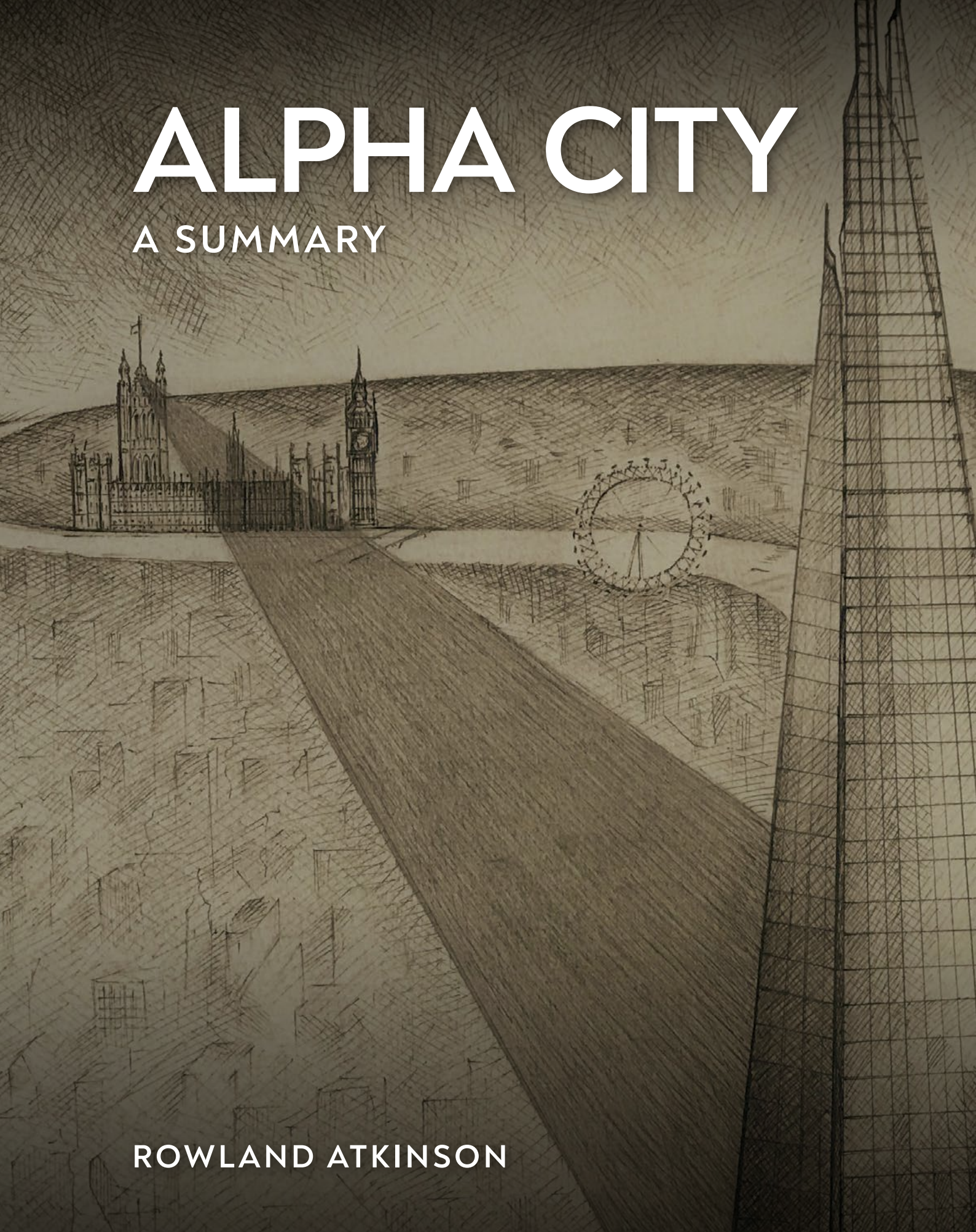


# ALPHA CITY

A SUMMARY



ROWLAND ATKINSON



# ALPHA CITY

## OVERVIEW

Cities are where our economies, wealth and a range of positive outcomes are forged. Yet in many cities around the world a particular kind of economy exists, dominated by finance, international property investment and growing inequalities. This kind of urban economy delivers most to those who already have plenty and it produces a distinctive kind of city life – while wealth appears to be high in general, the reality is that many middle-income and poorer residents are negatively affected. Many people are affected by the way that property and finance helps those to make more money, while the many who struggle are excluded from prosperity. Even worse, in a city looking to attract further wealth and the wealthy we see decisions made that worsen pressure in the areas of housing, education, health and community life.

Meanwhile many working in politics can be seen to represent the interests of the wealthy and corporate groups, those in law, real estate, property development, think tanks and so on. Many working in these sectors promote the idea that investment and the presence of the wealthy are necessary for the city to benefit all citizens. But this argument is increasingly criticised. This is because it fails to recognise (and often conceals) how development and finance does not benefit poorer and middle-income citizens. While many discuss the way that the rewards of work are unevenly distributed, in reality the biggest divide is between those who work for a living and those who own land and other assets. Owning such wealth is a way of making much more money, while those who work have seen their lives become increasingly difficult.

Many who support free market principles often push for pro-development planning legislation. In many ways ideas about how the city economy should work become accepted as simply how things are so that they are rarely challenged. These codes have underpinned a kind of capitalist revolution. This has been in place since the early 1980s and only accelerated over time. During this time the rich have got richer, corporations and wealthy individuals have paid less and less tax, public housing has been degraded and sold-off, welfare systems have been withdrawn or eroded, and most forms of social investment have been popularly described as wasteful. All of this begs the question – who is the city for?



# ALPHA CITY

## WHAT IS AN ALPHA CITY?

The alpha city is a term used to describe the kind of city that brings together many of the wealth elite (the richest people), their often wealthy enablers (those at the top of the property, corporate and political systems), unending rounds of development (in the land and housing markets) and the prominent role of finance (in the City). The term is also a description of how those with power tend to privilege property and wealth while doing much less to intervene or to support those in more challenging situations as well as the city's middle classes. While being an alpha city may sound like a winning formula, the reality is that these gains are almost only to the wealthy.

