

# David Harvey: Opening speech at the Urban Reform Tent, January 29, 2009, World Social Forum, Belem

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## BELEM - INTRODUCING DAVID HARVEY (LITERALLY), NOW FIND OUT WHY YOU LOST YOUR JOB



We were all excited to see [David Harvey](#), one of the world's foremost authorities on cities and how they work, show up in a steaming hot tent near the poisonous snake zone on the banks of the Amazon river. He was delivering the opening address on urban reform in this year's [World Social](#)

[Forum in Belem](#). Things were about as chaotic as you could expect for an event with over 130,000 participants, all coordinated entirely with voluntary labor. Traffic was jammed up from the frequent torrential rainfalls so the easiest way between the two universities where the Forum took place was by wooden river boat, breathing in diesel fuel in 95-degree heat as macho Speedo-clad firemen, out of the goodness of their hearts, whisked the women back and forth.

After a Manson family-style communal meal, I escorted Harvey to the tent. There was a buzz as dozens of geography and planning students lined up asking him to autograph any of his dozen or so books that have been translated to Portuguese. Two cute young women asked me to tell Harvey in English that at their university they started a study group comparing his work to Henri Lefebvre. He nodded and signed their copy of *The New Imperialism*. A few minutes they came back and nervously approached me and one asked, "Can you please tell Mr. Harvey that we don't just study his work, but we apply it in practice in poor fishermen communities on the outskirts of Fortaleza?"

I translate for him and he nods again. "I hate all this attention," he tells me. But you could sort of tell that he didn't.

As the event started, we noticed that we shared the back of a tent wall with a huge liberation theology event featuring singing nuns, an Indian tribe and [Leonardo Boff](#), who was basically forced out of the church by a young, evil Ratzinger in the 80s. The place was hot and noisy, and the giant vaporizing fans that someone had inexplicably set up in the 98% humidity made it feel like we were underwater. As a swarm of introductions engulfed everyone in attendance, we made our way up to the table. I asked him what he was going to talk about. "I don't know," he said, "I never know what I am going to say until I begin talking."

Someone handed me a microphone and said, "Introduce him." I looked out at the crowd of geography students and ghetto social movement activists and said something like, "David Harvey first became famous in the 1960s as part of the neopositivist movement. After writing a landmark work on quantitative methods in Geography, he had a paradigm shift and spent the next ten years studying Marx's capital. After writing the classic, *Social Justice and the City*, in 1973 about his experiences in Baltimore, Harvey dedicated the next several decades to works comparing what Marx said in Capital III about 'Late Stage' or 'Financial Capital' to the current political economy. His most recent book is called *A Brief History of Neoliberalism*. On behalf of the Brazilian National Urban Reform Forum, I would like to give a warm welcome to David Harvey."

And this is what he said:

I'm delighted to be here, but first of all I'd like to apologize for speaking English, which is the language of international imperialism. I hope that what I have to say is sufficiently anti-imperialist that you people will forgive me.

I am very grateful for this invitation because I learn a great deal from the social movements. I've come here to learn and to listen and therefore I am already finding this a great educational experience because as Karl Marx once put it there is always the big question of who will educate the educators.

I have been working for some time on the idea of the Right to the City. I take it that Right to the City means the right of all of us to create cities that meet human needs, our needs. The right to the city is not the right to have—and I'll use an English expression—crumbs from the rich man's table. We should all have the same rights to further construct the different kinds of cities that we want to exist.

The right to the city is not simply the right to what already exists in the city, but the right to make the city into something radically different. When I look at history I see that cities have been managed by capital more than by people. So in this struggle for the right to the city there is going to be a struggle against capital.

I want to talk a little bit now about the history of the relationship between capital and city building and ask the question: Why is it that capital manages to exercise so much rights over the city? And why is it that popular forces are relatively weak against that power? And I'd also like to talk about how, actually, the way capital works in cities is one of its weaknesses. So at this time I think the struggle for the right to the city is at the center of the struggle against capital. We have now—as you all know—a financial crisis of capitalism. If you look at recent history you will find that over the last 30 years there have been many financial crises. Somebody did a calculation and said that since 1970 there have been 378 financial crises in the world. Between 1945 and 1970 there were only 56 financial crises. So capital has been producing many financial crises over the last 30 to 40 years. And what is interesting is that many of these financial crises have a basis in urbanization.

