Between the Future and Survival in Lebanon

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Corporate Urbanization: Between the Future and Survival in Lebanon

by

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This manuscript has been read and accepted for the Graduate Faculty in Earth and Environmental Sciences in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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THE CITY UNIVERSITY OF NEW YORK
ABSTRACT

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If you look today at the skyline of downtowns throughout the Middle East and beyond, the joint-stock corporation has transformed the urban landscape. The corporation makes itself present through the proliferation of its urban mega-projects, including skyscrapers, downtown developments and gated communities; retail malls and artificial islands; airports and ports; and highways. Built into these corporate urban structures are edifices of politics, ideology and certain forms of socio-spatial and temporal organization. The corporation, however, has largely escaped critical scholarly analysis in Geography and/or Urban and Middle East Studies. In this thesis, I argue that the corporation is far more than a mere business enterprise and is in fact one of the most important apparatuses in the organization of our socio-spatial relations. Through an analysis of the 19th-century French joint-stock corporation, Compagnie Impériale Ottomane de la Route Beyrouth-Damas, and Solidere the corporation that led the reconstruction of Beirut following the Lebanese Civil War (1975-1991), this thesis considers and explores the force of the corporation in assembling socio-spatial relations and certain urban futures. Drawing on work in Science and Technology Studies (STS) and Geography, I consider the process of capitalization, which is central to how the corporation organizes its operations. Capitalization represents the present value of a future stream of earnings. I argue that capitalization is now central to the urbanization process and that the urban fabric has provided the corporation with a durable structure to guarantee a stream of income. Capitalized urbanization, I contend, is the building of a certain future into the urban present - also understood as the extension of time (the future) through the concentration of space (urbanization). It is therefore not only an economic proposition but one that necessitates broader socio-political and spatial control. In the case of the Compagnie, I argue, through its capitalization this corporation established a new power network that not only generated great profits for its shareholders but also contributed to the rise of Beirut as a central trading hub and facilitated the French domination of the Levant. The establishment of Solidere would once again create an urban corporate imposition that greatly altered the socio-spatial relations of Beirut and Lebanon more broadly. Solidere, I contend was central to the formation of the Second Lebanese Republic. Through Solidere’s corporate socio-spatial apparatus and its capitalization of the built environment, the company was able to build a certain future into the urban present, foreclosing other possible futures and socio-spatial formations.
Now I will tell how Octavia, the spider-web city, is made…

Suspended over the abyss, the life of Octavia’s inhabitants is less certain than in other cities. They know the net will last only so long.

Italo Calvino, *Invisible Cities*
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There are no self-made PhDs. I have accumulated many debts—financial, emotional and intellectual, to name but a few—to countless numbers of people over the years. Debts I will likely never be able to repay. I hope, however, that this acknowledgement to all those who have helped me along the way can at least be a (albeit small) testament to my profound gratitude for the generosity that I have experienced in writing this thesis.

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Note on Transliteration and Translation

I have used the style of the *International Journal of Middle East Studies* for the transliteration of all Arabic terms. All Arabic words have been italicized save for those that are proper nouns or have entered the English language.
In the summer of 2015 the inability of the Lebanese political elite to agree on how to manage Beirut’s garbage resulted in the city’s main landfill shutting down without a viable alternative. Garbage piled up on the streets and the city’s hot summer air filled with the stench of rotting rubbish. The anger of the city’s residents at the political elite and system that was now literally, as well as symbolically, poisoning them reached a boiling point. Throughout August and September 2015, thousands of protestors gathered in Martyrs’ Square in the Beirut Central District (BCD). The protests were organized by a loose coalition of NGOs and youth activists led by the newly formed group “You Stink”. Although the “You Stink” protest was focused on the garbage crisis, protestors’ anger was also directed at a broader urban crisis in Beirut and Lebanon. These youth-led demonstrations incurred a violent reaction from the authorities, who used rubber bullets, tear gas and water cannons to disperse Lebanese youths. Dozens of demonstrators were injured by security services and one protestors was killed (Al Jazeera 2015).

On the September 17, 2015, Nicolas Chammas, president of the Beirut Traders’ Association, remarks at a press conference on the You Stink protests in the BCD provoked further outrage among some Beirutis. Chammas warned that among the protestors were even more dangerous elements, “communists and Marxists” who had remained in Lebanon since the Civil War and who were attempting to start a “class war” [haltbqāyah]. “For 100 years we carried the liberal economy on our shoulders and we will not allow anyone to attack the economy, God forbid!” he declared to applause. Chammas then caused controversy among his compatriots when he said that the BCD should not be turned into an Abu Rakhousa, a colloquial Lebanese expression that refers to a discount store, literally meaning “father of cheap things”.

