

Cracks in the Edifice of the Empire State

DESPERATE FOR NEWS on the morning of September 11, I twiddled my radio dial and hit upon a station that was relaying accounts from the BBC. They reported events as an attack upon the main symbols of global U.S. financial and military power. This was such an obvious interpretation that I scarcely remarked upon it. But when I tuned in to the U.S. media, I noticed that no one took that line. In New York, understandably enough, September 11 was represented as a local disaster of horrific magnitude with unfathomable causes and unthinkably tragic personal and local implications. Nationally, the media immediately followed President Bush in construing it as an attack upon “freedom,” “American values,” and the “American way of life.” An amazing consensus was quickly forged throughout the nation on that point to the exclusion of almost anything else. But when I switched back to the international media, the BBC’s phrasing was far from aberrant or unusual. There were, clearly, different local, national, and international ways of understanding events.

A certain power resides in discourses. Once things are cast exclusively in one language, then it becomes difficult, if not impossible, to hear or see critical perspectives that depend upon another. To view September 11 in terms of personal tragedy or American values rather than as an attack upon global U.S. financial and military power obviously constrains both argument and understanding. Attempts to raise questions about the use and abuse of U.S. global financial and military power in New York teach-ins, for example, were quickly

rebuffed in the New York media and by local officials with the suggestion that people should go tell that to the bereaved families of firefighters in Queens. Nationally, to raise such questions was construed as being contrary to freedom and the American way, and many instances of outright suppression of such thoughts occurred. I want to argue here, however, that the BBC perspective offers a useful counterpoint from which to probe into the nature of the events themselves while understanding some of the contradictions within the American response.

The Twin Towers symbolized the era of neoliberal globalization and the role of New York financial markets in particular and the U.S. in general in forcing a certain pattern of political-economic development (at one point known as "the Washington consensus") upon the rest of the world. They marked in towering glass and steel the moment of transition from Fordism to flexible accumulation led by financialization of everything.¹ They symbolized the newfound dominance of finance capital over nation state policies and politics. By the time of the Clinton presidency, it was clear that even the federal government had to submit to the discipline of New York bond markets.

In the early stages, however, the towers were mired in the problems of serious recession and stagflation, epitomized locally by the technical bankruptcy of New York City in 1975. The recovery of New York depended crucially upon the further deindustrialization of the city's economy and its single-minded devotion to and ultimate dependency upon financial services and ancillary activities (legal services, information processing, the media). Financial speculation and the invention of new instruments of debt and credit became the lifeblood of a city that was proudly global at one level but also increasingly parasitic upon the production of real values in the miserable workshops of Bangladesh, the *maquillas* along the Mexican border, and the tyrannical factories of South Korea, Indonesia, China, and Vietnam. New York's economy rode the neoliberal tiger in the 1990s. It became intoxicated with the "irrational exuberance" of financial markets. It extracted much wealth from the rest of the world to become the richest and the most spectacularly successful

¹ See David Harvey, *The Conditions of Postmodernity* (Blackwell, 1989).

of the global cities that came to operate as command and control centers for global financial flows. It became the center of economic empire. The astounding wealth accumulated in New York City forged a basis for a remarkably rich cultural life and levels of conspicuous consumption beyond belief. It became a tourist mecca as people flocked to see the spectacle.

But New York also developed a vast low-wage economy to service its needs in restaurants, in hotels and apartment houses, in shops and workshops, in transportation, and in the upkeep of the city. Wave after wave of immigrants from everywhere crammed into the city to feed on the crumbs from the tables of the wealthy financiers, lawyers, and media moguls. This other New York was perpetually on the brink of total impoverishment, its slowly rising incomes often more than offset by spectacular rises in rents and other living costs in one of the most economically successful urban economies of all time.

The towers were not, therefore, neutral or innocent spaces in the global or even local scheme of things. This does not mean, of course, that anyone there deserved to die. Workers of all sorts (from janitors, cooks, and rescue workers to bond traders) were there. People need jobs, preferably well-paid ones, and for the most part they just do what their job specification says they should do. Markets hide consequences and social relations very effectively. Many of those in financial services were insulated from the global consequences of their actions (I know people who pulled out of the industry when they did figure out what it was doing to people and environments on the ground). Daily life in those towers appeared innocent in part because of the way the two New Yorks intermingled there, but also because of the disconnections between actions and consequences in the global economy.

Intense local emphasis upon loss and grief feeds on and promotes the idea of innocence. The brilliant short obituaries in the *New York Times*, coming day after day for weeks after the event, celebrated the lives and special qualities of those that died, making it impossible to raise a critical voice as to what role bond traders and others might have had in the creation and perpetuation of social inequality either locally or worldwide. The intensity of the local discourse, in short, occluded such social commentary.

