and social relations that are redistributing wealth and income to the affluent through a networked and decentered system of organized political-economic power."

While there are clear transnational patterns in the spread of urban policies generally labelled neoliberal, there are also contextual differences.¹¹ Neoliberalism is,

¹¹ Neoliberalism, like globalisation, and now financialisation, is in current social-scientific parlance used so generously that it is in danger of becoming a "fuzzword" (cf. Fine 2013, p. 5). We here use neoliberalism in the sense of "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" (Harvey 2005, p. 2). Obviously, as many have now shown,





as a growing literature emphasises, best understood as an on-going process of neoliberalisation that takes variegated forms in different political, cultural and institutional contexts (Brenner et al. 2010). There "is always more going on than neoliberalism", Peck et al. (2013, p. 1093) argue, and "neoliberalism is therefore a creature of less-than-happy marriages, revealed in various states of contradictory yet constitutive cohabitation with 'other halves', the result of contextually specific histories of institutional organization and regulatory tinkering." And this, Christophers (2013b) argues in relation to the political economy of Swedish housing, may lead to "monstrous hybrids". If this is the case for neoliberal politics on built environments, surely it also applies to the steadfast followers of such politics: commodification and financialisation.

One financial instrument that appears to have had considerable impact on urban governance is Tax Increment Financing (TIF). TIF originates from the US in the 1940s, but has recently gained considerable attention and been put into effect in a growing number of European cities. As Rachel Weber (2010, p. 251) explains, "TIF allows municipalities to bundle and sell off the rights to future property tax revenues from designated parts of a city." Weber (p. 270) concludes that by "converting deeply embedded and otherwise opaque real estate assets into more standardized and less locally contingent financial instruments", TIF "requires that city governments exercise more than a modicum of control over the processes of asset creation, valuation, and securitization."

In a detailed ethnographic study of development professionals, Josh Pacewicz (2013, p. 413) shows how TIF creates "opportunities for economic development professionals to exercise jurisdiction over municipal budgets", and furthermore "structures other roles that development professionals play by giving them incentives to use TIF in ways that are not aligned with the city's fiscal outlook and lock them into ever-higher rates of TIF spending." Pacewicz concludes (p. 437) that understanding

the theory of neoliberalism fails to correspond to the concrete realities of its practical applications.





the financialization of urban politics requires "analysing the recursive aspects of TIF: the way the practice transforms urban politics and structures the roles – and hence the contextual incentives – of those with jurisdiction over TIF", namely development professionals who "simultaneously represent the city and are unencumbered by its formal democratic procedures. As TIF has become more fiscally important, development professionals have assumed de facto jurisdiction over municipal budgets and become central within urban growth coalitions."

In another empirical analysis of relations between urban governance and financialisation of built environments, Larsen and Lund Hansen (2015) show how the liberal-conservative government that came to power in Denmark in 2001 sought to make the "housing market work better under market conditions" (cf. Nielsen 2010). Set within wider economic changes and political objectives, the essentially neoliberal policies that followed from this aim did much to fuel the bubble economy in Danish housing (Dam et al. 2011; Ministry for Business and Growth 2013). More specifically, Larsen and Lund Hansen (2015) show how an ostensibly minor political decision - to legalise the right of housing cooperative members to individually take out loans with security in their cooperative share - started a rapid commodification and financialisation of the cooperative housing sector, which hitherto largely had functioned outside the logics of market exchange and market valuation. In essence, this has entailed that a tenure form, private cooperative housing, central to the development of the Danish variant of the welfare state, has increasingly come to be considered in terms of exchange value and extraction of land rent, rather than primarily for its use-value. Earlier and in other contexts, a similar process played out in Swedish cooperative housing (Christophers 2013b).

Finally, we should draw attention to other FESSUD Working Papers that cast light on relations between financialisation of built environments and urban governance. Given the broad meaning of governance to include all processes of governing, whether government, market, civil society, or networks involving all of these, it follows that systems of provision (sop) can be understood as engaging in governance. And, given





that housing provision is one sphere of urban governance, it follows that research into relations between financialisation of housing and systems of housing provision are relevant to our topic. Financial actors are involved in housing provision, "from land acquisition via construction to purchase and even refurbishment" (Bayliss et. al. 2013, p. 15), and thus constitute a key actor in housing 'sops'. Financialisation of housing, argue Bayliss et al. (2013, p. 39), "has transformed the sops for housing ... in the UK and elsewhere. Global financial capital now affects the delivery of these basic services with far-reaching effects. ... service delivery is now subject to the vagaries of shareholders."

