Reviewing cycles of boom and bust, Jonathan Charley offers a Marxist analysis of the economic downturn, reflecting on what renewed socialist urban development might aspire to.

# The shadow of economic history: the architecture of boom, slump and crisis

*Jonathan Charley*

We gazed with earnest hope for signs of recovery and longed for the airwaves to tell us that 'the worst is past, economic Armageddon has been averted, and house prices are rising again'. What follows engages with debates on economic development and places the recent crisis in the architectural and building industry in historical context. It argues that it was irrational for architects and contractors to behave as if the boom would go on forever. Capitalist development has always been marked by periodic crises, and building production has always exhibited cycles of expansion and contraction. So what caused the economic recession and where on earth did the profoundly mistaken belief come from that we could cheat history?

## A year to remember

> *In the autumn of 1929 the mightiest of Americans were, for a brief time, revealed as human beings. Like most humans, most of the time they did some very foolish things. On the whole the greater the earlier reputation for omniscience, the more serene the previous idiocy, the greater the foolishness now exposed. Things that in other times were concealed by a heavy façade of dignity now stood exposed, for the panic suddenly, almost obscenely, snatched this façade away.*[1]
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> (J. K. Galbraith, *The Great Crash 1929*) *[1]*

The construction boom that spanned the advent of the new millennium was seductive and intoxicating. Super profits on land development, the availability of cheap credit, booming house prices, showcase urban


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1 The cranes of boundless prosperity, Liffey River, Dublin

regeneration projects, and relentless advertising promises seemed to confirm the 'new common sense' that we had entered an era of boundless prosperity and crisis-free economic growth. It was an ideological consensus that reached its apogee in Gordon Brown's notorious declaration that the era of boom and bust was over. Then, almost overnight, the door slammed shut. Oblivious to the warning sirens, economists and bankers expressed concern and then terror as the global financial system went into meltdown. It quickly dawned that what had started as a local financial and banking crisis connected to the trade in mortgage debt in the United States had assumed global dimensions and was potentially as destructive as the great crash of the 1920s. Worse still, talk was not just of a serious recession, but of a crisis that focused a spotlight on the legitimacy of the political class that had allowed neo-liberal speculation and unregulated financial engineering to traverse the boundaries of economic science.

The impact on building production and the housing market in the UK was instantaneous as panic struck, cranes came to a halt, and architectural firms laid off staff. Light years away from the dream of managed equilibrium, or even a temporary downturn in the trade-cycle, the construction sector faced the most ruthless slump in its fortunes that anyone could remember.[2] Construction output stagnated, new orders were frozen and, by the end of 2009, an estimated 60% of contractors had laid off staff. No sector of the industry was immune. Giants like Balfour Beatty and Bovis, plant hire and engineering firms, materials producers, scaffolders, and countless architectural practices, all announced redundancies. It was estimated that, in the construction industry alone, anywhere between a quarter of a million and 400,000 workers had lost their jobs by the start of 2010.[3] Worse still, the house building industry had reached its lowest peacetime level of activity since 1921; a predicament compounded by a 50% increase in home repossessions.

If the threat of economic disintegration wasn't bad enough, the construction industry remained highly dangerous, a situation greatly exacerbated by the casualisation of employment. The construction union UCATT reported that the annual death toll on building sites had exceeded seventy with hundreds of serious injuries.[4] If we were to add to this the environmental degradation and social destructiveness of three decades of neo-liberal economic policy in which the vocabulary belonging to a social agenda in architecture was virtually forgotten, the word catastrophe, loaded as it is with drama and tragedy, for once seemed appropriate.

## Visions of hope and optimism

*The bankers were also a source of encouragement to those who wished to believe in the permanence of a boom. A great many of them abandoned their historic role as the guardians of the nation's fiscal pessimism and enjoyed a brief respite of optimism.*[5]
(Galbraith, *The Great Crash 1929*) *[2]*


2 Juggernauts full of prosperity

The deep shock that gripped the building industry resulted not just from the rapidity with which property markets and the banking system collapsed, but also because it contradicted what had become the received wisdom of neo-liberal ideology. This maintained that capitalism was, 'the eternal and natural form of economy', and that a crisis-free capitalist system was both imaginable and realisable.[6] It proposed that 'human well-being' could 'best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets and free trade'.[7] But it had other ambitions beyond this. Neo-liberalism's long-term objective was to extend the operation of competitive market relations into all areas of our lives; to profoundly transform the social and cultural landscape of Britain by institutionalising a 'business ontology' that supported the view that it was: 'simply obvious that everything in society, including health care and education, should be run as a business'.[8] Neo-liberal ideology maintains that the building industry should be overwhelmingly privately owned and run and that the power of the state and public authorities to regulate what gets built should be severely restricted. It equates freedom with homeownership and insists that the best way of meeting our collective and individual needs in the built environment is through the operation of a 'self regulating free market' in land and building services, which, if left unfettered, will allow a state of 'perfect competition' to prevail between firms and individuals.[9]

