# “Financialization and urban value capture”
## Open Session n°29 INTA in partnership with IAU Ile de France

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Cities have always been the place for making money out of land and real estate. But today the significant increase of land and real estate prices is disconnected to the revenue of the population and the gap has a strong impact on the social, economic and spatial organization of cities. The difficulties to identify the origin of most of these massive investments make them suspicious, possibly coming from underground economy. Cities with low regulation are more impacted than those with higher tax and strong urban development regulation (Shanghai and London, more than Paris). The effect is higher segregation: : city centres decline or are empty because they are less accessible to mid or low income citizens, new towns are ghost places despite an housing crisis… Exclusion by the market leads to removing population from central areas and make these place no longer affordable for a large part of the population. A lot of empty apartments (Paris from 6% to 20 % in 20 years) are creating ghost city centers (Beirut) with empty towers (25% of Dubai apartments).

There has never been more capital flowing around the world. It has never been so volatile and concentrated on few segments of the urban investment portfolio. And there has never been more expertise about how to move private assets from there to here.

According to Forbes magazine, financialization is defined as the “growing scale and profitability of the finance sector at the expense of the rest of the economy and the shrinking regulation of its rules and returns.” The success or failure of the financial sector has had serious effect on the rest of the economy and most of its returns have not been invested in the real economy, thus driving inequality.

Financialization describes the growing power of finance capital over economic, social and political processes. From an urban point of view financialization can also be understood as a form of accumulation characterized by the capturing of value and wealth through the provision of credit, insurance and forms of financial intermediation.
The role of finance and financial actors in shaping the city is increasingly key to understanding some contemporary urban problems. Why are rents rising? Why is office space being built when we’re in the middle of a homelessness crisis and desperately need to increase the supply of affordable housing? How and where is profit being produced from urban space and what are the likely outcomes of this type of model? All of these questions in some way relate to how finance shapes the city.
Profiting without producing.
Much of the expansion of finance in this regard has occurred in the spaces left open by welfare retrenchment. The privatization of social housing, transport, education and healthcare has been instrumental to the emergence of new financial markets. This draws attention to shift from

‘***welfare to debtfare***’ and thus to the ways in which finance "install" itself into the social reproduction previously sustained by public services.

Questions & Objectives for the session

- What are the effects of the financialization of the economy on urban development?
- How local authorities could control financialization to foster their public policies?
- What capacities to face and drive the urban development in developing countries?
- How to mitigate the negative urban externalities of financialization?
- How to limit the risk for investors of real estate bubbles generated by financialization?
- How far urban planning and urban development control and land management can regulate the urban development in the present context of high investments?