Chammas said:

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1 In formal Arabic ِّرتكم, or Tol3at Ri7itkom, as it is known in colloquial Lebanese Arabic.
2 The following translation of Nicolas Chammas’s press conference is by the author.
3 By “Communists and Marxists that remained” [haltbqāyah alisyw ‘yyn wa almarksyyn], Nicolas Chammas was referring to the (predominately Palestinian) leftists of the Civil War and the ostensible danger that this group represented.
I also want to say that the charlatans [dğlîn] who have put [the idea] in your head that the Central District is not for you. The Central District, like Dr. Chammaa [the chairman of Solidere] said, is for all people, as the martyred Prime Minister Rafik Hariri wished. The central district is the pride [fḥr] of all of Lebanon. It is the seat of institutional power and is the great centre of the highly prized Lebanese banking sector. It has the finest restaurants, hotels and finest shops. It is our crowning achievement. It is open to all people, no one expects it to be turned into an Abu Rakhousa. The central district wants to be the best! It needs to remain the greatest and an example for the whole Arab region.

Hours after Mr. Chammas’s speech, the hashtag #aburakhousa began to trend on Twitter and memes emerged making fun of the businessman’s claims (Battah 2015). But in addition to making fun of Chammas, on September 19 a Souk Abu Rakhousa was organized by members associated with the loose coalition of You Stink, including the group “We Want Accountability” (bidna nahasib) in the heart of the BCD. Large signs proudly displayed the slogans Abu Rakhousa and “We Want Accountability”.

At the time of the protests in 2015, I went down to the Souk Abu Rakhousa that was organized strategically on Riad al-Solh Square in the BCD, facing the Prime Minister’s office located in the Grand Serail (Government Palace) and just off Bank Street, home to many of the nation’s most prominent banks. People had set up stalls on the street where they had put books, clothes, art and plants for sale. The journalist Habib Battah (2015) noted that, “…one table sold a pile of discount books about Marxism and Communism, just to spike the elite businessmen’s worst fears of ‘dangerous ideas’”. Others offered manicures and haircuts for LL6,000 (US$4). A number of stalls sold popular Lebanese foods, such as falafel sandwiches, saj (a flatbread) and fruit juices. Their prices contrasted with the restaurants in the area that usually cost around US$50 per person for a meal.4

A carnival atmosphere began to form as the sun set. Young men and women danced dabka, a traditional Levantine folk dance, to the rhythm of the darbuka (a small hand drum) under the glare of TV camera lights. Namit Badr Al-Deen, a spokesperson for bidna nahasib told MTV, a Lebanese news channel, that they organized the souk to “open the BCD to all people” and that the center used to have “15,000 companies before but today there are no more than

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People repeatedly stated how this gathering at the souk marked a return to how the BCD was before the war, gathering a mix of social classes and Lebanese from all walks of life. Battah (2015) wrote that “Activists claimed a victory in reclaiming the city center, even if only for a day, from the most powerful real estate interests in the country, who largely stood back and watched”. But it was not for only one day; Souk Abu Rakhousa has continued to be held in the BCD and by 2018 over twenty such gatherings had been organized.

In the protests that erupted in Lebanon in 2015 and in the attempt to “reclaim” the BCD, those revolting in the heart of Beirut not only directed their anger at the traditional political blocs in Lebanon, such as the Future Movement, the Free Patriotic Movement, Hezbollah, Amal, the Progressive Socialist Party and their sectarian politics. Nor did they only express their protests toward the za’im (the political leader or power broker) or the zu’ama’ clientelist system, in which wasṭa-the ability to access a power broker-is sought. But anger was also directed at a seemingly new force that had entered social life in the ‘Second Lebanese Republic’ that began following the end of the Civil War (1975-1991), the corporation (see Image 1).

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5 https://www.youtube.com/watch?v=_V8Wg9-PkUA, accessed September 2016. Translation by author.
6 https://www.youtube.com/watch?v=_V8Wg9-PkUA, accessed September 2016. Translation by author.
Lebanon and the Joint-Stock Corporation

In September 1994, the Lebanese elite gathered for the inauguration of the government sponsored joint-stock corporation, the Lebanese Company for the Development and Reconstruction of the Beirut Central District S.A.L (in French, SOLIDERE: Société Libanaise de RÉconstruction). At the time of its inauguration, Solidere was one of the largest single inner-city and waterfront renewal projects in the world. It turned the whole of the Beirut Central District (BCD)-1.8 million square meters and an additional 608,000 square meters of reclaimed land on the sea front into a corporation. The President, along with speakers drawn from the country’s religious and political elite took it in turn to endorse and sing the praises of Solidere’s foremost supporter and majority shareholder, Prime Minister Rafik Hariri. In the context of a country recovering from a brutal civil war that ostensibly ended with the signing of the Ta’if Agreement, such broad agreement among the Lebanese political and social elite was rare. The formation of Solidere meant it was now possible to not only buy property in the BCD but through the purchase of Solidere stock you could buy a share in the BCD (i.e., in the Land Bank) at the Beirut Stock Exchange, as well as at the Kuwaiti and London stock exchanges.

