

Cities as Global Assemblages in the Aftermath of the Financial and Economic Crises: The Gendered Impact

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Presentation

1. *Importance of Cities: The City* – British financial center as hub of economic power. The City has a resident population of about 7,000 (2011) but over 300,000 people commute to and work there, mainly in the financial services sector (84,6 % whites, 9,1% Indians and Pakistani, 3,6 % Blacks, 1,3 % Chinese).
2. *Globalization* – the dispersal of territorial, political and normative power and centralization of economic power in Cities
3. *Financialization and the Cities* as gendered hub of financial power and the ‚serving classes‘
4. *Three channels* of how finance impacts Gender
5. *Financial Crisis impact* on Employment in Transition Countries
6. *Global cities*: The ‚Mistress‘ and the ‚Maid‘
7. *Strategies to Empower women in cities*

1. Globalization – the dispersal of territorial, political and normative power and centralization of economic power in Cities

- ▶ **Economic Crisis in the 1970s was Origin to Globalization ; nation-state unable to solve economic problems**
- ▶ Globalization (Liberalization, Privatization, deregulation, informalization of the economy) as answer to the economic crisis in the anglo-saxon model of capitalism (stagflation – high inflation and high unemployment) in the 1970s

1. 1970 – „american malaise“
2. Vietnam War → Inflation

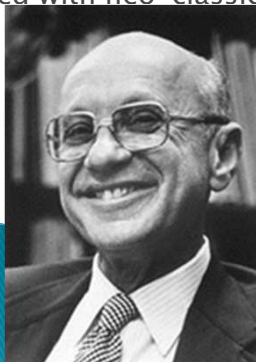


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Availability of New Economic Ideas: Chicago School

Theories of the Chicago School (**Milton Friedman**, **Friedrich von Hayek**) provided the main arguments against demand-oriented Keynesianism. Their theories stressed the supply side arguments. Many Keynesian economists in the Bretton Woods System such as the World Bank, International Monetary Fund, General Agreement on Trade and Tariff were replaced with neo-classical economists.



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Election of Margaret Thatcher 1979 and Ronald Reagan 1980

Actors who were able to politically translate and implement these new transformative economic ideas with new norm

1. President Reagan (USA) and Margaret Thatcher (UK) came to power based on a „free market ideology“ which made the state and in particular the welfare state responsible for the problems in the economy
2. Election slogan of Ronald Reagan: „Get the State off Our Back“



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Diffusion of Economic Ideas Worldwide

The global diffusion of the anglo-american neoliberal model was facilitated through two important trends:

1. *Collapse of the Soviet Union*. For the US there was no longer a systemic competition with communism, thus the US could expand its model throughout the world without fearing that there would be a war unleashed with the Soviet Union.
2. The rapid development of *information- and communication technology*
3. Without these two developments, globalization would not have been possible.
4. The concept „globalization“ therefore only appeared for the first time in the 1990s, after the collapse of the Soviet Union



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Neoliberal Globalization – as Dispersed Power Between the Local and the Global

1. *Deregulation* of the economy to encourage competition
2. **Privatization** of public services and many state functions, privatization of law (Basler Committee; Board of International Accounting Standards)
3. *Liberalization* of the markets – free flows of goods, services, capital across boundaries
4. **From ‚boring finance‘ to financialization, goal is to extract huge profits**
5. Denationalization of the economy
6. **Markets** are regarded as efficient and self-regulating
7. **Labour Unions** interfere in the flexibilization of labour markets
8. **Poverty** is due largely to personal failures
8. **Self-reliance** and personal responsibility is better than the welfare state
9. **Welfare state makes people dependent**

2. Cities as Gendered Assemblages of Economic and Financial Power

- ▶ *From Globalization to Financialization:*
- ▶ **Definition of Financialization:** Increasing Importance of financial markets, financial motives, financial institutions and financial elites in shaping the economy both on the national as well international level.
- ▶ **Global cities as Centers of financial power**
 - London, New York, Zurich, Frankfurt, Paris, but also Tokyo, Sao Paulo, New Delhi, Hong Kong, Singapore and others.
 - By 1997, 25 cities controlled 83 per cent of the world's equities and accounted for half of global market capitalization
 - **Master image in the media** and policy circles of the financial city is a hyper-mobile, professional, information und communication savvy young (overwhelmingly **white**) **male**.
 - **Females:** low or non-existence in top positions, and in decision-making bodies of key regulatory institutions, central banks, and financial networks
 - 2015: US portfolio managers has fallen for six years straight from 10 % in 2009 to less than 7 % of the 7,293 money managers. The same in the UK: only 7 % of the UK retail investment funds are managed or co-managed by female fund managers.