Mary Robertson (2014b, p. 77) argues that "the financialisation of the UK housing system must be grasped not through a generalised account of mortgage market liberalisation and growth, but through tracing how finance relates to other agents involved in housing provision ... and how it influences the structures and processes within which they operate." Robertson's findings suggest that, "a result of the housing sop's responses to the financialisation of the sector is that the UK housing system appears increasingly dysfunctional" (Robertson 2014b, p. 79). Elsewhere, Robertson (2014a, p. 94) reports that "the major consequence of the transformed presence of finance ... has been the restructuring of the sop around the appropriation of ground rent", providing support for our view that land rent lies at the core of financialisation of built environments. Together this research suggests that financialisation of built environments tend to direct priorities toward financial performance through the capture of land rent, more than the production of substantive use values.

Harvey (1989, p. 16) closed his influential article on transformation in urban governance by calling our attention to "something positive also going on here … potentiality for transformation into a progressive urban corporatism", thus gesturing towards radically different forms of urban governance. Drawing upon various ideas and movements, scholars and activists are investigating such potentialities. These include urban politics emphasising social and spatial justice (Soja 2010), socioeconomic equality, cultural diversity and democracy (Fainstein 2010), meaningful





democracy in urban planning (Purcell 2008, 2013), social practices of commoning (Harvey 2012; Hodkinson 2012) and, more broadly, the 'just city' and the 'right to the city' (Marcuse et al. 2009; Mitchell 2003). For Harvey, whose *Social Justice and the City* (1973) influenced a generation of urban planners, theorists and activists, the right to the city is "far more than the individual liberty to access urban resources: it is the right to change ourselves by changing the city. It is, moreover, a common rather than an individual right since this transformation inevitably depends upon the exercise of a collective power to reshape the processes of urbanization" (Harvey 2008, p. 23). A valuable collection of essays on the right to the city calls for *Cities for People, Not for Profit* (Brenner et al. 2012). The implications for urban governance are crucial. Urban governance that regulates land use and financial activities in ways that promote use value oriented investments over exchange value oriented investments are simultaneously more conducive to and facilitated by egalitarian politics, meaningful participatory democracy, social practices of commoning and institutionalised right to the city.





5 Relations with social geographies

Changes in social relations underlying the production, exchange and consumption of built environments will, depending on the kinds of change, have various effects on processes of social geographic change. The financialisation of built environments that has taken place at a global scale, in various ways in diverse contexts, has impacted conditions for social geographic change, partly through its impacts on socioeconomic polarization (increasing inequalities), partly through its impacts on land rent and consequently the political economy of access to housing. There is voluminous research into the costs of socioeconomic inequality, some of which clearly relates growing inequalities with the rise of neoliberalization and market fundamentalist ideology (e.g. Sayer 2005, 2012 and 2015; Wilkinson 2005; Wilkinson and Pickett 2009; Michaels 2011; Stiglitz 2012). And as we have seen, there is considerable research into financialisation of built environments. But there is not very much research that theoretically and empirically draws clear connections between these processes. This brief overview starts with this narrower scope, and then includes some selected research that makes more tacit connections by relating social geographic change more broadly to transformations in urban governance that are associated with neoliberalization and financialisation.

The work of Elvin Wyly with colleagues includes a number of quantitatively robust analyses of linking financial practices of subprime lending with social geographic impacts on American cities. Wyly et al. (2006, p. 105) employ a "mixed-methods approach to (1) provide econometric measures of subprime racial targeting and disparate impact that cannot be blamed on the supposed deficiencies of borrowers, (2) qualitatively assess the rationale for judging particular subprime practices and lenders as predatory, and (3) trace the connections between local practices and transnational investment networks." Their results (ibid., p. 126) "reveal persistent racial targeting and disparate impact, even after controlling for applicant income and





underwriters' evaluation of borrower risks", supporting earlier findings by Hackworth and Wyly (2003) on the impact of mortgage lending on social polarisation.