Solidere’s role in relation to the BCD is manifold. It is a, land developer, real estate developer, property owner, property and services manager and operator. Solidere has brought together a high-quality urban structure in the BCD that includes new infrastructural connections, a pedestrianized core and a carefully designed urban tissue. The world’s most prominent architects have contributed to the formation of the new BCD, including Zaha Hadid, Herzog & de Meuron, Norman Foster, Jean Nouvel and Steven Holl. But neither the deployment of the latest techniques in urban planning nor the world’s most famous architects have been able to produce a socially and politically coherent and cohesive urban fabric. This exclusive and high-end urban core, with its pristine but empty streets, now stands in stark contrast to the deteriorating and congested urban fabric of the rest of the city. It is, as a former employee of Solidere International told me, a “Paradise in a box”.

The utilization of a joint-stock corporation to lead the reconstruction and undertake the capitalization of the BCD seemed to many in the country an unusual and controversial choice for contemporary Lebanon. At the time Solidere was established there were very few joint-stock

corporations in the country or the region. The joint-stock corporation was not a popular institutional form. According to the economist Tony Najem (2000), joint-stock corporations were not utilized in Lebanon because family-run businesses were reluctant to list themselves on the stock market for fear they would lose control of their companies (p.190). Najem cites a member of the Beirut stock market committee, Marwan Khair al-Din who states, “There is a saying that the Lebanese economy is made up of 100 families” (2000: p.190).

In addition, in the Middle East more broadly, but in Lebanon especially, there exists considerable mistrust towards joint-stock companies whose management is generally perceived as corruptible. Najem (2000) notes that there is always the danger in joint-stock companies, where ownership is separate from management, that corruption might take hold within the latter group (p.191). The perception in Lebanon that joint-stock corporations are particularly susceptible to corruption is likely rooted in experiences with Intra Bank and Middle East Airways (Najem 2000: p.191). The 1966 collapse of the Intra Bank joint-stock corporation is particularly notorious in Lebanon and still discussed to this day (Karam 2013). The bank was one of the largest in Lebanon and its implosion threatened the entire banking sector with bankruptcy. The Intra Bank scandal shook the trust of Arab and international investors in Lebanon’s ability to be a financial entrepôt and regional powerhouse. The collapse of Intra Bank threatened the entire Lebanese political establishment (Safieddine 2017: p.180).

Despite the controversies involving joint-stock corporations in Lebanon, a joint-stock corporation in the form of Solidere was tasked with leading the reconstruction of downtown Beirut. Solidere formed one of the most important institutional transformations in Lebanon’s Second Republic and was at the center of key political, economic and social struggles following the Ta’if Agreement. Moreover, it marked the opening of a broader expansion in corporate power embedded within the fabrics of cities throughout the Middle East. How and why a joint-stock corporation emerged at the center of the Lebanese reconstruction and capitalized the BCD requires explanation. It is at the forefront of this investigation into how the corporation shapes our socio-spatial urban lives.

The central questions motivating this dissertation asks:

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8 This is the agency problem identified by Adam Smith discussed further in Chapter One.
9 As the journalist Michael Karam (2013) notes, the fallout from the Intra Bank “skulduggery haunts Lebanon still”.
1. What is a corporation and what does it do? Specifically, where did the corporation come from, how did its core characteristics form and what type of organizational structures and processes did it establish?

2. What is the corporation’s relationship with capitalist urbanization and the organization of everyday urban life?

3. How did the corporation enter into the Eastern Mediterranean and what impact did it have in shaping socio-spatial life in the region?

4. How and why was the entire Beirut Central District (BCD) transformed into a corporation in the context of a brutal Civil War (1975-1991)? How did this corporate takeover of the BCD transform time-space-society relations in Beirut and beyond?

**Thesis Outline**

To answer these questions this dissertation is structured into five chapters. In Chapter One, I trace the transformation that the corporation has undergone over the past one thousand years. I engage the *longue durée* of the corporation from the medieval corporate city to the rise of the 16th-century trading company, followed by its transformation into the joint-stock railway corporation and finally the contemporary business enterprise. I argue that despite the radical changes that the corporation has undergone over time and space the central characteristics of the corporation has remained relatively constant. I contend that the core purpose of the corporation - what it is and does-is to bind people, things and space together for one group or association to gain power over another. This fundamental characteristic of the corporation has changed little over the years. This relative stability in the function of the corporation is perhaps why medieval corporations like the City of London remain with us to this day. The constancy of this characteristic of the corporation is not to say that this entity has not undergone profound change in its shapes and forms over the past one thousand years. Indeed, the emergence of the modern business corporation was a profound development in the corporate form. I consider therefore the gradual emergence of the notable characteristics of the modern business joint-stock corporation, such as absentee ownership, temporal permanence, geographical extension, limited liability and
its association with credit. I argue that one of the central processes of the modern joint-stock business corporation is the capitalization of durable urban structures.