For many the neo-liberal world-view was alluring even though blind faith in its utopian promises was instrumental in causing the crisis. However, it is a little too easy to blame neo-liberalism as the monster in the cupboard that single-handedly wrecked the economy and construction sector; not least because neo-liberalism itself came of age in response to another crisis that occurred at the end of the 1970s. This suggests that the underlying causes of crisis perhaps lie elsewhere. Here, it is important to remember that, forty years ago before the rise of neo-liberalism in the US and UK, there was a broad consensus of a different kind. It was based on Keynes' proposition that, with intelligent state regulation, the capitalist economy and the building industry could be planned in coordination with the market in an efficient and equitable manner; a proposition that triumphed in Britain in the urban and architectural programme of the welfare state.

Such was the ideological consensus that, in 1970, Arthur Okun, the former Chair of the Council of Economic Advisers declared that, 'with the neoclassical Keynesian synthesis now in the hands of every enlightened government, recessions like airplane crashes were preventable, and business fluctuations as a threat to the smooth operation of the modern economy were obsolete'.[10] The mood that surrounded what appeared to be the 'discovery' of the secret formula of stable economic growth was as contagious as that accompanying the neo-liberal programme that was to replace it and encouraged economists and politicians to announce triumphantly that: 'The miracle of the market, superintended by the state, could now virtually guarantee perpetual growth.'[11]

What was extraordinary about this utopian euphoria was that it came at the very moment when the postwar boom was coming to an end. The uprisings of the late 1960s, a falling rate of profit, the intensification of the Cold War, the conflicts in South-East Asia, and the oil crisis of the mid 1970s heralded the onset of a crisis that had become consolidated by the end of the decade in a major recession that hit the property and construction sector particularly badly. The over-production of office space helped plunge the UK construction industry into a slump that prompted curiously familiar headlines in the first four months of 1977 in *The Times* and *The Architects' Journal*; 'Worst Outlook for Builders', 'Unacceptable Level of Building Sector Unemployment', 'Damaging Long Term Effects of Fall in Construction Industry', 'Construction Sector Faces More Jobless and Permanent Damage', and '2000 Architects Laid Off'.[12]

The solution to the recession was to dismantle the legacy of Keynes, to peel back the welfare state, to extend the operation of market forces and to restore the power of the capitalist class that had retreated over the previous three decades.[13] The construction industry was one of the first sectors to be targeted and, in response to calls from the political left in the late 1970s to nationalise the building industry, an employers' campaign was launched to confront the power of organised labour and to discredit public sector building and architects' departments.[14] The labour movement mobilised against these attacks with campaigns to tackle homelessness, to halt the sale of UK council housing, to regulate the activities of labour only subcontractors, and to prevent urban development authorised against the public interest. But despite the struggles of the early 1980s, including local opposition to the construction of Canary Wharf, the ideology of deregulation, free markets and fast money had gripped the imagination of powerful construction firms and speculative developers.

Between 1969 and 1989, as a proportion of new UK house building, the public sector share declined from 51% to 13%. New orders for all types of building work in the public sector fell from 48% to 23%. By 1990, 92% of total national building output and 98% of new public housing was produced by the private sector.[15] Direct labour departments and local authority architects' departments had virtually vanished in the space of two decades, and the trade union organisation of building workers had reached a new low. Ideologically at least the neo-liberal project appeared to have been accomplished.

But, by the middle of 1990, *The Architects' Journal* began to run alarming headlines including 'Gloomy Outlook For Practices' and 'Oblivion Beckons As Slump Bites', while the Department of The Environment revealed an 18% fall in total construction orders during the second quarter of 1989: 'the most dramatic decline for a quarter of a century'.[16] A year later it still looked bad. An estimated 56% of new commissions in London had been abandoned or postponed and, nationally, 52% of practices experienced a fall in workload.[17] As the recession bit harder, *The Times* predicted that a recovery in the building industry had been ruled out until at least 1994.[18] In all, it was estimated that a massive 40% of architects and technicians were made redundant between 1990 and 1993.[19]