If freedom is exclusively defined in terms of market freedoms, of course, then the space of the World Trade Center could be (and was) depicted as a “space of freedom” delivering market opportunities to everyone in the world in the face of (largely oriental) despotism and state-led (largely communist) terror. The attack upon the World Trade Center was an attack upon this kind of freedom. But freedom is one of the more complicated and paradoxical words in our political vocabulary. Freedom of the market can hide and preserve a whole raft of negative freedoms such as freedom to exploit labor, to deplete and degrade environments and destroy habitats in the cause of profits, to extract high rents, to lay people off overnight with no security, to exercise private property rights ruthlessly in the pursuit of individual advantage.

For those who have a more jaundiced view of what neoliberal globalization and market freedom have really been about in these last few years, the towers therefore symbolized something far more sinister. They represented the callous disregard of U.S. financial and commercial interests for global poverty and suffering; the militarism that backs authoritarian regimes wherever convenient (like the Mujahadeen and the Taliban in their early years); the insensitivity of U.S.-led globalization practices to local cultures, interests, and traditions; the disregard for environmental degradation and resource depletion (all those SUVs powered by Saudi oil generating greenhouse gases and now, in New York City, adorned with plastic U.S. flags made in China); irresponsibly selfish behavior with respect to a wide range of international issues such as global warming, AIDS, and labor rights; the use of international institutions such as the International Monetary Fund and the World Bank for partisan political purposes; the shallow and often hypocritical stances with respect to human rights and terrorism; and the fierce protection of the patent rights of the multinationals (a principle that the U.S. enforced with respect to the AIDS epidemic in Africa but then cynically overthrew when it needed Cipro drugs to combat the anthrax menace at home).

But to say any of this not only offends against the local discourse of personal pain and suffering of innocent victims, it also runs against the grain of interpretations based on an attack upon American values and the American way of life. Oddly, more than a whiff of a new McCarthyism

was apparent in the wake of September 11 as freedom to comment in this vein was actively repressed.

The odd thing with respect to “American values,” however, was that it took the attack to rediscover values that had gotten lost under the dominance of the dot-com boom, Wall Street greed, and Madison Avenue gloss. New Yorkers, faced with unspeakable tragedy, for the most part rallied around ideals of community, togetherness, solidarity, and altruism as opposed to beggar-thy-neighbor individualism. The outpouring of help, monetary as well as tangible (the lines to donate blood were incredible), from all sources was absolutely extraordinary. An abrasive and divisive mayor was transformed into a ministering angel of the streets. Giuliani became an icon of comfort and common sense for everyone. It became possible for a short period of time to talk about the collective good instead of individual interests. Unionized municipal employees became heroes. Government, which we had been told *ad nauseam* these last twenty years was all bad, was suddenly looked to as a source of comfort and good. Its failure to provide security and to fund public health adequately suddenly became a problem. Tax-cut Bush, a Texan with no love for New York or for Keynesian public financing, immediately promised \$20 billion and whatever else it took to rebuild Manhattan.

Above all, we had three days of noncommercial television, as if the country was collectively ashamed of its terrible habits of mindless consumption. For many of us that was a wondrous experience. The talking heads of cable TV forgot sex scandals and other stupidities and tried to take the world seriously (even if they made heavy weather of understanding why the rest of the world might hate us so). We suddenly found ourselves in a world where different (and for many of us much more worthwhile) values were being articulated—values quite at odds with the American way of life as experienced before September 11.

Much of this was wrapped up, however, in a more troubling patriotism and jingoism as betokened by the media’s insistence that it was a distinctively “American” set of values that had been attacked. American flags festooned the city, though it was not always clear with what motivation (immigrants used them to protect against harassment, some used them as signs of local solidarity, and others as a sign of patriotic fervor). And the

words "In God We Trust" rivaled "God Bless America" (as if this was somehow qualitatively different from the idea that "Allah Is Great") as rallying points for civil solidarities. Dissident views were condemned outright, and civil liberties and freedoms of speech were threatened. There were more than a few signs of U.S. versions of fanaticism and zealotry, initially directed against Muslims. But Mayor Giuliani for one immediately condemned this: the last thing he needed was intercommunal violence in a multiethnic city.

But then the economy turned sour, locally in New York City as well as nationally and internationally. Calls to patriotism did not avert a market plunge when the Stock Exchange reopened, newfound solidarities did not prevent mass firings from the airline, travel, and "hospitality" industries, and close to a 100,000 jobs were lost in New York City alone in the wake of September 11. Financial services that had half a foot in New Jersey or Connecticut anyway completed their moves out, and surpluses of office space were identifiable in Midtown Manhattan even after the losses of Lower Manhattan had been compensated for. September 11 appeared more and more as a wonderful excuse for companies and industries to do what they were preparing to do anyway (including moving out of a highly congested and very much overpriced Manhattan).