Wyly et al. (2008) utilize large data sets covering several hundred US metropolitan areas for multivariate analyses of the geography of lending flows and the effects of borrower characteristics on lending outcomes. The results "yield no evidence that subprime credit helps to reduce the traditional problems of unequal denial and exclusion", but on the contrary "exacerbates rather than eases old forms of credit rationing and exclusion", and in the end has left many "faced with the loss of their homes and life savings" (Wyly et al. 2008, pp. 19-21).

Drawing on Harvey's theory of class-monopoly rent, Wyly et al. (2009 and 2012) map and analyse "neighbourhood exploitations of class and race in several hundred US metropolitan areas as they were woven through Wall Street securitization conduits into global networks of debt and investment" (Wyly et al. 2009, p. 332). Their analysis demonstrates that "the geography of the subprime lending boom was not simply a random deviation from mainstream market outcomes: rather, the pattern was inscribed through the mutual interplay between regional histories of race and uneven urban development across the American urban system and the competitive moves of brokers, lenders and Wall Street investment houses working to maximize short-term profits in an anti-regulation climate that favors the interests of financial capital over the needs of consumers" (ibid. p. 350).

Financialisation of housing "intensifies the contradictions between housing as use-value affordability versus exchange-value asset accumulation, and exacerbates displacement pressures" (Wyly et al. 2010), impacting rent gaps and thereby generating processes of gentrification. The same goes for non-housing elements of built environments, manifesting for instance in commercial gentrification. Analytically and empirically separating neoliberalization of urban governance from financialisation of built environments is not easily done. Nevertheless, the voluminous literature on processes of social geographic change can cast considerable light over consequences





of financialisation of built environments, leaning on the presumption that where financialisation of built environments has taken place, this can theoretically be expected to leave traces in the urban social landscape. Much (though far from all) gentrification research draws on political economy perspectives to grasp this conflict-laden process that constitutes a fair share of capitalist uneven development (see Lees et al. 2008 and 2010; Slater 2011).

One example of this is Hedin et al. (2012), who have meticulously mapped social geographic change in Sweden's three largest cities, Stockholm, Gothenburg and Malmö, highlighting processes of gentrification and filtering (see footnote 10 above). The findings show that most neighbourhoods experiencing gentrification have very high incomes prior to gentrification (this is called 'super gentrification'; cf. Lees 2003), while most neighbourhoods experiencing filtering are low-income areas (what might be called 'slum formation'). This is the geographic reflection of social polarization that in less vivid form is displayed in Sweden's rising gini coefficient. Hedin et al. relate these striking patterns of social geographic change to Sweden's dramatic neoliberalisation, which started in housing in the 1980s and has since continued in education and health care.¹² Sweden's built environments have been rapidly privatized and financial actors have played increasingly powerful roles in Sweden's system of housing provision. Just how much of the observed changes in the social geographies of Swedish cities can be ascribed to financialisation of Swedish housing is of course not so easy to ascertain. It seems fair to say, however, that financialisation has played an important role, since "the financialisation process has become highly visible in

¹² A recent study by the conservative U.S. think tank The Heritage Foundation, commissioned by *Svenska Dagbladet* (large Swedish daily newspaper), concluded under the headline "World champion in liberalization" that for two decades Sweden has liberalized faster than any other country in the West (Eriksson 2012). The success of this neoliberal revolution in the heartland of the Nordic welfare state has *The Economist* (2013) parading "The next supermodel", claiming that "Milton Friedman would be more at home in Stockholm than in Washington D.C." With its large public fund of institutionalized commons in housing, education, health care, infrastructure and more, Sweden is an attractive target for global finance capital, ever in search for new spheres of profitable investment.





overall 'daily life', not least as market mechanisms have been encouraged to enter previously 'sacred' areas, such as housing, education, health care and pensions. The Swedish population has, directly and indirectly, become a collective of individual investors and risk managers highly exposed to the direction and volatility of the financial markets" (Stenfors 2014).

Housing production in Sweden has dwindled, not unlike the case in Britain, where "expansion of mortgage lending ... was sustained by increases in house prices but not by significant increases in house building", and where consequently "house price growth has zoomed ahead of housing construction over a long period of time" (Bayliss et al. 2013, pp. 16 and 20), with severe consequences for young and low-income households who find it increasingly difficult to secure affordable housing. This entails pressure to live in crowded conditions, with parents or friends, and at the urban scale fuels processes of filtering in low-income areas (Hedin et al. 2012).