However, far from rebuilding the public sector, or questioning free market orthodoxies, the remedy for the recession in the early 1990s was to extend the operation of the free market, to prise open new opportunities for private sector led land and building development and to consolidate a model of a post-industrial economy in which the services sector, tourism and retail outstripped what was left of the manufacturing sector as a proportion of GDP.[20] The beleaguered public sector was attacked once more with, for example, 44% of staff in the Building Services Department at London's Haringey Council being made redundant.[21] If things had gone temporarily wrong, it was not the fault of neo-liberal economic theory or the new mathematics of the latest insights of the Chicago School of Economics; it was that these theories and policies had not been driven far enough. Undeterred – and buoyed by the collapse of the Soviet Union – the political right in the UK had, by the mid-1990s, claimed that the combination of liberal parliamentary democracy and free market capitalism had proven to be the best way of organising human society. Economic crises were not caused by any implicit flaw in the process of capital accumulation but were the results of unforeseen events and accidents.

### The architecture of Baroque finance

> *In all great speculative orgies devices have appeared to enable the speculator so to concentrate on his business [...] The machinery by which Wall Street separates the opportunity to speculate from the unwanted returns and burdens of ownership is ingenious, precise and almost beautiful.*[22]
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> (Galbraith, *The Great Crash 1929*) *[3]*

Neo-liberalism was no overnight sensation. Although it can trace its ideological roots back to the early nineteenth century, its re-emergence after the Second World War as a critique of socialism, state planning and collective property was largely down to the work of Hayek and Friedman, whose ideas found a natural home in conservative think tanks in the UK such as the Institute of Economic Affairs (founded in 1955), the Centre for Policy Studies (1974) and the Adam Smith Institute (1976).[23] Neo-liberalism was successful in creating a smoke screen in which the real and tangible nature of political and economic change was camouflaged. Indeed, in its audacious claims on future history, the pronouncements of neo-liberals can be compared with some of the outlandish declarations

3 The architecture of Baroque finance

of the Soviet bureaucracy on the 'global victory of socialism' in which the reality of economic stagnation was masked by the rhetoric of limitless progress. Neo-liberals engaged in a very similar game of make believe despite Joseph Schumpeter's warning, as far back as 1946, that the proposition that free trade and a perfectly competitive system would prevail, and that it represented the optimal way of distributing resources, was essentially mythological.[24]

Architecture played a significant role in supporting and creating such myths. Whereas the architectural community after the Second World War had seen itself as a handmaiden of progressive social change, it had, by the end of the twentieth century, embraced the virtues of neo-liberalism. The idea of the city as a democratically governed polity was transformed into 'City Ltd. Inc.', a limitless and lucrative real estate opportunity driven by business and self interest whose glittering skyline was no longer punctured by the spires and pediments of ecclesiastical and state power, but by the prefabricated shells of luxury flats, shopping cathedrals and financial nerve centres.
This was more than just an illusion. It was symptomatic of the rupturing of architecture and urban development into two distinct realities. On the one hand lay the ruined landscape of working-class industrial Britain. On the other lay the world represented in the competition between cities and regions, to attract mobile capital, whether in the form of waterfront developments or the right to host prestigious sporting and cultural events. Such socio-spatial inequalities in wealth and opportunity should not surprise us given that the 'law' of uneven development represents the geographical history of capitalism, a history in which the architectural and urban environment of a de-industrialised Ayrshire mining village co-exists with the 'freedom through luxurious living' of speculative land and housing development.

Whatever the ethical contradictions of this split reality, the architectural profession has tended to be fairly amoral about whom it serves and, alongside the representation of state power, it has performed a vital ideological function in legitimising and celebrating capital. In the nineteenth century, cities prided themselves in building banks and stock exchanges that not only occupied strategic locations in the city but, in the case of the Bank of England and the Paris Bourse, were spectacular monuments. One hundred and fifty years later, the ascendancy of finance capital during the neo-liberal era represented a new opportunity for architecture to continue this tradition. Picturesque mansion Château de la Muette, the birthplace of French monarchs, was reborn as the home of the OECD; wealthy institutions such as HSBC and the Frankfurt European Central Bank employed signature architects such as Foster and Coop Himmelb(l)au to illustrate their financial power with displays of structural gymnastics.

It is, however, a peculiarity of the slipperiness of meaning attached to architecture that institutions that represent the public face of the money markets and the circulation of capital often function as tourist icons. In London, the NatWest Tower, the Lloyd's Building, Canary Wharf and the so-called Gherkin are regularly listed as some of the public's favourite landmarks. This dislocation of form from function is an illustration of what Marx referred to as the 'fetishism of commodities', a phantasmagorical world of objects in which we understand the relationship between people and each others' labour in the 'fantastic form of a relation between things'.[25] It is a sort of amnesia in which we look admiringly at the objectification of the financial system in the shining facades of institutions that have been instrumental in causing the current crisis and so much misery. It is stranger still when we consider that, stripped of the symbolic capital loaded into the structure and entrance lobby, most of the office buildings that make up a city's financial services district, and which house the institutions that form what economists have called a 'global financial architecture', are designed to maximise 'exchange value' through the provision of as much rentable floor space as possible.