In Chapter Two, I outline the theoretical framework for this dissertation’s engagement with the corporation. I draw on the work on the corporation and in particular capitalization by the old institutionalism academics, such as Thorstein Veblen, and the more recent scholarship by Nitzan and Bichler. Capitalization is a means of bringing the future into the present and constitutes the central process of the modern joint-stock corporation. Nitzan and Bichler (2009), however, have argued that capital is not a material entity but a representational mode of power and as I explain in this chapter this is where I diverge from their work. In line with the scholarship in Science and Technology Studies (STS), and specifically with Timothy Mitchell’s work, I am attentive to the materiality of corporate power and stress how capitalization has embedded itself into the processes of urbanization. I contend in this chapter that the capitalization of the built environment necessitates a shift in our understanding of time-space compression (as outlined by Harvey 1989). Building most immediately on the work of Nitzan and Bichler (2009) and Mitchell (2016, 2016b), I contend that capitalization has focused its efforts on the extension of time (a future) through the concentration of space (urbanization), thus the building of the future into the urban present. This capitalization of urbanization has had a profound impact on the organization of social life, nowhere more so than in the Eastern Mediterranean.

In Chapter Three I trace the history of the corporation in the Eastern Mediterranean and argue that the corporation was central to the rise and formation of Beirut. The earliest corporate forms were established by European traders through treaties that came to be known as the “capitulations”. The 1536 capitulation granted to the French by the Ottoman sultan enabled the French to establish a more formal presence through the creation of corporations, or échelles, within the Ottoman empire. Notably, however, Beirut at this point and until the early 1800s was not a notable trading hub and was not a location of the early corporate forms that emerged through European trade along the Eastern Mediterranean coast. The joint-stock corporation would soon arrive, however, as Beirut began in the 1800s to rise as a place of notable commerce. I give particular attention in this chapter to a joint-stock corporation founded by two French brothers, Compagnie Impériale Ottomane de la Route Beyrouth-Damas (henceforth, Compagnie), established in 1857 and completed in 1863, along the Beirut-Damascus road. I
argue that this corporation was central to the very rise of Beirut as one of the most important trading nodes along the Syrian coast. But perhaps more significantly, I contend, this corporation not only generated significant revenue for its shareholders, as one of the most profitable French enterprises in the Ottoman empire; it was also key to the facilitation of French military power and domination in the region. The Compagnie was a central apparatus in ushering in the French colonization of *bilād al-shām* (Greater Syria) that is more commonly recognized as starting with the French Mandate in 1918.

In Chapter Four, I shift to contemporary Beirut and focus on the remarkable rise of the corporation following the end of the brutal decades of the Lebanese Civil War (1975-1991). I argue that the Second Lebanese Republic that was formalized following the end of the Civil War should be understood as a period of corporate building within Lebanon. Most notably, the entire Beirut Central District (BCD) was turned into a joint-stock corporation known as Solidere. Solidere was at the time one of the largest single inner city and waterfront renewal project in the world. I trace the historical legacies of Solidere and how this project was sedimented within the Civil War and its processes. I note the rise of the Saudi-Lebanese contractor Rafik Hariri, and principal sponsor of Solidere, who organized the Peace Accord (the Ta’if Agreement) that ended the Civil War and resulted in him being appointed Prime Minister. I engage the complex and layered set of often-contentious negotiations that was undertaken around the creation of Solidere, how it led the reconstruction process that followed the end of the Civil War and the intricate relationship that was established between this joint-stock company and the state. I argue that the Second Lebanese Republic that formed following the end of the Civil War was organized around the corporation and a new form of social organization was in part achieved through what I regard as a “corporate-building” institutional process.

In the final chapter, we are taken on a tour of the Solidere area by our guide Rania Sassine who describes Solidere as a “Paradise in a Box”. In this chapter, I detail how Solidere created not only formed a new downtown central district and physical infrastructure but also created infrastructures of social relationships. I argue that built into the luxury apartments and shopping malls, streets and street furniture, were edifices of politics and ideology, a certain form of social organization. In the creation of Solidere, I contend, the apparatus that the joint-stock corporation offers was fully utilized. This included: the ability to centralize previously dispersed capital and property into a single corporate entity through shareholding; the establishment of
monopoly power; absentee ownership and continuity of existence beyond individual owners and managers; managerial structure, with its professional class and board of directors; annual and quarterly reports; and the formation of a new spatial order. At the centre of the new spatial order that Solidere had created was the capitalization of the built environment that built a certain future into the space of downtown Beirut and beyond.

