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Expelled: Capitalism's Deepening Human Crisis

Saskia Sassen
Columbia University
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As the Cold War was winding down, a new struggle began. After a period of diverse versions of Keynesian-led relative redistribution in developed market economies, the United States became the point actor for a radical reshuffling of capitalism. Key to this reshuffling was a marginalizing of some of the types of workers and of workplaces that had marked the Keynesian period, as a new and different economy began to take hold (see Sassen 2008 chs 4 and 5; 2014 chs 1 and 3; 2017).[1] Such profound transformations in the socio-economic conditions of a country are not always highly visible or easy to measure with standard tools. Nor does measuring economic growth suffice to understand whether government policies are working for a majority of a country's people and businesses—and enabling what Phelps describes as a flourishing.

Enough time has now elapsed to make it clear that the deregulations, privatizations and globalizations of the economy launched in the 1980-1990s produced some sharp socio-economic changes. These benefitted some sectors of the population, but have left the modest middle classes and working classes mostly worse off.

The earlier Keynesian period had been one of mass production, mass consumption, and mass construction of suburban space. This brought with it an economic logic that valued people as workers and consumers –even if not necessarily as mere human beings. Compared to that earlier period, the logic guiding the current phase of advanced capitalism tends to devalue people as workers or as (mass) consumers. Consumption still matters but it is not the major growth vector it was. In many, though not all ways, finance and the financializing of more and more elements of the economy have replaced mass consumption as a key driver for growth. And one effect has been concentration of wealth rather than the broader distribution of wealth we saw in much of the past century.

THE RISE OF INTERMEDIATION

One key hypothesis I arrived at early on in my research on the globalizing of the rich economies of the West in the 1980s, was that 'intermediation' became an increasingly strategic and systemically necessary function. Firms operating in many diverse types of economies needed to incorporate specialized knowledge about law, accounting, investment cultures, etc. in each of those countries. But if a firm needed only 70 hours of specialized Mongolian accounting and law, and similar needs for the many other

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[1] For a full development of the issues covered in this short piece, see Sassen 2008, Territory Authority Rights (Princeton University Press 2008); 2014 Expulsions: Brutality and Complexity in the Global Economy (Harvard University Press 2014); 2016 "*The Global City: Enabling Economic Intermediation and Bearing Its Costs*" City & Community 15:2 June 2016 doi: 10.1111/cico.12175, pp.97-108 ; *Global Finance and its Institutional Spaces."* Karin Knorr Cetina and Alex Preda (eds) The Oxford Handbook of the Sociology of Finance. New York: Oxford University Press. 2014.

countries where that firm might be operating, it did not make sense to hire all needed experts as full time in-house employees. Doing all of this in-house simply ceased being doable once a firm went global. [2]

The result was the rapid expansion of highly specialized services firms that could deliver the expertise on the legal, accounting and investment cultures of just about any country in the world. It is this intermediate sector that took off in the 1980s and generated a whole new growth machine in major global cities across the world.

Let us recall that in the 1970s and into the 1980s most major, once leading cities were poor. London, Paris, Tokyo, New York, Hong Kong, and many other major cities, all were poor and some were even broke. The middle classes and the more traditional large corporations left central cities.

What was new but not fully noticed, was the arrival of smaller, highly specialized state of the art firms: this was to become the new highly inter-connected intermediate sector that would bring wealth to these broken cities. This intermediate sector thrives on an extraordinary mix of specialized knowledge and specialized worldviews. It is what fed the rise of global cities –and these cities eventually could once again support, for instance, the often long-established but impoverished cultural institutions of an earlier epoch.

The making of this highly specialized intermediate sector took off especially in New York and in London in the 1980s and 1990s, eventually spreading to all major economic centers worldwide. It functioned as a sort of "Silicon Valley" for developing innovative instruments and capabilities needed by firms that were going global. Operating in diverse countries required access to a vast and very diverse array of high-level experts. It led to the formation of a sort of networked sub-economy that benefited from spatial concentration –no matter how digitized and hence mobile all these sectors were. This need for spatial concentration stood out against the more common trend for large corporations to leave—often escape—central cities. [3]

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[2] In that earlier period of the 1980s, the most famous cases illustrating the ascendance of intermediate specialized services were the big mergers and acquisitions. What stood out was how rarely the intermediaries lost. The financiers, lawyers, accountants, credit rating agencies, and more, made their money even when the new mega-firms they created often did not do well and several went bankrupt.