This kind of ideological dislocation is reflected in the pseudo-scientific linguistic fog developed by the financial system, a semantic code that makes the operations of money markets as difficult to understand as the Latin names of obscure plant life. Indeed the ubiquitous glass and steel headquarters of finance capital can easily be imagined as an alien botanic garden in which strange species of life known as hedge funds, derivatives, and all manner of debt and equity securities grow alongside genetically engineered flora and fauna known by mysterious abbreviations such as CDOs, CMBSs, RMBSs and ABXs.[26] Such 'financial instruments' were the nuts and bolts of what has been called a 'Baroque' financial system, designed to siphon off vast profits through the overvaluation of private sector assets and to camouflage the reality of greater volumes of debt.[27] It was a particularly apposite analogy, given that the Baroque is an architecture so laden with extravagant motifs and surfaces that the simplicity of space and structure is often obscured. And there was no greater illusion of prosperity than that created by the spiralling out of control of 'fictitious' capital and credit. The pyrotechnic display of readily available money had not only fuelled one of the biggest consumer booms in memory but had helped to forge a grotesque scenario in which the house and home had come to function as an ATM; that is as a ready source of credit that could be borrowed against.[28]

At the end of 2010, the consequences of casino capitalism are pervasive. Our cities are littered with empty apartment blocks and call centres with hastily concealed 'to let' signs. They are scarred by crumbling social infrastructure and public transport systems and inhabited by a population shocked at the manner and speed with which the utopian promises of neo-liberalism dis-integrated and increasingly angry at the renewed attack on the public sector.

**Ignoring the warnings**

*It is another feature of a speculative mood that, as time passes, the tendency to look beyond the simple fact of increasing values to the reason on which it depends greatly diminishes. And there is no reason why anyone should do so as long as the supply of people who buy with the expectation of selling at a profit continues to be augmented at a sufficiently rapid rate to keep prices rising.*[29]

(Galbraith, *The Great Crash 1929*) *[4]*

One of the most striking aspects about the current economic recession has been the rupture between the empirical proof of cyclical trends and periodic crises in the economy, and the persistent belief that it is nevertheless possible to control capitalist production in a sustainable manner. To a large extent this reflected the adoption by international economic organisations of neo-liberal doctrine about which there was no widespread agreement.[30] For more than three hundred years, all the evidence underlines the fact that the economic history of capitalism, and therefore architectural and building production, has been precarious and unstable. It has been a history marked by recurrent crises of both an economic and political nature in which the output and profitability of architectural and construction firms has been bound up with the fate of capital accumulation and the direction of economic growth.[31]

In their manifesto, Marx and Engels famously commented that '*Constant revolutionising* of production, *uninterrupted disturbance* of all social conditions, *everlasting uncertainty and agitation* distinguish the bourgeois epoch from all earlier ones.'[32] They were in no doubt. Capitalist economic and urban development was revolutionary, extraordinarily inventive, but simultaneously violently destructive. It was a flaw they encapsulated in the term 'anarchy of production' that referred to the contradiction between the enormous creative social power unleashed by capitalist production and the fact that the means to control and profit from it lay in private hands.[33] It was an 'anarchy' expressed in such phenomena as cycles of boom and slump, over-production, wastage, the periodic destruction and replacement of one form of technology by another, designed obsolescence and inter-capitalist competition. But Marx argued something else; that capitalism hid a crippling weakness. Although the history of capital accumulation might indicate a growing absolute mass of profit in the economy as a whole, the rate of profit over historical time, despite technological and organisational innovations, had a tendency to fall and it was this that lay behind the continual crises that have afflicted the history of capitalism.[34]

This is a complicated and controversial argument both theoretically and empirically.[35] However, in a recent review of the performance of the world economy, Brenner has argued that the net profit rates of US, German and Japanese manufacturing dropped by 40% between 1950 and 1990 and that, between 1973 and 1998, average rates of profit, productivity and real wages in leading capitalist economies consistently fell, while the average rate of unemployment doubled.[36] It seems reasonable to suggest since construction statistics are often embedded within those for manufacturing (the cycles of which it broadly mimics), that while construction output and the 'total mass of profit' in