Methodology

This dissertation draws on a broad range of research methods and sources. I have in the tradition of Science and Technology Studies (STS) and its Actor-Network-Theory (ANT) attempted to follow the actors, both human and non-human, themselves and to trace the corporate assemblages and networks that they formed. As Bruno Latour (2005) has outlined in deploying the methodology of ANT, you have to “try to catch up with their often wild innovations in order to learn from them what the collective existence has become in their hands, which methods they have elaborated to make it fit together, which accounts could best define the new associations that they have been forced to establish” (p.12). This has meant an account that traverses, inter alia, architecture, engineering, chemistry, law, political economy and anthropology. Turner (2016) has argued that ANT-inspired studies of the corporation offer the opportunity to specify the modes of relation or in-betweenness, even to the point of denying any concept of unity at all, that structure power over collective life. By shifting focus from the state to the corporation, Turner (2016) contends that we also shift our account of political agency and even displace our conception of the state: “For as long as we maintain the notion of the state in our historical and theoretical analysis, we risk ignoring other forms of institutionalized, collective association that are equally, if not more important, and we look past the fact the state is itself always a pluralist composition of powers distributed among many different agencies and powers” (p.228). This is an approach that I have subscribed to in this thesis.

The two corporations at the centre of this study are vastly contrasting and the methods and sources I used to engage them are equally so. The Compagnie Impériale Ottomane de la Route Beyrouth-Damas is a corporation from the 19th-century that established the “French road”, a route that connected Beirut to Damascus. There is a small scholarship and archival collection dedicated to the Compagnie. The newly established archives at the Sursock Museum in Beirut
and libraries across the New York network were crucial in accessing the works of many European travellers who wrote detailed accounts of their experiences of travelling on the road, in particular the journal of the Comtesse de Perthuis, the mother of the brothers who established the road.

As I detail in Chapter Three, historians such as Fawaz (1994, 1998) and Tresse (1936) have undertaken critical work documenting how the Compagnie was pivotal to the rise of Beirut as a notable trading hub along the Syrian coast. Existing scholarship on the Compagnie, however, has focused almost exclusively on the road itself and the trade that it facilitated. Noting, for example, how the newly constructed highway cut the travel time between Beirut and Damascus from three or four days to eight hours (Fawaz 1994, 1998; Tresse 1936). These academics have neglected to analyze the Compagnie itself, its significance as one of the first joint-stock corporations in the Eastern Mediterranean and the important role it played in laying the foundations for the subsequent French Mandate period. The small scholarship on the Compagnie stands in stark contrast to the voluminous work on Solidere.

Solidere, unlike the Compagnie that has largely been forgotten, continues to occupy a central place in contemporary Lebanese society and, indeed, retains ownership of the entire BCD. In tracing the actors of Solidere, both human and nonhuman, I conducted semi-structured interviews with 35 expert informants, and sought out numerous other informal conversations with former and current employees of Solidere, former government ministers, academics, activists, former and current residents of the area, urban professionals, businesspersons and journalists. Many of these interviewees lived in Lebanon during the Civil War and/or throughout the formulation of Solidere. They provided invaluable insights on this corporation and its socio-spatial impact on Lebanon. In engaging Solidere, while I utilized the corporation’s archives and the vast material that they produced on their operations both directly and indirectly, I have been eager to ensure that I also go beyond these accounts. Like Richard White (2011) in his work on the transcontinental railroads, I have tried to descend into the “bowels” of Solidere. In Lebanon, I consulted archives in Beirut at the Arab Center for Architecture (ACA), the American University of Beirut (AUB) and the Sursock Museum. In the United States, I consulted the records of the World Bank in Washington, D.C., accessing newly declassified documents on the banks operations following the Ta’if Agreement. The New York repositories were also extremely
helpful in accessing English, Arabic and French source material on Solidere and on the Lebanese Second Republic more broadly.

**Solidere**

Since the beginning of the “reconstruction” process in Lebanon and the effective legal formation of Solidere in 1991, there has been a notable debate among, inter alia, scholars, urban planners, property owners, the domestic and international media and politicians on the formation of this corporation and its leading of the country’s rebuilding. This has resulted in a sizable scholarship on Solidere and the reconstruction that it spearheaded that I break down into two waves. The first wave is the scholarship that arose immediately after the Ta’if Peace Accord and in concert with the implementation of the “reconstruction” plans that resulted in the formation of Solidere in 1994. The second wave began to take form at the end of 1990s as the Solidere project materialized and the sociopolitical and economic implications of its establishment.

