Review Essay

The Home of Capital

Steven H. Jaffe and Jessica Lautin. *Capital of Capital: Money, Banking + Power in New York City 1784–2012*. New York: Columbia University Press, 2014. 297 pp. ISBN-13 978-0-231-16910-3, $55.00 (cloth).

Allen Scott. *The Constitution of the City: Economy, Society, and Urbanization in the Capitalist Era*. New York: Palgrave Macmillan, 2017. viii + 251 pp. ISBN-13 978-3-319-61227-0, $39.99 (paper).

Cities are the home of capital, whether in the form of Bear Stearns or Peoria Savings and Loan (both now RIP), and indeed of capitalism itself, whether U.S.-style or Chinese. They grow through the concentration of production, trade, and finance, meanwhile making themselves indispensable for the same. Their very space embodies capital, as every parcel is measured and valued as real estate. In sum, as the two books reviewed here attest, the histories of capitalism and urbanization are intertwined.

Capital of Capital and *The Constitution of the City* approach this nexus in very different ways. As the subtitle implies—*Money, Banking + Power in New York City, 1784–2012*—the first is a case study, descriptive, and organized chronologically. The subtitle of the second book—*Economy, Society, and Urbanization in the Capitalist Era*—is equally indicative of a general, critical, theoretically oriented, and largely thematic treatment. Placing them side by side highlights the strengths and limitations of each and, arguably, of two different styles of discourse.

In 2012, the Museum of the City of New York mounted an exhibit on the city's history of banking. This commemorated the two hundredth anniversary of the founding of Citi, once the City Bank of New York. As the museum's director notes in a foreword, both the exhibit and the resulting book were supported by Citi, which alerts us that this history might lean in a certain direction. And to some extent it does. There are appropriate and indeed quite generous references to panics, crashes, and various forms of malfeasance, but as its title implies, the general tone is triumphalist with respect to finance, New York City, and indeed the United States as a whole.

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https://doi.org/10.1017/eso.2018.28 Published online by Cambridge University Press

The very character of the book communicates this message: glossy and abundantly illustrated in color, it is far more than a coffee table book, but it would not look out of place on a banker's desk.

The illustrations serve an informative text. The authors tell a loose-jointed story, as they trace the evolution of banking—not finance in general—from the time that Alexander Hamilton and associates founded the Bank of New York in 1784 down to the latest post-bailout recovery. It is loose-jointed because it encompasses several themes, as these relate to the three main types of banks (commercial, savings, investment), while including intriguing sidebars that feature notable bankers (Jacob Barker), banks (Banca Stabile, for immigrants; the Amalgamated Bank, for workers), fraudsters (George L. Leslie), innovations (the credit card), and activists (feminists; Occupy Wall Street). The main themes are sketched in a brief introduction: New York as an incubator of financial innovation; its banks as centers of political debate and targets of federal regulation; and the city as a "battleground on which ordinary New Yorkers … have struggled to expand their own access to bank loans and investments" (p. 5). These themes do indeed recur throughout the nine chronological chapters, but the authors use a light hand and refrain from underlining arguments or articulating, explicitly, how themes interrelate. The result is readable and engaging, easy to dip into but more difficult to follow cover to cover.

From my point of view, speaking as an urban geographer, the main limitations of *Capital of Capital* are that it does not say much about two important contexts: the global and the local. Capital has been flowing around the world for centuries, now more rapidly and in larger quantities than ever. Whether or not New York deserves the label "capital" of capital, it is certainly one of the main hubs. There has been extensive discussion about how it fits into the current global scene, much of it focused on the arguments of Saskia Sassen, who has suggested that, paradoxically, the growing dominance of a handful of hubs reflects the wider geographical diffusion of prosperity. Such arguments, important for understanding New York's financial role since the 1980s, find no substantial place here. Neither do comparisons of the sort that Christopher Kobrak and Joe Martin have made, which might also help us to understand what makes New York's—and America's—banks distinctive.[1]

Capital of Capital also says less than it might about New York itself. To be sure, there are references to banks that served workers

1. Saskia Sassen, *The Global City: New York, London, Tokyo* (Princeton, N.J.: Princeton University Press, 1991); Christopher Kobrak and Joe Martin, *From Wall Street to Bay Street: The Origins and Evolution of American and Canadian Finance* (Toronto: University of Toronto Press, 2018).

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and immigrants; to the practice of neighborhood redlining, formalized in the 1930s; to the treatment of suburban depositors in the 1960s (pp. 180–182), to the city's financial crisis of the 1970s, and the ways in which the wealth of the financial sector lifted the city in the following decade. But we do not get a clear idea of the overall impact of banks on the city or, reciprocally, of how the city shaped the origin and evolution of its banks. Sassen, among many others, has argued that the concentration (and deregulation) of banking and finance has produced in most global hubs a polarization of incomes, which is reflected in the social geography of the city. At the same time, the very character of the city has enabled banking, from the day in March 1784 when "a group of men gathered in the Merchant's Coffee House" (p. 9), that quintessentially urban institution, to the modern era, when Wall Street is unthinkable without a wide array of ancillary services, from lawyers and accountants to cleaners and, yes, baristas. If banks are so important, it is because they are intimately bound up with local economic ecologies, but these are barely hinted at.