4 Neo-liberal promises: housing on the Clyde, Glasgow

the industry might have risen over time during periods of intensive urbanisation and architectural activity, profit rates as a whole across the construction sector have also been declining. If we were to draw a graph of the historical trajectory of output and profitability in the British construction industry, it would resemble the summits and ravines of a craggy mountain range rather than the even and predictable slopes of an artificial ski run. It would show periods of intense construction activity and sustained growth followed by downturns and periods of stagnation.[37]

What we do know is that the imperative for capitalists is to use whatever means are necessary to maintain their profitability. Here the 'Law of the Tendency of the Rate of Profit to Fall' becomes even more problematic since Marx himself detected a whole number of measures employed during crises to arrest falling rates of profit that he called 'counteracting tendencies'.[38] Firm takeovers, the depression of construction and architectural workers wages, the worsening of working conditions, securing technological superiority over competitors, the organisational restructuring of management systems, diversifying into new areas of building activity, shifting capital to areas where labour power is cheaper, are all ways in which construction firms have tried to ride out recessions and kick-start construction into a new round of accumulation.[39]

While Marx's account of how technological and organisational change produces a tendency for the rate of profit to fall can be questioned, 'his essential insight that such changes have a key role in destabilising everything and thereby producing crises of one sort or another is indubitably correct'.[40] It is, however, one of the curious features of the economic history of capitalism that, at the moment when a crisis appears to threaten its very survival, 'geographical switches' and technological and organisational innovations emerge that create opportunities for renewed economic growth. In this sense Harvey suggests, crises can be thought of as, 'the irrational rationalisers of an always unstable capitalism'.[41]

For Schumpeter, this cyclical process of destruction and creation, of economic decline and growth, was the essential fact about capitalist economic history. Like it or not, firms could not avoid what he labelled the 'perennial gale of creative destruction'. In a passage clearly indebted to Marx, Schumpeter talked of 'the secular sabotage perpetrated by the bourgeoisie' in which economic structures are constantly being destroyed and recreated.[42] Here, alongside the obvious story of urban restructuring, one only has to reflect on technological innovation in the construction industry and how, at each stage in the transition from craft production to the factory production of building components, old forms of technology and labour organisation were swept away or subsumed by new forms. In other words, temporary devaluations of capital and recessions were unavoidable. The task for Schumpeter was not about visualising how capitalism administers existing structures, including that of the city, but about understanding how it creates and destroys them.[43]

Beyond the broad metaphorical description of economic history as 'creative destruction', discerning whether there is any pattern to cycles of economic growth and decline – and therefore of construction activity and urbanisation – has been contentious ever since Kondratieff suggested that the performance of the main industrial economies over the nineteenth century could be represented as a sinusoidal graph of fifty-year long cycles of growth and decline. Taking a longer historical view of this process of 'uninterrupted disturbance', Giovanni Arrighi argued that the economic history of capitalism could be modelled as a sequence of four overlapping 'systemic cycles of accumulation'. These, he suggested, stretched back to 1500 and could be imagined as 'long centuries' made-up of recurrent phases of stable growth alternating with 'phases of crisis, restructuring and turbulence'.[44] Importantly, each of Arrighi's historic cycles had a specific geographical dimension that related to the leading role that the Genoese, Dutch, British and Americans played in the development of the global capitalist economy; a shifting balance of power that was naturally reflected in intensive urbanisation and spectacular architectural developments. However, as Arrighi points out, such hegemonic positions do not last and, as US control over global economic development has faltered and capital has flowed into newly emerging markets such as China and South-East Asia, it is not surprising to find that spectacular examples of new urbanisation and architectural excess are occurring in cities like Shanghai and Singapore.

Ernest Mandel also took 'cyclical' theory as his starting point and argued that not only was it possible to distinguish between business cycles, partial and full economic crises but that if the trajectory of the average rate of profit was plotted over time, there were clearly observable periods of long waves of expansion and depression which corresponded with distinct historical periods.[45] Mandel's model is compelling not least because the expansionary and depressive waves match key phases in the process of urbanisation. He suggests that between 1780 and 1970, there were four distinct periods when the average rate of profit in the capitalist economy rose. The first up to the 1820s corresponded with the industrial revolution and the explosion of construction activity that provided the fixed capital and infrastructure necessary for capital accumulation. The mechanisation of building construction accelerated as new class relations were established. The modern contractor is born, and a class of 'free' waged building workers enter a labour market and a contracting system characterised by a 'restless and competitive anarchy'.[46] The second and third waves paralleled the rise of finance capital and the heyday of imperialism in the second half of the nineteenth century. The process of urbanisation intensified. Domestic house-building expanded, the construction of the key institutions of state and capital became ever more ambitious and new cities in the colonies were consolidated. Mandel's last 'expansionary wave' corresponded to the period between 1945 and 1970. Capital accumulation and the process of (sub)urbanisation were fully integrated, the mass production of consumer goods reached new heights, profitability was restored among firms involved in the industrialisation of the building industry, and there was massive investment in the construction programme of the welfare state. However, sandwiched between these periods of growth were downturns in the average rate of profit in which a combination of trade recessions, speculative bubbles, the over-production and devaluation of capital, increased unemployment and political unrest could threaten to destabilise economic development and social cohesion. Most significantly of all, Mandel argues, such phenomena, if left unresolved, can spark revolutions and global depressions; as the events of 1848, 1917, 1929 and 1936 demonstrated all too clearly.