We have previously mentioned how Danish built environments have been financialised, not only in the owner-occupier sector, as could be expected, but also in the cooperative housing sector (Section 4). For Mortensen and Seabrooke (2008, p. 319), this "cashing-out or 'liquidation' of housing cooperatives signals the abandonment of a view of housing as primarily a social concern for many". More specifically, Larsen and Lund Hansen (2008 and 2015) argue that in Copenhagen, where cooperatives make up some thirty per cent of the housing stock, the financialisation of cooperatives has resulted in processes of gentrification. This may have led to some direct displacement of low-income and marginalised groups from inner-city neighbourhoods. But the main impact on the social geography of Copenhagen evolves more "stealthily" through what Peter Marcuse terms "exclusionary displacement"; that is, when a "household is not permitted to move into a dwelling, by a change in conditions which affects that dwelling or its immediate surroundings" (Marcuse 1986, p. 156).

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Another consequence of financialised housing in conjunction with entrepreneurial urban governance is the clear tendency for competition between municipalities within a region to utilize local planning authority to guide changes in the housing stock conducive to attracting what one municipality called the "economically sustainable population" (Lund Hansen et al. 2001), while excluding households that may be considered a 'burden' for the municipality. This clearly drives processes of social geographic change through a cynical regional game of Old Maid, the presumably 'unsustainable' population being passed on to other municipalities. Financialisation of built environments appears to be more in line with what Neil Smith (1996) called the revanchist city, than with the creative city of policy rhetoric.

6 Relations with sustainability issues

"As tenants, investors and regulators all push for a climate-friendly product, the sustainability question of buildings has become a financial as well as political touch-point. ... Typically, listed property companies are already leading the way in innovating energy-savings into their assets, responding to investors expectations of green management." (Hughes et al. 2013, pp. 29-30)

"Compound growth for ever is not possible ... Our relation to nature should not be guided by rendering it a commodity like any other, by futures markets on raw materials, minerals, water, pollution credits and the like, nor by maximisation of rental appropriations and land and resource values, but by the recognition that nature is the one great common to which we all have an equal right but for which we all also bear an immense equal responsibility." (Harvey 2010a, pp. 227, 234-5)





Also sustainability is subject to financialisation, as advanced instruments and vehicles capture future values of expected environmental savings in both built environments and nature (Sullivan 2013). The dense built environments of cities have been portrayed as inherently unsustainable, and as necessary for sustainability. What is certain is that with the majority of global population living in cities, pathways to sustainability must involve engagement with knowledge production on and the politics of urban sustainability. In the following we present a selection of research relevant to relating financialisation of built environments to sustainability issues.

The seminal work of Campbell (1996, reprinted in several books) positions urban planning amidst the abiding contradictions of sustainable development. Critiquing common appeals to sustainability as vaguely holistic, Campbell positions sustainable development in the core of a planner's triangle formed by social, economic and environmental goals and the property, resource and development conflicts between them, outlining procedural and substantive paths to conflict resolution and sustainable development.

With emphasis on social dimensions of sustainability, Vojnovic (2013) provides a wealth of case studies from around the world covering a broad range of issues, and is a valuable resource for cross-cultural and multi-scalar comparative analysis of urban sustainability. In a similar vein, Mayer and Knox (2006) analyse two German cases of certified Slow Cities with strong alternative urban development strategies that contest corporate driven regimes, and consider the contexts contributing to their success and the transferability of Slow City strategies.

Confronting the split between humanity and environment, the essays collected in Heynen et al. (2006) analyse the politics of urban metabolism, advancing urban political ecology and perspectives on cities as socio-ecological processes. It includes empirical analyses on issues ranging from water and waste management, environmental justice and hunger, to monoculture and war. From a critical political economy perspective, the essays in Krueger and Gibbs (2007) emphasise the political nature of sustainability, problematize sustainability politics as both resistance to and





mainstreamed by neoliberal ideology, and present empirical studies focused on US and European contexts.