At the end of the 1980s the Japanese economy crashed and it crashed around property and land speculation. In 1987 in the United States there was a huge crisis in which hundreds of banks went bankrupt and it was all about housing and property development speculation. In the 1970s there was a big, worldwide crisis in property markets. And I could go on and on giving you examples of financial crises that are urban based. My guess is that half of the financial crises over the last 30 years are urban property-based. The origins of this crisis in the United States came from something called the sub prime mortgage crisis. I call this not a sub prime mortgage crisis but an urban crisis.

This is what happened. In the 1990s there came about a problem of surplus money with nowhere to go. Capitalism is a system that always produces surpluses. You can think of it this way: the capitalist wakes up in the morning and he goes into the market with a certain amount of money and buys labor and means of production. He puts those elements to work and produces a commodity and sells it for more money than he began with. So at the end of the day the capitalist has more than he had at the beginning of the day. And the big question is what does he do with the more that he's picked up? Now if he were like you and me he would probably go out and have a good time and spend it. But capitalism is not like that. There are competitive forces that push him to reinvest part of his capital in new developments. In the history of capitalism there has been a 3% rate of growth since 1750. Now a 3% growth rate means that you have to find outlets for capital. So capitalism is always faced with what I call a capital surplus absorption problem. Where can I find a profitable outlet to apply my capital?

Now back in 1750 the whole world was open for that question. And at that time the total value of the global economy was \$135 billion in goods and services. By the time you get to 1950 there is \$4 Trillion in circulation and you have to find outlets for 3% of \$4 trillion. By the time you get to the year 2000 you have \$42 trillion in circulation. Around now its probably \$50 Trillion. In another 25 years at 3% rate of growth it will be \$100 trillion. What this means is that there is an increasing difficulty in finding profitable outlets for the surplus capital.

This situation can be presented in another way. When capitalism was essentially what was going on in Manchester and a few other places in the World, a 3% growth rate posed no problem. Now we have to put a 3% rate of growth on everything that is happening in China, East and Southeast Asia, Europe, much of Latin America and North America and there is a huge, huge problem. Now capitalists, when they have money, have a choice as to how they reinvest it. You can invest in new production.

An argument for making the rich richer is that they will reinvest in production and that this will generate employment and a better standard of living for the people. But since 1970 they have invested less and less in new production. They have invested in buying assets, stock shares, property rights, intellectual property rights and of course property. So since 1970, more and more money has gone into financial assets and when the capitalist class starts buying assets the value of the assets increases. So they start to make money out of the increase in the value of their assets. So property prices go up and up and up. And this does not make for a better city—it makes for a more expensive city.

Furthermore, to the degree that they want to build condominiums and affluent housing they have to drive poor people off their land. They have to take away our right to the city. So that in New York City I find it very difficult to live in Manhattan, and I am a reasonably well-paid professor. The mass of the population that actually works in the city cannot afford to live in the city because property prices have gone up and up and up and up. In other words the people's right to the city has been taken away. Sometimes it has been taken away through actions of the market, sometimes its been taken away by government action expelling people from where they live, sometimes it has been taken away by illegal means, violence, setting fire to a building. There was a period where one part of New York City had fire after fire after fire.

So what this does is to create a situation where the rich can increasingly take over the whole domination of the city. And they have to do that because this is the only way they can use their surplus capital. And at some point, however, there is

also the incentive for this process of city building to go down to the poorer people. The financial institutions lend to the property developers to get them to develop large areas of the city. You have the developers but then the problem is Who do the developers sell their properties to? If working class incomes were increasing then maybe you could sell to the working class. But since the 1970s the policies of neoliberalism have been about wage repression. In the United States real wages haven't risen since 1970, so you have a situation where real wages are constant but property prices are going up.

So where is the demand for the houses going to come from? The answer was you invite the working classes into the debt environment. And what we see is that household debt in the United States has gone from about \$40,000 per household to over \$120,000 per household in the last 20 years. The financial institutions knock on the doors of working class people and say, "We have a good deal for you. You borrow money from us and you can become a homeowner, and don't worry, if at some point you can't pay your debt the housing prices are going to go up so everything is fine".

So more and more low-income people were bought into the debt environment. But then about two years ago property prices started to come down. The gap between what working class people could afford and what the debt was was too big. Suddenly you had a foreclosure wave going through many American cities. But as usually happens with something of this kind there is an uneven geographical development of that wave. The first wave hit very low-income communities in many of the older cities in the United States. There is a wonderful map that you can see on the BBC web site of the foreclosures in the city of Cleveland. And what you see is a dot map of the foreclosures that is highly concentrated in certain areas of the city. There is a map beside it that shows a distribution of the African American population, and the two maps correspond.