## What can we do to prevent economic crises?

> *No one, wise or unwise, knew or now knows when depressions are due or overdue. Rather, it was simply that a roaring boom was in progress in the stock market and, like all booms, it had to end.*[47]
> (Galbraith, *The Great Crash 1929*) *[5]*

Implicit in the ideas of authors like Mandel, Arrighi, Schumpeter, Marx and Harvey is the possibility for constructing a quite different periodisation of modern architecture based on the cycles and crises that characterise capital accumulation. This narrative would attempt to show how, despite the history of anti-capitalist struggle, the strategic decisions taken about where and what to build have been driven by the political and economic priorities of the capitalist class. It would also seek to illustrate that the dream of a sustained and socially equitable programme for capitalist economic development is profoundly utopian and in reality impossible. If this is the case then what is the alternative? It might well be that any attempt to develop a socialist programme for architecture and construction would encounter the same problems associated with the technological determinism, bureaucratic centralisation and political repression that characterised the development of the building industry in the Soviet Union. But it is worth trying to rescue from the twentieth century some of the ideals that a renewed socialist programme for urban development might aspire to.

The city is recast as an experimental laboratory testing different infrastructural networks and construction technologies according to their social usefulness, ecological footprint and temporal adaptability. The city no longer exhibits the acute social and spatial inequalities that have hitherto characterised urban development. The disestablishment of centralised state power makes the headquarters of economic and political bureaucracies redundant. The strategic headquarters of finance capital are turned over to civilian use. Architectural form is liberated from the judgemental tastes of those who wield political and economic power. Democratically elected councils in accordance with the wishes of individuals and communities plan the important collective aspects of the built environment, education, housing, transport, and healthcare. Land and the principal means of

5 What goes up must come down: tower block demolition, Gorbals, Glasgow, 2009

building production are socially owned and controlled, and workers' collectives run all large building and architects' firms. Markets continue to operate as they have throughout human history. The important question is who regulates them and in whose interests. How to attain such ideals, even if they are considered desirable, is clearly predicated on the success of a broad-based anti-capitalist alliance. But it is important to remember that alternatives do exist even if the path towards them is fraught with difficulties.

What is remarkable is that, despite the increased frequency and depth with which financial and monetary crises have occurred since the 1970s, there does not seem to have been any widespread rejection among the political elites of the world of the neo-liberal programme for economic development.[48] So far, we have witnessed the bail out of banks with public money, the promise of little 'light' regulation of the financial system and cuts to public services. Indeed it appears, at the time of writing in the summer of 2010, to be 'business as usual; no admittance unless on business'. What is likely is that construction and architectural firms will look at the lessons of previous crises and recessions. They can sack staff, adopt new techniques of production, intensify the rate of exploitation, take over weaker companies, find new markets and exploit the few remaining branches of land and building construction that have hitherto escaped or evaded the full impact of capitalist commodity production.

It is probable that, through a combination of these techniques, the capitalist building industry will recover from its present crisis and estate agents and contractors will celebrate the birth of another boom. But, if so, it seems certain that the period of renewed prosperity will be followed at some point by another slump and a crisis whose proportions may be even greater. As Marx warned:

> *From time to time the conflict of antagonistic agencies finds vent in crises. The crises are always but momentary and forcible solutions of the existing contradictions. They are violent eruptions which for a time restore the disturbed equilibrium.*[49]