What have the rich got to do with urban poverty, public housing and welfare? The quick answer is, a lot. When walking across a golf course the holes and the grounds are critical to playing the game, but if you don't look up you may get hit. For many years social research has tended to focus on the poor. But we increasingly understand that poverty itself is hugely influenced by the way our economic and political systems create and reproduce forms of affluence. We cannot look at one without the other. The complexity of our social, economic and city worlds is enormous. Trying to explain the deep roots of social problems, how inequality, poverty and social problems are linked to these wider structural forces is difficult. But what is interesting is how we are able to get a glimpse of these forces at work when we look around us at the city and begin to piece together the interests that shape it and how it works.

Many of the world's rich and money from around the world come to London. Their money buys homes, land, it is used to bankroll development and to buy businesses. It flows in abundance through investments in City banks and investment funds, it comes from offshore island funds about which little is known but from which billions are invested in city property. Money also arrives via the riches of the wealthiest who join the city's long-standing wealthy. Many in government and in corporate life see their arrival, spending and investment as a sign of the city's success. The question is, can we imagine a greater contribution by the rich? Equally we might ask – is another, better city imaginable in which rewards are more equally distributed?

Many of us, looking-up from positions of hardship and the struggle of daily life, sense that something is wrong with how the city works. How can we be told that our finance economy, the City of London, new high-rise blocks and the city's many multi-millionaires are a gift to the city? How can we defend the endless production of staggeringly expensive homes, the many empty homes alongside them and their position next to scenes of homelessness and overcrowding? We are often told that we need to pursue the rich, international investors and to promote a low regulation environment for the City because this will contribute to the rest of the city and nation. Such arguments also underpin changes brought to many communities through regeneration, estate 'renewal' and wholesale demolition of thousands of homes.