Social inequality in the city became more rather than less emphatic. The proposed financial compensation scheme for those who died in the World Trade Center disaster illustrates the problem. Although much praised for its moderation, the government plan envisaged payments between \$350,000 and \$4.2 million depending mainly upon the discounted lifetime earnings of those who died, making a mockery of the idea that all human life is sacrosanct and that we are all in this together irrespective of class (by this actuarial standard, the lives of Afghan civilians, many more of whom have now died in the bombing than died in the World Trade Center, would conveniently be worth almost nothing, since most of them were living on less than a dollar a day). The *New York Times* reported early in December that more than a million people in the metropolitan region were now relying on soup kitchens and charity meals in order to have enough money to pay their rents and avert the fall into homelessness. Nevertheless, homelessness became more and more evident

throughout the city. None of this was consistent with the newfound narrative of "American values" or of empathy with the plight of New York. It betokened, in short, a return to that dog-eat-dog American way of life that had prevailed before September 11.

But it was now considerably worsened by the onset of recession.

Consumer confidence was then seized upon as the key to revival. We were suddenly urged to reinstate all the old values, to shop until we dropped, to travel the world as if nothing had changed (even though the national guard was patrolling everywhere, traffic was being stopped and arbitrarily searched, and the lines at airport security were often chaotic), and to "normalize" our lives in abnormal times. Just to drive home the point that this really was a return to business as usual, the president finessed his promise of aid to New York and cynically began to use his popularity to try and ram through even more tax cuts for the corporations and the rich, to drill in the Alaska wildlife refuge, to curb civil liberties and spy on domestic opposition groups, to get conservative judges confirmed, and generally to promote his right-wing agenda at home and his unilateralism abroad ("You are either with us or against us" was the slogan). Freedom was to be curbed to preserve freedom. Bush even turned salesman, letting clips of his speeches be used in TV ads for the travel industry. Giuliani likewise reverted to type and sought to subvert what passes for democracy in New York City by trying to extend his stay as mayor beyond the legal term limits (though his image was by then so burnished it was hard even for him to tarnish it). Tax receipts were in decline, and the city budget was in serious trouble. Cuts in public services were announced. As the economy soured, crime came back with a vengeance, but the police were now so busy protecting potential terrorist targets that street patrols almost disappeared. By mid-December the Manhattan rental market (both residential and commercial) was in serious decline as well.

Locally the awkwardness as to what to do is palpable. New York desperately seeks the return of tourists (after financial services, its most important industry). It even erected a viewing stage at Ground Zero so

people could view the scene of the crime. But the many who initially came left so sobered they could not stomach the frivolity of shopping or even going to a Broadway show. By the standards of spectacle, September 11 had to be close to the greatest show on earth, but New York could not easily capitalize on it as a golden opportunity to gain a monopoly rent on this spectacularly unique sightseer destination (though there are signs that this may happen).² Local discourses focusing on innocence and grieving get in the way. Developers, hungrily eying this open site of prime real estate, tread gingerly around local sensitivities in formulating their proposals. But they, too, will probably have their way in the end.

The return to normality by other means depended entirely upon how the economy in general and the financial sector in particular might rebound out of their difficulties. This brings us back to the origins of the recession and the role of September 11 in creating or exacerbating it. It was officially determined in late November that the economy had actually been in recession since the previous March. The speculative dot-com bubble had burst, and overcapacity was evident in many sectors. Manufacturing has been winding down, and layoffs were becoming common nationwide. Airlines and hospitality industries were experiencing difficulties. Financial services were also feeling the heat but had been hanging on by a thread. This was the thread that September 11 effectively snapped. But it is important to understand how the thread snapped, because this affects our view of the options and prospects for economic recovery.

Capital, Marx never tired of emphasizing, is a process of circulation rather than a stock of assets. Looked at from the latter point of view, the damage done to the U.S. economy or even to that of Manhattan on September 11 was relatively minor, no worse than that of the Northridge earthquake in Los Angeles in the 1990s. The loss of life was minor in relation to the New York labor market. This was not what snapped the thread. Viewed in terms of circulation, however, the effect of the strike was much more devastating. Shutting down global capital markets and air travel throughout the United States for several days and even offering

² On monopoly rent, see David Harvey, *Spaces of Capital: Towards a Critical Geography* (Routledge, 2001).

commercial-free television had a huge disruptive effect upon flows of capital. The global effect was substantial, but the hit upon the New York economy was severe, particularly given the closure of bridges and tunnels, disruptions to the communications networks, and the immediate effects upon tourism. All of this would have been enough to snap the thread. Cut the circulation process for even a day or two, and severe damage is done.