**Notes**

1. J. K. Galbraith, The Great Crash 1929 (London: Penguin, 1992), p. 26.
2. See the on-line archives for the *Financial Times*, *The Guardian*, *The Architects' Journal* and *Building* magazine. For statistics see *Housing and Construction Statistics Quarterly* published by the National Statistics Office at www.nso.gov.uk [accessed 11.06.2010].
3. That is approximately 20% of the construction workforce. See the report in www.masonryfirst.com [accessed 11.06.2009] and the report in www.contractjournal.com for a list of the full extent of job losses and redundancies in the construction industry.
4. See 'Oxford Vigil for Worker Killed by Girder' and 'TUC Congress-Delegates Support UCATT Call for Guilty Directors to Face Jail Term' in the Journal *Building Worker* published by UCATT (Union of Construction, Allied Trades and Technicians), Autumn 2008. http://www.ucatt.iInfo [accessed 25 November 2010].
5. Galbraith, *The Great Crash 1929*, p. 96.
6. Isaac Ilyich Rubin, *A History of Economic Thought* (London: Pluto, 1989), pp. 335–41. First published 1929.
7. David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2009).
8. Mark Fisher, *Capitalist Realism: Is There No Alternative?* (Winchester: Zero Books, 2009), p. 17. In short neo-liberalism aims to 'financialise everything', Harvey, *A Brief History of Neoliberalism*, p. 33.
9. Economic history suggests the opposite; that successful and sustained growth has normally come about by 'the state planning, coordination and reorganisation of capital flows'. David Harvey, *The Enigma of Capital – And the Crises of Capitalism* (London: Profile, 2010), p. 69.
10. Quoted in Robert Brenner, 'The Economics of Global Turbulence: A Special Report on the World Economy 1950–1998', in *New Left Review*, no. 229, 1998, p. 1.
11. Brenner, 'The Economics of Global Turbulence', p. 2.
12. Ronald Emler, 'Worst Outlook for Builders', *The Times*, 26 January 1977, p. 18; G. T. Bodkin, 'Unacceptable Level of Building Sector Unemployment', *The Times*, 8 February 1977, p. 20; Hugh Wilson, J. W. Baxter et al, 'Damaging Long Term Effects of Fall in Construction Industry', *The Times*, 31 January 1977, p. 16; Malcolm Brown, 'Construction Sector Faces More Jobless and Permanent Damage', *The Times*, 3 March 1977, p. 18; Malcolm Brown, '2000 Architects Laid Off', *The Times*, 22 April 1977, p. 25.
13. Harvey argues that one of the distinguishing features of the neo-liberal project was the restoration of class power. See Harvey, *A Brief History of Neoliberalism*, p. 201.
14. See for instance an article in *The Times* by Stephen Goodwin: 'Nationalisation Of Builders Urged', 3 September 1977, p. 15. On the campaign for building industry democracy, and the employers' response see the pamphlets:, Direct Labour Collective, *Building With Direct Labour-Local Authority Building and the Crisis in the Construction Industry* (, London: Direct Labour Collective, 1978); Direct Labour Collective, *Direct Labour Under Attack – The Rundown of Council Building and Housing* (Direct Labour Collective: London, 1980). For a comprehensive view of the failures of capitalist economic development in the 1970s, see The Conference of Socialist Economists London Working Group, *The Alternative Economic Strategy: A Labour Movement Response to the Economic Crisis* (London: Blackrose Press, 1980).
15. See *Housing and Construction Statistics Quarterly,* 1969–1979, 1978–1988, published by the National Statistics Office at www.nso.gov.uk [accessed 5 May 2010].
16. [n.a.], 'Oblivion Beckons As Slump Bites', *Architects' Journal*, 5 September 1990, p. 9.
17. [n.a.], 'Gloomy Outlook For Practices', *Architects' Journal*, 3 April 1991, p. 9.
18. [n.a.], 'Building Recovery Ruled Out', *The Times*, 1 August 1992.
19. [n.a.], 'New Figures Show Recession Deepening For Architects And Construction Industry', *Architects' Journal*, 3 February 1993, p. 8.
20. [n.a.], 'Builders In Appeal To Major', *The Times*, 1 October 1991. In a bizarre historical echo of the 2009 rescue mission of the Get Britain Building movement, the building firms appealed directly to the then Prime Minster John Major arguing that 'without expansion in central and local government programmes the recession could