What this means is that this was robbery of a low income African American population. This has been the biggest loss of assets for low-income populations in the United States that there has ever been. Two Million people have lost their homes. And at that very moment when that was happening the bonuses paid out on Wall Street were coming to over \$30 billion—that is the extra money that is paid to the bankers for their work. So \$30 billion ends up on Wall Street which has effectively been taken from low income neighborhoods.

There is talk about this in the United States as a financial Katrina, because as you remember Hurricane Katrina hit New Orleans differentially and it was the low-

income black population that got left behind and many of them died. The rich protected their right to the city but the poor essentially lost theirs.

In Florida, California and the American South West the pattern was different. It was very much out on the periphery of the cities. And there a lot of money was being lent to the building groups and the developers. They were building housing way out, 30 miles outside of Tuscon and Los Angeles and they couldn't find anybody to sell to so they actually went for a white population that did not like living near immigrants and blacks in the central cities. What this then led to was a situation that happened a year ago when the high gas prices made it very difficult for communities. Many of the people had difficulties paying their debt and so we find a foreclosure wave which is happening in the suburbs and is manly white in places like Florida, Arizona and California.

Meanwhile what Wall Street had done is to take all of these risky mortgages and to package them in strange financial instruments. You take all of the mortgages from a particular place and put them into a pot and then sell shares of that pot to somebody else. The result is that the whole of the mortgage financial market has globalized. And you sell pieces of ownership to mortgages to people in Norway or Germany or the Gulf or whatever. Everybody was told that these mortgages and these financial instruments were as safe as houses. They turned out not to be safe and we then had the big crisis which keeps going and going and going. My argument is that if this crisis is basically a crisis of urbanization then the solution should be urbanization of a different sort and this is where the struggle for the right to the city becomes crucial because we have the opportunity to do something different.

But I am often asked if this crisis is the end of neoliberalism.. My answer is “no” if you look at what is being proposed in Washington and London. One of the basic principles that was set up in the 1970s is that state power should protect financial institutions at all costs. And there is a conflict between the well being of financial institutions and the well being of people you chose the well being of the financial institutions. This is the principle that was worked out in New York City in the mid 1970s, and was first defined internationally in Mexico it threatened to go bankrupt in 1982. If Mexico had gone bankrupt it would have destroyed the New York investment banks. So the United States Treasury and the International Monetary Fund combined to help Mexico not go bankrupt. In other words they lent the money to Mexico to pay off the New York bankers. But in so doing they mandated austerity for the Mexican population. In other words they protected the banks and destroyed the people.

This has been the standard practice in the International Monetary Fund ever since. Now if you look at the response to the crisis in the United States and Britain, what they have done in effect is to bail out the banks. \$700 billion to the banks in the United States. They have done nothing whatsoever to protect the homeowners who have lost their houses. So it is the same principal that we are seeing at work – protect the financial institutions and fuck the people. What we should have done is to take the \$700 billion and create an urban redevelopment bank to save all of those neighborhoods that were being destroyed and reconstruct cities more out of popular demand. Interestingly, if we had done that then a lot of the crisis would have disappeared because there would be no foreclosed mortgages.

Meanwhile we need to organize an anti-eviction movement and we have seen some of that going on in Boston and some other cities. But at this historical moment in the United States there is a sense that popular mobilization is restricted because the election of Obama was a priority. Many people hope that Obama will do something different; unfortunately, his economic advisors are exactly those who organized this whole problem in the first place. I doubt that Obama will be as progressive as [Brazilian President] Lula. You will have to wait a little bit before I think social movements will begin to go in motion.

We need a national movement of Urban Reform like you have here. We need to build a militancy in the way that you have done here. We need in fact to begin to exercise our right to the city. And at some point we'll have to reverse this whole way in which the financial institutions are given priority over us. We have to ask the question what is more important, the value of the banks or the value of humanity. The banking system should serve the people, not live off the people. And the only way in which at some point we are really going to be able to exert the right to the city is that we have to take command of the capitalist surplus absorption problem. We have to socialize the capital surplus. We have to use it to meet social needs . We have to get out of the problem of 3% accumulation forever.

We are now at a point where 3% growth rate forever is going to exert such tremendous environmental costs, it's going to exert tremendous pressure on social situations that we are going to go from one financial crisis to another. If we come out of this financial crisis in the way they want, there will be another financial crisis five years from now. So it's come to the point when it's no longer a matter of accepting what Margaret Thatcher said, that "There is no alternative," and we say that there has to be an alternative. There has to be an alternative to capitalism in general. And we can begin to approach that alternative by

perceiving the right to the city as a popular and international demand and I hope that we can all join together in that mission. Thank you very much.

**BRIAN MIER**

*(photos by André Telles/ActionAid)*