Collectively, the scholarship around Solidere has focused upon three central issues: political economy, the legal framework (specifically Law 117/91 that transferred the BCD to Solidere) and a broad array of issues loosely centred around questions of identity (this includes concerns related to memory, heritage and culture, with a particular focus on the built environment). As I argue, despite the large literature on the processes of the reconstruction and the formation of a real estate company (Solidere) over the entire BCD there has not been significant attention paid to its formation as a joint-stock corporation or the distinct material practices implemented throughout this project.

In addition to the large scholarship on Solidere, there is a significant body of literature that has been published by the corporation itself, as well as that by the extensive and powerful network formed by the corporation’s principal sponsor, the businessman Rafik Hariri. Hariri and Solidere undertook extensive efforts to attempt to control the narrative of the Solidere-led vision for the reconstruction of Lebanon. As noted by numerous analysts, once Hariri was elected Prime Minister in 1992 he moved swiftly to restrict the media networks that had proliferated during the Civil War. In the Civil War over 50 TV networks and 100 radio stations were in operation. Prime Minister Hariri moved quickly to circumscribed Lebanon to four private television networks and three private radio stations. Those allowed to operate included Hariri’s own TV station Future
and Radio Orient. In addition, Hariri owned several newspaper publishing licenses as well as shares in other newspapers, and he also directly funded journalists (Dennis 1994: p.18). The reconstruction, and Solidere in particular, was a prominent topic of discussion within the Lebanese mediascape.

As I detail in Chapter Four, Solidere was the result of plans that had started to be instigated purposefully in the mid-1980s and was very much embedded in the sediments of the Civil War. In addition, there was and continues to be a formidable production of information and promotional material on the Solidere project that has been supported both directly and indirectly by Solidere itself and organizations funded by Hariri, such as the Hariri Foundation. Solidere’s annual reports are illustrious publications recording in meticulous detail the organization’s version of its operations and undertakings. There have also been a number of high-quality publications that Solidere, often with the support of the Hariri Foundation, has produced or sponsored, most notably *Beyrouth centre-ville* (1992), *Beirut Reborn* (1996) and *Beirut City Center Recovery* (2004). Solidere employees and others financed and/or supported by the corporation have intervened in the scholarly debates on Solidere and the reconstruction (Gavin 1998, 1999, 2005; Gavin and Maluf 1996; Saliba 2000; Saliba and Solidere 2004).

There is a formidable archive therefore produced by both Hariri’s broad network and by Solidere itself on the corporation’s operations and intentions. Furthermore, Solidere in the early phase of the reconstruction process arranged tours for investors, tourists and city residents to share its vision of the future downtown area (Sawalha 2010: p.25). More recently Solidere has set up a heritage trail, “to tell the story of Beirut’s past and present”. This work is central to understanding Solidere, and I draw on it extensively in this thesis, but I have for the most part not included literature sponsored or associated to Solidere in the below review of the scholarly literature on the corporation.

*First Wave: The Reconstruction to Come*

The first wave of scholarship emerged in reaction to the plans for the reconstruction that were announced after the Ta’if Agreement and the end of the “War of Liberation” [harb al-

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10 Hariri’s media empire was also competing with, and supplementing, the Syrian suppression of other voices in the mediascape (Perthes 1997; Dennis 1994).
tahrir] (the final phase of the Civil War). This period witnessed a rapid mobilization by Hariri, and corporations associated with or paid by him-such as Oger Liban, the American Bechtel corporation and the Lebanese engineering firm Dar Al-Handasah (henceforth, DAR)-to finalize the legal, political and urban frameworks that would initiate the reconstruction. The first wave of scholarship was one mostly produced by Lebanese scholars, architects and activists and was a markedly engaged, and even applied, literature. But perhaps this scholarship is best characterized as a trickle rather than a wave. Lebanon was exhausted from its brutal fifteen-year Civil War and the national debate over the reconstruction was not extensive.

This first wave of scholarship is marked by two notable edited volumes (with overlapping contributions), Recovering Beirut: Urban Design and Post-War Reconstruction (1993) and Beyrouth: Construire l’avenir, reconstruire le passe? ([1993] 1995) and also a conference report by Oussama Kabbani (later a senior Solidere employee and currently the Chief Operating Officer of Solidere International), The Reconstruction of Beirut (1992). Also notable is the first doctoral length study (to my knowledge) on the proposed reconstruction by Maha Yahya, Forbidden Spaces, Invisible Barriers: Housing in Beirut (1995). This thesis was directly involved in the reconstruction proposals of the southern suburbs of Beirut, particularly in the Ouzai area. This first-wave work emerged in parallel to, and merged with, the furious debate over the reconstruction process in Lebanese newspapers (and the media more broadly), in particular in An-Nahar, As-Safir and Al-Hayat. This debate was led by notable figures, who also formed the core of the first wave of scholarly debates on Solidere, and included: Assem Salam (1993, 1994, 1998), Jad Tabet (1993, 1994, 1996), Kamal Hamdan (1995) and Nabil Beyhum (1992, 1993, 1995).

