

# Book Review: From Boom to Bubble: How Finance Built the New Chicago by Rachel Weber

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*In From Boom to Bubble: How Finance Built the New Chicago*, Rachel Weber offers an 'elite ethnography' of the 'Millennial Boom' of urban construction experienced in the city of Chicago between 1998 and 2008. Challenging traditional understandings of cycles of commercial property development, this book not only offers insight into Chicago's overbuilding but also establishes an extensive research agenda within the field, finds John Tomaney.

***From Boom to Bubble: How Finance Built the New Chicago*. Rachel Weber. Chicago University Press. 2016.**

Find this book: 

The great Chicagoan Saul Bellow, in an essay in *Life* magazine in October 1986, described how his city is 'always transforming itself': 'Chicago builds itself up, knocks itself down again, scrapes away the rubble, and starts over'. In *From Boom to Bubble: How Finance Built the New Chicago*, Rachel Weber casts the critical eye of the social scientist over this terrain. In the process, she makes an important and original contribution to the study of the financialisation of the built environment. Weber offers a conceptually, theoretically and methodologically innovative and empirically detailed account of the operation of the commercial real estate market in Chicago, drawing on a longitudinal 'elite ethnography' in a lucid and engaging way.

*From Boom to Bubble* shows how speculation in capital markets, in conjunction with routine professional practices, led to commercial 'overbuilding' in Chicago's Loop business district during the 'Millennial Boom' (roughly 1998-2008). It also shows how the city authorities first facilitated this process and were then called upon to absorb the surplus left in the wake of this finance-led boom, helping to subsidise and reposition office buildings and submarkets as 'blighted' by tenant losses and over-leverage.

More than this, the book is also a valuable reflection on the role of theories and methods in advancing our understanding of cycles of commercial property development. It charts a route between the orthodoxies of urban economics and real estate economics, on the one hand, and the limitations of radical critiques, on the other, to develop an original analysis of the financialisation of urban development that emphasises the complex role of human agency and the facilitative role of local government in shaping urban outcomes. While critiquing key theories, Weber makes the persuasive case for a historically informed and institutionally aware account of property cycles that are more or less linked to, and in which real actors and institutions ('epistemic communities') mediate, demand and supply.





**Image Credit: The Chicago Bean (Antony Caldaroni CC by 2.0)**

For Weber, overbuilding in Chicago did not arise because potential occupants demanded new buildings, but because financial markets were making more capital available for investment in commercial real estate. As much as the search for profit, developers were driven by the pursuit of status and peer imitation. Weber notes how investors receive guidance in interpreting markets from intermediaries, such as brokers, who shape perceptions about the right times and in which (new) buildings to invest. But actors often misread demand, miscalculate the nature and quantum of new products that the market can bear and underestimate the strength of attachments to older products that are devaloured. Overbuilding can be attributed to the interplay of financial ‘innovations’ and regulatory changes that create liquidity in global capital markets and initiate Schumpeterian ‘gales of creative destruction’ in the built environment, and to both the practices of real estate professionals and the policies of city governments that result in ‘routine overbuilding’.

These processes played out in a distinctive way in Chicago. In ‘newer’ cities with available land and lax growth controls, such as Dallas and Atlanta, new building adds to the stock; but in densely settled ‘older’ cities such as Chicago, existing buildings must be pushed aside to allow for new construction. Real estate professionals construct and reproduce the markets they seek to create: for example, through the social construction of ‘obsolescence’. Drawing on Michel Callon, Weber suggests property needs are ‘configured’ and demand for new property ‘co-produced’ through interactions between tenants, developers, brokers and others.

Financial engineering is key to urban developments in an era when property owners turn to complex equity and debt instruments to underwrite construction projects and building operations. Real estate investment trusts provide an outlet for capital surpluses at a time when returns to technology and corporate stocks are low. Paradoxically, accelerating global investment reinforces the position of local actors who guard, code and make legible information about different property asset classes, enabling investment. Weber conceives of commercial buildings as ‘events’ defined by the movement of capital into and out of them. Investors and intermediaries collude in the construction of a commercial property ‘lifecycle’ comprising preconstruction, construction, occupancy and operation, recapitalisation and securitisation. Local government plays a key role in facilitating the activities of this lifecycle by valorising certain districts through zoning regulations and infrastructure provision, while becoming fiscally reliant on real estate growth through mechanisms such as Tax Increment Financing.

These processes are explored through a granular analysis of Chicago’s millennial experience, rich in quantitative and qualitative data and enlivened by images of the places under discussion. The Loop was transformed during this

period as new business districts emerged, others were devalued and firms engaged in a frenzy of relocations. But, as Weber notes, ‘the exhilarating hypermobility of the Millennium Boom gave the appearance of progress and growth. But this restlessness took place in a city with flatlining employment, population, and rents’ (182). Among the many consequences of the ensuing crash was a deepening fiscal crisis on the part of the City of Chicago, now dependent on property taxes.

Weber makes a series of well-judged policy proposals aimed at limiting the excesses that were evident in the Millennial Boom, although there is an underpinning pessimism about their chances of success. Big questions arise as a result of reading this book. How does Weber’s account link to claims about the relationship between asset growth and inequality raised by [Thomas Piketty](#) and others? How can we better understand the dilemmas of local government in an age of financialised urbanism? How do commercial real estate markets look to international investors as opposed to local intermediaries and governments? To what extent is the experience of Chicago matched in other global cities? And how do Weber’s analytical categories contribute to a general theory of urban development? Rachel Weber has not just given us a valuable analysis of what happened in Chicago in the 2000s, but has sketched an extensive research agenda. This book deserves to be widely read.

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*Note: This review and interview gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.*

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