These areas of land and housing become the raw material of the property-finance machine, assisting developers to create more, high-cost, housing sold on what is essentially an international market to many cash-rich buyers. Those protesting the loss of social, and remnants of affordable, housing essentially compete with the forces of international investment. The last financial crisis helped these arguments because it seemed that there was no money available for social causes (though in reality there is great corporate and personal wealth).

**At the start of a new financial crisis on the back of COVID-19 we again face important questions about where and how we get money to restore life in our cities, communities and economy.**



# ALPHA CITY

## WHAT IS AN ALPHA CITY?

Many of us recognise this 'kind' of city and many others feel uncomfortable or angry about its wider effects. We can give some measure of this affluence in the following key data points:

The city now has around 100 billionaires. There are also 5,000 super-rich (with £20m plus in non-housing, disposable assets) and a further 350,000 middle tier wealthy residents (with around £700,000 or more in assets).

There are 52,900 'non-doms' registered in London (2019 HMRC data). They paid £5.3bn in tax in 2018.

Around half a million people work in the City of London

1 in 20 London households own a home worth more than a £1m

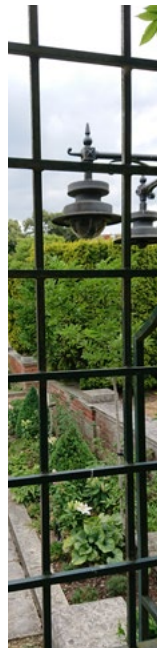
There are 75 Five Star hotels in the city, the most of any of the global cities

There are 525 high-rise buildings (of 20+ storeys) in the pipeline, 89 under construction, 100,000 homes in the pipeline, 60 were added in 2019 [New London Architecture, 2020]

More than 44,000 properties are owned via offshore in London, the figure for Westminster is as high 1 in 10 homes

40,000 London properties are owned by offshore entities whose owner is not known while £170bn of UK property was held by entities registered in tax havens. (Financial Times, 'Tax havens linked to London property' <https://www.ft.com/content/efa93784-c1b2-11e4-bd24-00144feab7de> (2019)

4,650 basements were granted planning permission in Kensington and Chelsea, Westminster, Hammersmith and Fulham, Haringey, Camden, Islington and Wandsworth between 2008 and 2017. They held 376 swimming pools, 456 cinemas, 996 gyms, 381 wine stores and cellars, 340 games and recreation rooms, 241 saunas or steam rooms, 115 staff quarters, including bedrooms for nannies and au pairs, 65 garages, 40 libraries [<https://www.theguardian.com/money/2018/may/07/pool-basement-wealth-super-rich-digging-down-london>]



## THE CURSE OF LIVING IN AN ALPHA CITY

In an alpha city space is made for capital, often more than it is for people. This process involves the creation of large numbers of high-cost homes, the demolition of public housing estates to make way for open market housing as well as the challenging of any request to provide social or affordable housing or social infrastructure like schools. Through austerity (the argument that the state does not have enough money to fund social investment and therefore needs to cut what it provides) there has been massive neglect of core social services and facilities which are essential for most people. This is particularly so for people on low incomes in a high cost city. Worse still, the cost of key social goods like housing are higher precisely because many compete with those on higher incomes.

Many people are now working, fighting hard, to counter many of the problems evident in cities like London and Manchester. Like many other cities around the world these problems can be particularly seen in the areas of housing, health, education and general social-well-being. These are areas where the state assists so that people are supported where private markets fail to deliver. Such failure can be found in the way that open sales of housing, a toothless planning system and underfunded local authorities allow the wealthy to buy-up homes and to use the development process to make considerable amounts of money. Little of this 'circuit' of building and purchasing activity has benefitted ordinary people, indeed it has made their situation worse.

The city acts like a pincer squeezing the poor. Its heavy dependence on a finance economy and the attention of the world's rich delivers little for many. In fact it brings increasing calls for the *removal* of poorer and less wealthy households to make way for those with more in the form of estate demolition, sales of public land and the absence of social housing in almost all new housing. The alpha city creates a hostile environment to those on no and low incomes, but it is also a challenging place for

those on decent salaries.