Cities as Under-bellies of the „Serving Class“

- ▶ Largely **invisible serving class** which is necessary for the functioning of the global cities and financial operations.
- ▶ *These include **cleaning personell and window cleaners** of the buildings where bankers and financial analysts work, **vendors** selling and delivering food to high-paid professionals, **dog walkers**, low level **secretarial support staff**, truck drivers.*
- ▶ *Mostly made up of women and immigrants, these production laborers often work in the shadow economy and on the border of ‚licit‘ activities.*
- ▶ ***Brear the brunt of financial collapse**: during stock market crash of 1987, **media reported massive unemployment among high-income bankers on Wall Street**, but said nothing about crisis affecting the Wall Street cleaners, who were mostly Dominican immigrants.*

3. Financial and other Crises

- ▶ **Subprime Crises** (US, Ireland, UK, Australia, Spain)
- ▶ **Bank- and Credit Crisis** in the Eurozone (means less Foreign Direct Investment for Transitional and Developing Countries)
- ▶ **Global Imbalances** between Surplus (China, Germany, Holland, Austria) and Deficit countries (US, UK, Greece and many other peripheral Eurozone countries)
- ▶ **Sovereign Debt Crisis** of the Eurozone Periphery (Portugal, Spain, Greece, Ireland, Slovenia)
- ▶ **Economic Crisis** and Recession particularly strong in the EU and also now China, Brazil, Russia
- ▶ **Food Crisis** – through draught and speculation with food commodities
- ▶ **Environmental Crisis** – many poor countries and also across entire regions (Sahel Africa; rising water level of oceans in low altitude areas).
- ▶ **Social Crisis** – Reaction to the austerity measures in Greece, Spain, Portugal, Italy, but also France, and many Eastern European countries. Increasing inequality and poverty.
- ▶ **Geo-Political Crises**: Ukraine, Russia and the West; Middle East with the rise of Islamic State, Burundi and many other areas.

4. Three Channels how Finanzialization and the Economic Crisis Impacts Gender

1. Increased Shareholder Value
2. Individualization of Risks
3. Budget Consolidation and Austerity

Shareholder Value and its Impact of Gender

- ▶ *Shareholder Value* shapes the behavior of firms – goal: profit maximization, short-termism in terms of profits, Income distribution from the bottom to the top, from stakeholders to shareholders .
- ▶ *Women are much more affected by this shift, since companies get rid of the less profit oriented segments*
- ▶ *Income re-distribution from stakeholders zu shareholders – Thomas Piketty – Capital in the 21st Century.*
- 1. *From Production to finance capitalism as rent seeking economy – The profits of the financial sector as a share of total profits was 40 % at the start of the financial crisis in the US in 2007.*

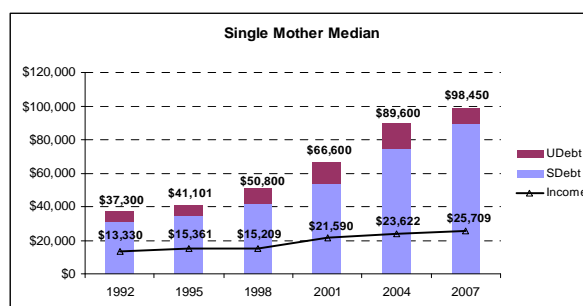
Individualization of Risks

- ▶ Financial crisis has changed how the risks are distributed in society
- ▶ Social System provided a minimum of security. Now individualization of risks.
- ▶ US - subprime crisis - loans were mostly given to single mothers and those who had little income, often no jobs
- ▶ Result: Increasing private household debts, and many foreclosures.