Recovering Beirut and The Reconstruction of Beirut, are both English-language publications based on workshops, the former in the US, at MIT in Cambridge, MA in 1991 and the latter in the UK at the Country Planning Association in London in 1992. Both of these publications take up critiques, in particular by Jad Tabet and Assem Salam, of the reconstruction plans formulated by the corporations Bechtel and DAR. Throughout the contributions in the

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12 The MIT workshop was funded by two major Lebanese contractors, Kamal Shair, the founder of Dar Al-Handassah (DAR) that played a central role in the reconstruction, and George Zakhem who founded Zakhem Engineers, a major international engineering firm. The Reconstruction of Beirut was published and sponsored by the Center for Lebanese Studies, of which Rafik Hariri, was a patron. Indeed, Beyrouth: Construire l’avenir, reconstruire le passe? was one of the few publications at this time that did not have direct links to companies or sponsors engaged in the reconstruction.
books, a clear concern is noted with regards to the relationship between the state and the private sector that the reconstruction plans articulated. Furthermore, critiques of the proposed reconstruction plans by Bechtel and DAR were pursued regarding the heritage of the built environment and how the memory of the Civil War was addressed (or rather not). But both volumes are careful to provide “balanced” views in their assessments of the reconstruction plans.

_Beyrouth: Construire l’avenir, reconstruire le passe?_ is a volume that stands out in the first-wave literature. A trilingual book (English, Arabic and French), the volume was the product of a seminar of Lebanese intellectuals and activists at the Hotel Carlton in Beirut, sponsored by the Ford Foundation. It was edited by the three principal opponents to Hariri’s reconstruction plans, Nabil Beyhum, Assem Salam and Jad Tabet. The volume critiqued the reconstruction plans put forward by the Council for Development and Reconstruction (CDR), focusing on the plans’ legal, economic and social frameworks (themes I engage in Chapter Four). It proposed a detailed set of alternative options for how the reconstruction could proceed in a more socially harmonious fashion.

The book begins with a manifesto by Nabil Beyhum “pour une ville plus harmonieuse” in which he warns that the reconstruction faces two dangers: indecision and confiscation (1993: 9). Beyhum outlines eight contradictions of the proposed Solidere project that would emerge as common themes in the critiques of the corporation as it materialized. Beyhum (1993) stressed Solidere’s orientation toward an economic elite at the detriment of the rest of the population, the absence of public transport, the concentration of large national resources in the rebuilding of the downtown and the impossibility of a private corporation serving the interests of a public reconstruction.

Notably, for the purposes of this thesis that investigates the corporation as a form of governance and apparatus of social power, Beyhum concludes his assessment of Solidere’s proposal by stating, “We will soon be presiding over a situation in which the creation of Solidere results in a context in which the Saudis hold the legal domain over the capital. It is a safe bet that the administration will naturally one day need to limit the autonomy of this monopoly [Solidere]

13 This book, according to Hamdan, came out of a gathering that was principally organized by Assem Salam. The group consisted of prominent figures in Lebanon, such as Nabil Beyhoum, Jad Tabet, Pierre Aqal, several ex-ministers and someone from “the big bourgeoisie” whom Hamdan preferred not to name. Hamdan noted that at least half of this group obtained contracts from Solidere, as Hariri attempted to coopt opposition to the project. Hamdan, Kamal. Economist. Recorded interview with author. Beirut, Lebanon. June 22, 2016.
that constitutes a de facto state within a state” (1993: p.13). The idea of Solidere being a “state within a state” is one that came up frequently in my interviews. Even in interviews with Solidere employees, I was told that the corporation operated as a “state within a state” and effectively replaced the functions of the municipality. But existing literature and public discussions have not investigated this claim in detail, nor what it could mean for this corporation to take on the character of a state. In this thesis, I explore what type of relationship with the state Solidere created, what kind of social power it produced through its corporate apparatus and the type of socio-spatial relations it forged.

Beyhum proceeds in his contribution to outline suggestions for alternatives to Solidere that included the formation of a bank for reconstruction and a higher authority for Beirut’s reconstruction that is independent from the CDR. As I note in Chapter Four, the CDR was instrumental in the formation of Solidere and was itself a corporate entity located both inside and outside the confines of the government and state. The rest of the book includes contributions that carry on this theme of highlighting Solidere’s problems and detailing possible alternatives to the plans by the real estate company’s plans. Kamal Hamdan, who contributed a chapter to the edited volume, told me in an interview that when the book was published it disappeared off the book shelves, because “Hariri had bought them all”.