These problems are not new, but they have been worsened by the way the city acts as a kind of machine that sifts out the poor from the wealthy. It is essential that we understand how the wealthy and the poor and middle-incomes are ultimately all connected - they share the same city, the same government and society. This fact is too often concealed by the overstated social and economic value of investment and finance. This often fails to connect that activity to the ultimate role of all business and commercial life - to provide opportunities, care and well-being for all members of the city. This role is too often lost in calls to see business as a means of private wealth creation. Worse it seems that such rewards are seen as something to be placed beyond the reach of those who contribute to its creation. This is not sustainable or socially just.

The poor and middle-income households form the fuel of the alpha city machine. But they also become, as they work and try to survive, its waste product - people who are stressed and straining, working for corporations, borrowing more and more to buy (which helps to fuel rises in house prices), paying more and more of their income to rent, trying to maintain a place in the city. Many of these people are not catered for, included in or benefit from a property, finance and wealth economy that London and other cities have become. As economists have shown, house prices are around £30,000 higher because of international demand for housing in the city.

Right now this city machine seems broken, or at best idling. But its components are all ready to start working again when the conditions are right. COVID-19 has mothballed it, but it is hardwired to keep working the same way as soon as possible. The interests of those who have money or who invest it are immensely powerful and altering this direction will be extremely challenging.



# ALPHA CITY

## THE CURSE OF LIVING IN AN ALPHA CITY

One of the first things we need to face down is the argument that we somehow need the rich and property development in order for the city to be the best of all possible places. We need to tackle this myth because it is clear that while we have one of the greatest global concentrations of super wealthy residents, life is *worsening* for large numbers of its citizens:

28% of Londoners are in poverty, compared with 27% five years ago (2.5 vs 2.3m) [Trust for London, 2020] in a city of nearly 9 million citizens, living in its roughly 3.5 million dwellings.

125,000 empty homes [Pretty Vacant, report by Action on Empty Homes, 2020]

£100bn money laundering a year through financial institutions – <https://www.prospectmagazine.co.uk/economicsand-finance/london-the-money-laundering-capital-of-the-world>

52% of its residents are owners, roughly the same since early 1980s; there are Private renters 26% (this was 17% in 1981) and Social renters 22% (32% in 1981) [ONS]

There have been at least 161 estate regeneration schemes in London since 1997 which have involved demolition, and at least 55,000 households (approximately 150,000 to 200,000 residents) have had to [Lees and Hubbard, Council Estate Renewal Policy Briefing, CACHE]



56,000 households in temporary accommodation – up 30% from five years ago (March 2020 MHCLG) [Pretty Vacant]

Around 9,000 sleep rough on the streets each night, a record figure

The richest 10% of Londoners earn 32% of all income, Top 20% of population own 62% of wealth Trust for London

54,000 homes sold under the Right to Buy are now privately rented

In the past decade the city has lost around 10 swimming pools; 50 libraries; 54 playing fields and 30 hospitals and care homes

¼ secondary pupils eligible for free school meals

There are now 3.3 police per 100,000, 2018, down from 4.1 in 2010



# ALPHA CITY

## THE WEALTH OCTOPUS

We can identify 8 processes by which the wealthy and city elites have gained from alpha city status

**Inequality** – The wealth, land and development economy has helped to increase inequalities between the top and the bottom. Wealth creates even greater gains for the richest, many are locked out of such opportunities and rely on low incomes while the rich derive incomes from shares, investments or the high rewards of chief executive positions.

### The idea of money –

The city is a place where important ideas and principles circulate. These are popularly understood as baseline truths, invoking the need for investment, winner takes all corporate models, the incredible skill of the rich and the need to maintain flows of inward investment from around the world. These views have no effective explanation regarding why many in the city fare so badly, including even those on middle-incomes. These ideas propel the city further into the logic of development for development's sake, worse, they appear as commonsense.