But a far more serious problem lay beneath the surface, one that was and is destined to play an even more determinant role. John Maynard Keynes, in his famous analysis of the conditions that accompanied the Great Depression of the 1930s, pointed to the significance of the psychology of the market. What he called (drawing covertly on Marx) the “animal spirits” of the entrepreneur were key to maintaining the dynamics of capitalism. This is so because capitalism is inevitably a speculative affair, and one in which expectations (in these times, of both consumers and producers) play such a major role that they often become self-fulfilling. It was largely the animal spirits within U.S.-based capitalism (or what Alan Greenspan referred to as the “irrational exuberance” of financial markets) that sustained global capitalism and overrode all manner of problems in the 1990s (the bailouts of Mexico and Russia, the containment of the Asian crisis and the chronically depressed conditions in Japan, the insipid performance of European economies). And much of this was centered in New York, with all manner of local effects (huge year-end bonuses on Wall Street, for example). What bin Laden’s strike did so brilliantly was to undermine confidence by hitting hard at the symbolic center of the system and exposing its vulnerability. It is precisely on this point that the international perspective proves much more helpful than all the talk of attacks on American values and freedom.

New York City had by the year 2000 so attached its fate to the successes and failures of neoliberal globalization and its financial excesses that it seemingly now has little room for maneuver. But the wind in the sails of the triumphalist neoliberalism of the 1990s had already been flagging. The “irrational exuberance” of financial markets was already winding down. The credibility of neoliberal globalization was already being seriously questioned both outside the system (Seattle, Melbourne, Quebec City, Genoa) as well as within. The New York economy was

heading into difficult times well before September 11, but the attack undermined the two last bulwarks of defense against the free fall into recession—the “animal spirits” of both entrepreneurs and consumers. Simultaneously it exposed the umbilical cord that now tied the fate of a whole city’s economy to the vigor and rhythms of processes of capital circulation through financial markets. This is what the international discourse reveals so starkly, and it is this which the local and the national discourses on American values effectively hide.

So where, then, can the New York City economy go? In the immediate future there is no avoiding the fact that we are headed into rocky times. Even if the global recession turns out to be shallow, New York’s difficulties will be deeper than most by virtue of its singular attachment to financial services as its dominant economic base. This is the case because there are limits and dangers to excessive financialization. To begin with, almost certainly any economic recovery will have to restore the balance between the real economy of solid production (of which there is precious little left in New York, except of the sweatshop variety) and the mere trading of fictitious assets through financial instruments. Systematic economic diversification is not an impossible aim for the city, and this may be necessary for survival. And it is here that the ingenuity and talents of the other New York, the immigrants, may well be as crucial to the future as they have been in the past.

But there is another even more troubling aspect to this. Fernand Braudel, in examining the long *durée* of capitalism’s historical geography since its origins in the city-states of Renaissance Italy, underscored the importance of financial expansions as a “sign of autumn” in distinctive phases of capitalist development led by some hegemonic power. When finance capital took over and dominated all the activities of the business world, this was, Braudel observed, a sure sign of maturity of an existing system and its incipient replacement by another.³ Giovanni Arrighi amasses considerable evidence for this proposition, going on to note how the golden glow of periods of financialization and the riches amassed

³ Fernand Braudel, *Capitalism and Material Life, 1400–1800* (Weidenfeld and Nicholson, 1973).

thereby lull dominant superpowers into a complacency that ill fits them to face the turbulent competition and confrontational geopolitics that lies ahead.⁴ The twentieth century was unquestionably “the American century,” and New York was the unchallenged center of that hegemony. But New York has also been at the center of the last thirty years in which finance capital has come to dominate all the activities of the business world. In years to come we may learn to see September 11 as the first shot in bringing that particular world to an end. If so, then New York—like Venice, Genoa, Amsterdam, and London in previous centuries—will undoubtedly survive, but will have to adjust to a very different status of subservience rather than mastery of the global economy of capitalism (always presuming, of course, that no alternative mode of production rises up to take capitalism’s place). And in that discomforting scenario we may well look back on the brief rediscovery of alternative values in the wake of September 11 as a source of immense strength to brave the difficulties to come.

⁴ Giovanni Arrighi, *The Long Twentieth Century* (Verso, 1996).

After the World Trade Center

RETHINKING NEW YORK CITY

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ROUTLEDGE
New York and London