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Graph Two: Median Secured and Unsecured Debt Outstanding and Income (Montgomerie/Young 2010)



Finanzmärkte -
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Impact of Austerity Measures on the State and Cities

1. Budget Consolidation – Why?
 Liberalization of the currency and foreign exchange means that national central banks no longer control money supply. States rely for financing on international capital markets.
 - ▶ Result: Budget politics is made in order to satisfy the international capital markets. High debts means that states have to pay higher yields on their bonds as is the case in Greece, but also Portugal, Spain and other indebted countries.
 - ▶ **State loses financial autonomy.**
 - ▶ **James Carville**, Advisor to US President Clinton said: *I would like to be reincarnated as the bondmarket, it can intimidate anybody.*
2. **Increasing Tax competition** (low corporate tax as in Ireland and Slovakia, and capital gains tax) leads to reduction of taxes that the state needs in order to provide necessary services
3. **Pressure from Financial Market to pacify investors at the expense of social responsibility**

5. Impact of Financial and Economic Crises on Women in Eastern Europe

- ▶ Women were **hit double** hard
1. Losing employment during the **transition from socialist economy to a market economy**. Closure of many textile firms, clothing firms, and food producing centers.
 2. Economic growth since 2000 has mostly benefitted males
 3. Result: **Expansion of the informal sector** and the trend to self-employment which is often self-exploitative with little social protection
 4. **Economic Recession: Women bear more risks outside the formal labor market due to low wages, little social protection, disrupted labor biographies, little financial capital and savings in order to bridge times of unemployment**
 5. **High National Debt and Austerity: Household consolidation, unable to get cheap money on the capital markets has led to declining investment in social services and firms investing less in enterprises necessary for economic growth**

6. Global Cities: The West European ,Mistress' and Eastern European ,Maid'

- ▶ Expansion to include Eastern European countries into the European Union starting in 2004.
- ▶ Four freedoms: capital, goods, services, labor
- ▶ *Political and media focus on E.E. men and poor working conditions in EU meatpacking, building industry, often without contract*
- ▶ *Little attention to East European women in European cities working in the care, nursing, health service, and private homes (housework, cleaning, and private child care), (well documented in Berlin and Vienna, less in other European cities).*
- ▶ *Repeat of 19th century with one big difference: Today no longer hail from the lower classes, these are unemployed professionals – academics – who work below their qualification in Western European cities.*

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Invisible new Hierachy and Division and labor among Women

- ▶ *Job opportunities* in the middle-tier sector for many *West European* women, but ,paid' reproductive work of women remains part of the informal household economy.
- ▶ *Invisible link* between women's increasing participation in the formal labor market and and the informal labor market role of many *East European* women.
- ▶ These changes have produced two categories of women within the household: Mistress and the Maid.

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Development linked to Austerity Politics

- ▶ **Austerity** means cutting social budget, support structures for working women (parents), thus the conditions upon which women enter male working structures are not just gender but also class and ethnic specific.
- ▶ **Professional women** have the advantage of **falling back upon mostly cheap, well educated** (often not socially insured women), **to perform household tasks and child rearing.**
- ▶ Thus we are creating in the cities of the European Union, a strata of a West European 'mistress' and East European 'maid', separated by different ethnic, class and national belonging and background.

7. What Strategies for FemCities?

- ▶ **First**, the invisibility of East European women working in the informal and formal labor market has to be recognized and data has to be collected to make visible this mostly cheap labor reservoir in EU cities.
- ▶ **Second**, the EU has to ensure that the qualifications of East European women as doctors, nurses, care personnel, data and information specialists, have to be recognized so that women can be employed according to their professional status.
- ▶ **Third**, research in Eastern European cities has to focus on the hidden impact of this labor pool outflow of both professional and low-skilled workers to their economic system.
- ▶ **Fourth**, what is the gendered impact of austerity on the social and care economies in Eastern European cities and the countries as a whole?
- ▶ **Sixth**, what kind of investment is needed to stem the outflow of workers and ensure that Eastern European cities are attractive places for its citizens to live, work, play, and raise a family.
- ▶ **Seventh**, to focus on tax policies of the state, and how they are distributed through the cities. Here the Gender Budget Initiative has played an important role in highlighting how taxes are distributed. Who benefits, who pays?