### Erasing the poor –

Arguments for reducing welfare and support for core social services and infrastructure are more easily won in a city in which international capital and the wealth of the rich flow freely, as it is suggested this kind of economy will assist the fortunes of those with low incomes. The city is constructed in a way that helps to make the poor invisible, through the destruction of homes and welfare system tweaks that have unhoused many and forced moves to towns and cities beyond the capital even as many homes lie empty.

### Privatisation of space –

London increasingly has a secured look and feel to it, a 'security landscape' is increasingly evident, often in neighbourhoods and for public spaces that were traditionally open to all. This privatisation is underwritten by private ownership, the sale of public land and forms of electronic surveillance alongside private policing in some areas.

**Insulated elites** – The wealthy and city elites are able to cocoon themselves in protected spaces, homes and through enclosed mobility systems that shield them from the consequences of social, welfare and housing programs. The result is a changing atmosphere that suggests the hiding away of the global winners.

### Trickle-down –

Many on low incomes pay rising amounts of their income for poor quality private rental accommodation, high housing and transport costs as a result of living in a city devoted to finance. The trickle-down of wealth comes in the form of these effective taxes on everyday living, rather than help to improve public assets and services through taxation and other contributions.

### Facilitating elite criminality

– The alpha city is deeply tied to the world of offshore island tax havens and investment vehicles that conceal ownership and identity. These systems are connected to organised and individual criminal enterprise that has used land, property and investments to avoid and evade tax and to launder criminal money. London is considered to be one of the worst laundering capitals globally. Little interest or action is taken to address these issues.

### Dead space –

Housing is built to satisfy the needs of investment and this has produced large numbers of homes that are left empty. New homes are built and then sold on a global market to seek the highest price point, pitching international against existing city residents and often being used to store money, rather than being used as homes.





# ALPHA CITY

## FOR A MORE SOCIAL CITY

We are told that the rich are essential, and to fear the exit of the rich to places where tax is lower. It is often said that the rich benefit many through investments or buying services, that the property taxes they pay support core social services and so on. Of course there is a kernel of truth to all of these arguments. But these arguments quickly fall apart when set against the self-evident inequalities of the city and the sense of massive winners and crashing losers. This is a game overseen by a political elite who have helped to ensure that wealth remains untaxed to any significant degree.



A much better set of outcomes can easily be imagined, but this requires a basic proposal – that the wealthy should make a more significant contribution. This should come through taxes on property and wealth, and that of developers and corporations. This should be done because it is right and overdue. This would enable a fairer and socially sustainable city to be created. Let us turn to some concrete proposals on how we might get there:

- 1. Get to the heart of the issue, promoting the need for a wealth tax** – many models now exist which can be discussed regarding a fair way to tax wealth. One is to tax all wealth in the same way that we tax income, a modest proposal but which requires serious deliberation among other ideas for reform.
- 2. Tackling money laundering and tax evasion** – The offshore world continues to be connected to London and to remain out of sight. Concerted action and reform of international tax could quickly reduce the desirability of using these shadowy investment zones. Meanwhile proposals to know the beneficial owners of all UK land and property are on the table and should be put in place by the government. More investment in policing and regulation of fraud and laundering are needed to make more in-roads to activity that runs into the tens of billions annually.
- 3. Planning for all** – Two key issues stand out, first, the way that viability tests are used to avoid contributions of affordable housing by developers. Second, the need to promote on-site social housing contributions as a standard, non-negotiable aspect of all new provision. Communities in social rented housing should only be presented with options for investment and refits, never for demolition or any loss of homes, paid for through the first measure. Rehab could take place using green new deal principles of sustainable design and involving local labour and training systems.
- 4. Housing** – Sales of social housing must be abandoned, all plans for housing demolition should be abandoned, rent controls should be put in place alongside other measures to reduce the attractiveness of being a private landlord. The general push should be towards a 50/50 tenure structure – half owning, half renting in social housing that is of good condition, affordable and secure, and which is spatially mixed with private housing.