[3] Much of the media and many business books argued and "predicted" that digitization was the end of cities because firms would no longer need to be located in cities. They saw the proof of this in the departure of the large long-established corporations from major cities as proof. What they could not see was the rise of this highly specialized and diversified intermediate sector, consisting of what were at the time mostly small firms –but with very fancy offices. My time spent meeting with janitors at midnight in Wall Street (not quite a full 24-hour operation in the late 1980s) put me on the track of that new intermediate sector

As globalization set in, one of the reasons large corporations could locate outside major cities was that they had access to that highly networked specialized intermediate services sector. The fact that this leading, networked, and state of the art intermediate sector should be based in cities has often been seen as a contradiction given the rise of digital options by the 1990s. But it was not a contradiction: the more global the big corporations became the more dependent they became on that specialized intermediate sector. And the more that intermediate sector had to include specialists of all types of knowledge, from odd legal arrangements to novel accounting procedures in the many diverse countries across the globe. A second trend that was also seen as a contradiction was that the stronger that intermediate sector in cities became, the easier it was and still is for large corporations to locate anywhere: they did not need to be headquartered in a major city – all they needed was access to that intermediate sector.

The types of intermediate instruments that began to be developed in the 1980s and 1990s (especially in key global centers such as London, New York, Frankfurt, Hong Kong, and more) were and are on a much higher level of complexity and diversity of economic sectors than the instruments developed for the "so called "transnational corporations" of an earlier period.

I also found that this higher level of complexity that took off in the 1980s brought with it the making of a new type of urban formation. I called it the Global City—an extreme space for the production and/or implementation of very diverse and very complex intermediate capabilities.[4] With this concept I wanted to capture a very specific mix of conditions—what I refer to as the rise of intermediation in the advanced economy. I did not want to capture the whole city. Eventually the concept got a life of its own and was often used rather loosely –it got its own flourishing we might say.

It is the ascendance and growth of this intermediate economy of highly specialized services, which marks one of the significant differences with that earlier Keynesian period. The sharp rise of this high-level and highly specialized intermediary sector can be seen as part highly-innovative sector and part infrastructure for economic globalization. When a firm goes global and operates in 20 or 70 foreign countries it can no longer generate in-house all the specialized services it may need –from Chinese accounting to Indonesian investment preferences, or Brazilian investment law.

installing itself in the old emptied buildings. See my account on this in "*The Global City: Enabling Economic Intermediation and Bearing Its Costs*," op. cit.

[4] This did not refer to the whole city. I posited that the Global City was a production function inserted in complex existing cities, albeit a function with vast spatial needs, and a strong shadow effect over a city's larger economy, including notably housing.

THE SOCIAL QUESTION

These systemic tendencies also generated a new type of socio-economic condition. The large corporations that left cities had been key providers of upward mobility ladders – low-level workers could actually climb up the ladder. City governments took a while to recover from their poverty. The once prosperous working and modest middle-classes saw many of their key jobs disappear or leave the cities. All of these negative social conditions are, in my reading, an important background that underlines the importance of Phelps' call for a new kind of economy that works for more people, as it once did, but which now has lost ground.

Returning to the intermediate specialized sector that became a critical growth engine for these impoverished (but still major!) cities, what became critical was the making of the 'infrastructure' ensuring top performance by high-income talent. And this included not only the specific tasks but also the conditions enabling their work-lives. Prominently included in my analysis was a range of lowly re-warded tasks -- from low-level office to low-wage household work. I argued that in many regards the homes of top- level staff are an extension of the corporate platform. For instance, to get it out of the language of "low-wage jobs" I described these tasks as the work of "maintaining a strategic infrastructure," one that included the households of top-level workers as these had to function like clockwork, with no room for little crises.

This interpretive move also fed into the notion of the Global City as a very specific space of production, and one enabling the organizing of its low-wage workers, such as janitors and household workers, precisely because it was about the maintenance of a strategic platform. History bore this analysis out when it was central city janitors in major cities in the United States and Europe who managed to organize a janitor's union. Some years later, in the case of New York City, it was domestic workers employed by rich households who succeeded in creating a union in high-end neighborhoods—something that failed when they tried to organize in the average middle class suburban household.

It is worth noting, because rarely recognized, that both types of organizing drives had failed in suburbs, towns, and average middle-class neighborhoods in big cities. In my reading at the time (and today), what made the difference was the fact that the households of those top employees in the intermediate economy could not afford what we might call a household mal-function. This underlines the notion of a workforce in charge of maintaining households that are part of a strategic infrastructure. Where these tasks were being executed mattered. The same tasks in a typical suburban household did, sadly, not enable organizing.

CONCLUSION

The rise of that high level intermediate economy I have described here is now present in all major global cities. It has enabled some low-wage workers—household staff and janitors in buildings connected to leading sectors—notably in New York City to organize into unions. But it will take much more to enable the flourishing called for by Phelps.

The past several decades have brought us a particular type of advanced capitalism in global cities: a human and economic landscape marked by dualizing dynamics. On the one hand the familiar reconditioning of terrain in the direction of growing organizational and technological complexity, epitomized by the proliferation of global cities in both the North and the South. On the other hand, a mix of conditions often coded with the seemingly neutral term of “a growing surplus population.” A key underlying condition of this “surplus” is the growing expanse of territory that is devastated – by poverty and disease, by various kinds of armed conflict, and by governments rendered dysfunctional by acute corruption and a crippling international debt-regime, all leading to an extreme inability to address peoples’ needs. This is the battle that needs to be fought.