It is with the nature of these local ecologies, of banking as indeed of the wider economy and society, that Allen Scott is concerned. In *The Constitution of the City*, his purpose is to outline the ways in which cities matter not only but above all for the processes of economic growth and change. In general, he addresses himself to those so-called urbanists who have failed to keep in mind the ways in which cities not only contain and reflect society but shape it, too. More particularly, he is responding to several recently influential writers. In contrast to the upbeat accounts of Edward Glaeser and Richard Florida, he emphasizes that if cities are diverse, stimulating, and innovative, they also exacerbate poverty, create congestion, raise the cost of living, and create diseconomies of scale that can outweigh their economic benefits. In counterpoint to Jennifer Robinson's argument that we should pay more attention to cities in the developing world—a view with which Scott agrees—he insists that it is nonetheless possible to speak about the essential character of cities. And perhaps above all, in opposition to Neil Brenner and others, he insists that, although cities may sprawl, and although they (and the financial enterprises based there) are now reshaping the globe in the image of capital, they remain "a distinctive unit of social reality" (p. 32), with their own ecologies.[2]

2. Edward Glaeser, *Triumph of the City* (New York: Penguin, 2011); Richard Florida, *Cities and the Creative Class* (New York: Routledge, 2005); Jennifer Robinson, *Ordinary Cities: Between Modernity and Development* (New York: Routledge, 2006); Neil Brenner, ed., *Implosions/Explosions. Towards a Study of Planetary Urbanization* (Berlin: Jovis, 2014).

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Scott develops this argument in three sections. The first two chapters sketch its key elements. Individually, many are familiar enough: division of labor, economies of scale and agglomeration, and so forth. To these he adds a discussion of what he (following Shoukry Roweis, an early collaborator) calls "the urban land nexus." This comprises the complex of externalities that are created by concentration, together with the ways in which these are managed by municipal government. The next pair of chapters explores what he calls the first two waves of capitalist development: industrial urbanization in the nineteenth century, which often outran the capacity of municipalities to deal with externalities, and the "mass-production metropolis" of the twentieth. The remaining six chapters deal more thematically with the third wave that has emerged since the 1970s. Various writers have emphasized different aspects of this period, including globalization and growing income inequality, but Scott agrees with those who highlight the emerging dominance of new technologies and flexible methods of production, coupled with their "finance, business and professional services, the media and cultural products" (p. 7).

Speaking about the first two waves, he relies on classic works to provide a conventional synthesis. In discussing the third, however, he presents evidence on trends in urbanization, income distributions, occupational composition, and urban rankings. In contrast to the smooth and engaging manner in which Jaffe and Lautin have digested and presented material about banking, in some of his later chapters Scott's presentation becomes rather clunky. The tables and graphs help to sustain his argument about the character of third-wave cities, and how the geography of cities reflects and facilitates newly flexible forms of production. But the main points could have been summarized; some of the material, more appropriate in a textbook, could usefully have been dropped; and some well-chosen examples, of the type included as sidebars in *Capital of Capital*, would have enlivened the narrative.

Because this comparatively short book covers so much territory, various specialists will note more or less important gaps, while quibbling about some of Scott's interpretations. For me, his treatment misses the new institutions and forms of community life—ball teams, newspapers—that cities fostered; he buys the dated argument that working-class suburbs are a postwar phenomenon; he states as simple fact the disputed claim that gentrification causes displacement (p. 202); perhaps most curiously, he does not make reference to the extensive literature on "neighborhood effects," which would have strengthened his case.

But the core of Scott's argument, if largely unoriginal, is valid, timely, and useful. The points that he makes about finance, for example,

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could have added resonance to *Capital of Capital*. He points out that financial institutions became more clearly segregated from manufacturing in the first wave of capitalism and were dominant by the third; that urban concentration is beneficial, even necessary, in part because of the associated, efficient clustering of producer services (p. 141) and also because of the branding of major centers—New York, London, Tokyo, Hong Kong—with which they are associated (pp. 138, 225). He also notes their symbiosis with the geography of income polarization (p. 94). In general, *The Constitution of the City* should sensitize people who study what happens *in* cities to the fact that some aspects of those phenomena, and in some cases the things themselves, may in a real sense be *of* the city (p. 24).

Overall, then, these books are a study in contrasts. *Capital of Capital* is one sort of book that historians write for a popular audience when they have the funding to include great visuals: engaging, empirically detailed such that wider contexts fade from sight, while themes circulate below the surface. *The Constitution of Cities* is the sort of survey and synthesis that many social scientists write: systematic, flat, occasionally jargony and repetitive, but clear in its basic message. It seems that the ideal hybrid—accessible, providing context, and with fully explicit argumentation—is a difficult trick to pull off.

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doi:10.1017/eso.2018.28

https://doi.org/10.1017/eso.2018.28 Published online by Cambridge University Press