## FOR A MORE SOCIAL CITY

5. **Choose a more social city** – Individuals can and should support any initiative that challenges the narrowly economic value of life in the city. This includes several of the above proposals but also includes more sustainable transport systems, provision of play space, moves to value the contribution of BAME citizens, women and the disabled, to see greater investment in schooling and health through central government funding allocations and the ending of austerity-driven welfare measures. All of this to be paid for by publicly deliberated discussions about fair wealth taxes and equitable contribution to public life by all who claim the citizenship of the city of London.
6. **Reducing the property system's hold on the city** – support any and all methods for boosting social renting beyond 25%, erode the position of the 25% who are private landlords, help many to become homeowners so that personal wealth can be built for those who lack it. Support state-led construction, regulate through planning and subsidies that compel social landlords to build for social need rather than sub-market rate homes. Call out the system for what it is, a money-making machine for private developers who build poor quality homes (frequently for a 20% dividend) and supported by massively expensive policies like to Help to Buy which have offered a further gift to developers and the construction of low-grade homes that people buy for lack of available alternatives and the promise of value increases.
7. **Shout down proposals that suggest the rich and international capital are required to build homes and which are then traded effectively as financial assets** – Understand that through state support and diminished profit levels we can and should see homes for people at a much lower equilibrium of prices.
8. **Support land reform** – This may come in various forms, including the rebanding of Council Tax to an A-Z range that might run from £10,000 to £50m, the use of Land Value Tax and other progressive instruments to be introduced.
9. **Challenge the tax system** – abolish non-dom status in favour of taxing the wealth of self-proclaimed citizens. As an interim measure, publish the extent of the wider wealth held by non-doms and known to HMRC to assist in public discussion of future measures.
10. **Understand the rich** to be linked to other people, places, jobs, state spending (on roads, cities, schools, universities, state sponsored tech innovations, policing) and that there is no such thing as self-made wealth.
11. Realise that even **modest proposals for taxation** will always be met with massive resistance and shouted-down as self-defeating measures even when they are reasonable and offer the ability of the lucky to make greater contribution to the societies and cities of which they are an important part.
12. **Reject philanthropy for hospitals, museums and other cultural institutions** – Pay for these facilities instead using decent and fair tax contributions to pay for cities for all to live and thrive in and strategically distributed on the basis of need rather than personal favour.
13. **Arm yourself with knowledge** – it is worth knowing that in a survey commissioned by Action on Empty Homes it was found that two-thirds (68%) of Londoners think the London property market is focused on building for investors, and that almost nine in 10 (86%) Londoners think expensive housing is a significant problem in London. Many are with you in believing there is a problem and that this needs to be addressed [figures from Pretty Vacant, Action on Empty Homes, 2020].

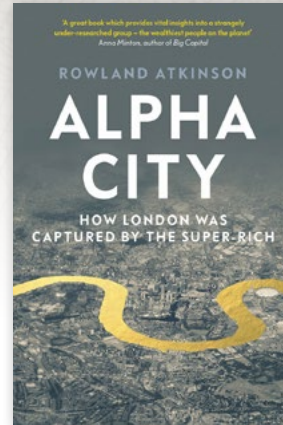




# ALPHA CITY

## FOR A MORE SOCIAL CITY

At this key juncture, COVID-19 pushes us to think about which future we want. The arguments we are likely to face from those representing capital, the wealthy, finance and the development sectors is that the city is again in crisis so we need the money of the rich, property and international investment to keep the machine going. Many will claim that the treasury is dependent on receipts of housing sales and on the contribution of the City of London. All of this is true in part, but the preferable alternative for a future city is one that delivers for a much greater number of its citizens and a more balanced economy, for social investment, greater social protections, a revised urban equilibrium in which property prices deflate and where affordable housing is guaranteed in all new development.



Hard copies of Alpha City are available direct from Verso, with the added benefit of a free electronic version of the book included in the price –

<https://www.versobooks.com/books/3179-alpha-city>

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