cost industry 300,000 jobs and recovery would not start until 1993'.
21. Implying as it does that the problem somehow lay in the continuing survival of vestiges of the public sector [n.a.], 'Public Sector Hit By Cash Cuts', *Architects' Journal*, 13 March 1991, p. 9.
22. Galbraith, *The Great Crash 1929*, pp. 46–47.
23. Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), p. 57.
24. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (London: Routledge, 2010), pp. 88–89. First published 1943.
25. K. Marx, *Capital Volume 1, The Fetishism of Commodities and the Secret Thereof* (London: Swan Sonnenschein, 1908), p. 43.
26. CDOs (collateralised debt obligations), CMBSs (Commercial Mortgage Backed Securities), RMBSs (Residential Mortgage Backed Securities) and ABXs (Asset Backed Securities). In the United States, where the first domino fell, George Soros depicted the mechanisms invented to lubricate the flow of credit as 'an alphabet soup of synthetic financial instruments'. See George Soros, 'The Crisis and What to do About it', reprinted from *The New York Review of Books* in *The Guardian*, 22 November 2008.
27. That is, as an alternative to state borrowing and public debt. See R. Brenner, 'Devastating Economic Crisis Unfolds', *Green Left Weekly*, 25 January 2008, available on-line at http://www.greenleft.org.au [accessed 30 November 2010].
28. Effectively masking the economic reality of the fact in Brenner's words that: 'We have witnessed (in the past decade) the slowest growth in the US economy since World War Two and the greatest expansion of the financial or paper economy in US history.' Brenner, *The Economics of Global Turbulence*, p. 3.
29. Galbraith, *The Great Crash 1929*, p. 33.
30. In effect, economic science had been replaced by an ideology principally aligned with the interests of the financial community. Joseph Stiglitz, *Globalisation and its Discontents* (London: Penguin, 2002), pp. 220–30.
31. This has prompted economists to model the capitalist economy, either to prove that stability and equilibrium is possible, or that capitalism is in a process of inexorable decline. Compiling statistics and graphs, they try to plot the historical patterns of productivity and profitability and the relationships between different industries. They ask whether the construction industry mimics the rest of the economy, drives it, or lags behind in its own peculiar world. They speculate on whether the peaks and troughs that dominate construction history are indicative of minor fluctuations, business cycles, or long waves of depression and expansion that point towards a crisis of greater magnitude. See for instance Marian Bowley, *The British Building Industry* (Cambridge: Cambridge University Press, 1966). For a more recent study see Michael Ball, *Rebuilding Construction* (London: Routledge, 1988). For an earlier sketch of this article see Jonathan Charley, 'Boom and Slump on the Clyde and Liffey', in *Building Material*, Architectural Association of Ireland, Dublin, Winter 2005, pp. 8–12. For a whole number of critical essays on the building industry, see the seventeen volumes of the *The Proceedings of the Bartlett International Summer School*, 1979–1995.
32. This famously proceeds: 'All fixed, fast-frozen relations with their train of ancient and venerable prejudices and options are swept away, all new formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind.' K. Marx and F. Engels, *The Communist Manifesto* (London: Penguin, 1980), p. 83.
33. See for instance F. Engels, *Anti-Dühring* (Moscow: Progress Publishers, 1978), pp. 331–39.
34. Karl Marx, *Capital, Volume III, Part III, The Law of the Tendency of the Rate of Profit to Fall*, (London: Lawrence & Wishart, 1984), pp. 211–31. In relation to the building industry, I have always understood this as implying the following: to maintain competitive advantage in the market, a capitalist, let's say a house building contractor, tries to increase the productivity of labour by introducing often costly technological innovations into the construction process. The result is that a group of building workers with new technology is able to produce more finished houses in the same amount of time as they did previously. If, however, profit rates are directly related to the value of human labour embodied in the finished house, then it would appear that the rate of profit must fall since the same amount of labour is no longer embedded in one but is spread over several commodities.
35. For a summary of the debate see Ben Fine and Laurence Harris, *Re-Reading Capital* (London: Macmillan, 1983).
36. Robert Brenner, 'The Economics of Global Turbulence', pp. 1–10.
37. For an analysis of the performance of the UK construction industry see Michael Ball, *Rebuilding Construction: Economic Change in the British Construction Industry* (London: Routledge, 1988).
38. Marx, *Capital, Volume III*, pp. 232–40.
39. During the 1970s and '80s, although the general rate of profit across the British economy as a whole was in 'secular decline', the big contractors such as Wimpey, Tarmac and Laing maintained their profits precisely by engaging in these sorts of activities. However, big firms might survive a recession but plenty of smaller ones do not as the recessions of the 1970s and early 1990s showed. See Ball, *Rebuilding Construction*.
40. David Harvey, *The Enigma of Capital and the Crises of Capitalism* (London: Profile, 2010), p. 101.
41. Harvey, *The Enigma of Capital*, p. 71.
42. Schumpeter, *Capitalism, Socialism, and Democracy*, p. 73.
43. Schumpeter, *Capitalism, Socialism, and Democracy*, pp. 76–78.
44. Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of our Times* (London: Verso, 2010).
45. Ernest Mandel, *Long Waves of Capitalist Development* (London: Verso, 1995), pp. 1–27. First published 1980.
46. Richard Price, *Masters, Unions and Men* (Cambridge: Cambridge University Press, 1980), pp. 25–31.
47. Galbraith, *The Great Crash 1929*, p. 51.
48. Harvey, *The Enigma of Capital*, p. 54.
49. Marx, *Capital, Volume III*, p. 249.

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