If understanding complex interactions in social-ecological systems poses a formidable challenge, forming and transforming institutions capable of effectively governing societal transition to sustainability is even more daunting. Paralleling extraordinary growth in research on sustainability is the growth of national and international regimes for environmental governance. The essays in Agder and Jordan (2009) critically examine governance issues surrounding relations between society and the state, citizenship, knowledge production, public participation and precautionary practice, environmental and ecological economics, welfare concerns and substitutability of capital, the slipperiness of sustainability, and the crucial problem that empirically, governance has proven to be inadequate for sustainability.





7 Conclusion

"If REITs become the only remaining tax transparent form of financing for real estate the market for of REITs may become one of unimagined growth opportunities." (Sotelo 2013, p. 11)

"The global opportunity in REITs will continue to grow as REIT legislation is adopted in more countries around the world. Currently, more than 25 countries ... predominantly in Europe and East-Asia, have adopted REIT legislation, and other nations including China and India are actively considering REITs." (Wechsler 2013, p. 51)

Through this constant seeking out of opportunities, spheres of commons built up and institutionalised during the middle decades of the twentieth century have rapidly been privatised, commodified and financialised, as "exchange value considerations" (Harvey 2014, pp. 22-23) have become the primary drivers of urban policy and development of built environments. The "extent of hyperfinancialization produced in and through the consolidation of finance-dominated accumulation ... in the economic spaces that experienced neoliberal regime shifts" (Sum and Jessop 2013, p. 416) has turned the production, exchange and consumption of built environments into systems that create, reproduce and intensify inequalities.

Where land is commodified, privatised and financialised, tensions between potential and actual uses of land clearly manifest in the exchange values of potential and actual land rents, forcefully directing flows of capital into built environments. In this way, as Žižek (2009, p. 145) notes, "exploitation increasingly takes the form of rent." This is also the case in societies with relatively large public sectors and welfare state institutions. Unless the singular power of finance capital and landed developer interests (Harvey 2010a, pp. 180-181) is kept in check, Jou et al. (2014, p. 14) argue,





"the successes of progressive movements, be they environmental, cultural, social or economic, will be valorised through the mechanisms of property markets: those who created the values in urban space will be displaced, dispossessed, the values accumulated by the architects of neoliberal urban politics – finance and real estate capital".

Finance capital claims to "see the world as full of potential", indeed, to "see potential everywhere" (HSBC billboards). Through 'improvements' geared to capture potential rents it secures its own runaway growth while wreaking havoc on the habitation of common people. In this way, the three wealthiest people on the planet have accumulated more wealth than the 48 poorest countries (Wright 2004). The rescaling of rent gaps in terms of both spatial scope and economic value exacerbates the escalation of inequalities, thereby increasing the dynamic force of rent gaps in a process of spiralling polarisation.

Since our deep past our societies have been characterized by "patterns of behaviour that systematically prevented overreaching individuals from achieving dominance" (Shryock and Smail 2011, p. 255; cf. Boehm 1999; Clark and Clark 2012). From this perspective we might ask if the last few hundred years are not an aberration, and if it is not high time we reassert systematic prevention of overreaching individuals – and of the financial and political power they control – from achieving the dominance they currently enjoy. Put differently, sustainability – in its ecological as well as social meaning – requires equality, as guiding principle and as material condition.

For urban governance to succeed in making rent gap theory untrue it will have to "eliminate those mechanisms which serve to generate the theory" (Harvey 1973, p. 137). To do so, at the very least, it will have "to reinstate the use values (actual or potential) of the land, streets, buildings, homes, parks and centres that constitute an urban community" (Slater 2015). But it will also have to effectively control exchange value driven investments associated with accumulation by dispossession. This requires developing legal frameworks, institutions and social practices of commoning





that can bring land and built environments into the sphere of urban commons, where use value driven investments can be democratically anchored.

We consider this review of research into relations between financialisation of built environments, urban governance, social geographies and sustainability to, at the very least, support the idea that, "Real estate markets should not be fully integrated in financial markets and should be subordinated under special regulations" (Detzer and Herr 2013, p. 64). Without such an order, higher goals such as the right to democratic participation in our own niche construction, to improve our habitation in accordance with our hearts' desires (Harvey 2008), will remain out of reach.





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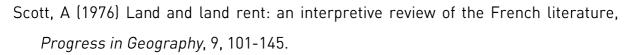




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THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation?; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'





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