

We The People
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We the People 254 The Skyscraper Curse



Good day to you. A local bloke by the name of Vern Gowdy who specialises in financial matters writes a regular column for the industry and for media. I spoke with him recently as I was interested in his common sense take on matters to do with Gold Coast finance and investment. He reflects on the southern hemisphere's proposed tallest building of Orion Towers which is set to loom over Surfers Paradise at an astonishing 103 storeys or 1077 feet. Skyscrapers and big egos have a long history.

In 1999, economist Andrew Lawrence created '[The Skyscraper Index](#)'. Lawrence identified a correlation between the construction of the world's tallest buildings and a subsequent financial crisis. During the 'Roaring Twenties', construction began on three record breaking buildings, 40 Wall Street, the Chrysler Building, and the Empire State Building. The Great Depression followed. Landmark buildings are sometimes the product of grand thinking and sometimes the product of capitalist excesses. Boom time periods of seemingly endless and easy riches are fertile ground for dreamers and risk-takers. There is nothing like a boom for the mass misallocation of capital and wealth has a tendency to inflate egos. How do you show the world your success and prosperity.....construct a status-symbol skyscraper. The grand concept is born when a boom has well and truly taken hold, when the business mood is upbeat, bordering on euphoric. There is however a disconnect between business activity and wealth and society in general as we see today. Building a monument to wealth is considered a natural extension of how society feels about itself. I think it's a natural function of greed and avarice and often poor town planning benefiting the few at the cost of the many. This has become an all too familiar pattern for these symbols of excess, engineered in times of expansion and completed during periods of contraction. Hence the term the '[The Skyscraper's Curse](#)'.

A euphoric business mood, created by a multi-year boom leads to overreach and sadly a loss to society as the indirect debt rolls in later. The Chinese property boom, funded in large part from China's \$US28 trillion of debt has been without peer. Right on cue, following the ego-driven trend, China built its very own status symbol to itself. The Shanghai Tower the world's second tallest skyscraper. The grand plan was envisaged when China's GDP growth was running at 15% and the tower's construction commenced in 2008. In late 2016, most of the building was still closed. The recent news out of China indicates the '[skyscraper curse](#)' may be ready to strike again. The former chief economist of the International Monetary Fund told the BBC that a slowdown in China is the greatest threat to the global economy. If you want to look at a part of the world that has a debt problem look at China. They've seen credit fuelled growth but these things don't go on forever. However, the almost empty Shanghai Tower's title as the second tallest skyscraper could be short-lived.

Dubai's Burj Khalifa is losing its title of "World's Tallest Building" to Saudi Arabia's new project, the Jeddah Tower, conceived as a monument to the excesses of a bygone Arab boom years ago. The Saudi government has announced that it secured funds to complete the Jeddah Tower, which will stand 3,280 feet when completed in two years. The Jeddah Tower, also known as the Kingdom Tower, will be the first building in the world to reach a full kilometre into the air. As Saudi authorities slash spending and delay payments to contractors to cope with the plunge in oil prices the austerity is exacerbating the woes of private businesses that have, for decades, relied on government spending for growth. Casualties include the thousands of foreign labourers who helped to keep their economy humming with near slave labour in construction. Yet as oil prices plummeted, government efforts to repair public finances hit a construction industry already struggling amid a building slowdown. Perhaps Freud would have analysed this need by the male species to erect huge edifices as tall towers of envy. These monuments to man's ego invariably tend to coincide with a prevailing business mood of excessive optimism. There is only one way to go from artificial adulation and that's down on your knees. Soon, we the tax and rate payers and our children will pick up the tab just as sure as the skyscraper index forecasts the financial end to a ridiculous period of greed in real estate and corporate life. In contrast GCCC appears to think these concrete monuments represent progress and they don't. It seems the skyscraper curse looks set to strike in Australia on many fronts with society the first casualty.

Until next time this is Kent Bayley