Collectively this first-wave scholarship questioned the constitutionality of Law 117/91 that turned the BCD over to a private real estate company. It focused on the conflict of interest that Hariri had as someone running to be Prime Minister (an office to which he was elected in 1992) and as someone in direct control of several corporations that intended to lead the reconstruction. As Hashim Sarkis (1993) noted, the head of Hariri’s Oger Liban, Fadel el-Shalaq, was appointed to the head of the CDR. Sarkis highlights that, “In effect what this has meant is that the main private organization in the building industry has virtually taken over the official planning advisory body” (Sarkis 1993: p.114). Notably, the first-wave literature was almost unanimously against the proposed “Édde” reconstruction plans formulated by DAR for the downtown area and its “feeble effort to preserve and restore some of the architectural landmarks

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14 “Nous serons alors loin d’une situation qui a présidé au démarrage de Solidère, contexte à la saoudienne où seul détenteur légal du capital. Il y a fort à parier que l’administration exigera naturellement un jour de limiter l’autonomie de ce monopole de fait qui constitue un État dans l’État ».
of the old city” (Khalaf and Khoury 1993: p.220). This first-wave scholarship may have been influential in the subsequent abandonment of the Édde plan in 1993 and the creation of new plans for the downtown area.

**Second Wave: The Reconstruction**

By the mid-1990s, as the cessation of open conflict appeared to hold, Solidere was officially inaugurated and a rapid material implementation of the reconstruction plans began. This resulted in an escalation in the public and scholarly debates over the reconstruction. A second wave of scholarship, much larger and more international than the first, began to take form, expanding exponentially as the reconstruction increased its material presence on the ground and began to impact the city’s social relations. Two distinct but overlapping themes dominate the substantial second-wave literature around Solidere and the broader materialization of the reconstruction process: the first is related to memory and identity, and the second to political economy. Here, I detail both themes in turn.

At the start of the 1800s, as I examine in Chapter Three, Beirut was possibly home to no more than 6,000 people and constituted a minor trading port along the Syrian coast. But like many of the urban centers in the Levant, Beirut can also claim to be among the oldest continuously inhabited cities in the world. Following the halt to conflict in 1990, the BCD was not only an area of reconstruction, but also a rich archaeological site. Archaeologists working there uncovered valuable information about Beirut’s 5,000-year Canaanite and Phoenician urban history. A Bronze Age tell was uncovered where a number of notable archaeological discoveries were made. But the pace of the reconstruction meant that a highway was soon constructed through this area, removing the ramparts of the Bronze and Iron Age citadel before archaeological excavations had been completed (Perring 2009). A furious row emerged among archaeologists regarding Solidere’s role in relation to archaeological artifacts in the downtown area—a conflict that produced a broader public debate that continues to spark controversy to this day.

The archaeologists Farid and Naccache (1998) accused Hariri and the Solidere project of “memorycide”, in which a deliberate campaign to obliterate a common-though-forgotten history was undertaken through the bulldozing of archaeological sites. As Dominic Perring (2009) has
argued, the dispute over the archaeology in the BCD turned on similar themes as the one over the entire Solidere project, namely over the power of the market vis-à-vis the state. Solidere employed archaeologists directly and the Department of Antiquities was left marginalized and under-resourced; “Above all there was a sense that an opportunity to use the past to help unite Lebanese society might be lost” (Perring 2009: p.305).

The idea that the postwar reconstruction was further destroying Lebanon’s past, rather than reconstructing or restoring it, was a recurrent theme in the scholarship. In the second-wave literature, there is a repeated claim that the reconstruction far from uniting the Lebanese has in fact contributed to the continuation of hostilities. For instance, Verdeil (2001) argues that the reconstruction was the continuation of war by other means and Ghandour and Fawaz (2010) contend that the “spatial erasure” of the Civil War was consolidated by postwar reconstruction. As I detail in Chapter Four, many scholars and activists have documented how the most extensive destruction of downtown Beirut did not occur in the context of open conflict, but rather during periods of peace in the name of “reconstruction”, specifically in 1983, 1986 and finally in 1992. Aseel Sawalha (2010) has detailed that while Solidere expressed an interest in preserving Beirut’s heritage in its promotional literature, downtown residents expressed sorrow as they witnessed many of the city’s landmarks being demolished by the corporation (p.29).

The destruction of the Ottoman and French Mandate urban fabric has also been identified by scholars as a lost opportunity to build a common fabric in the downtown area for the inhabitants of Beirut and Lebanon. It is also an issue that has been debated at length not only in scholarly circles but in the broader public domain. Not only was this concern discussed in the immediate aftermath of the Ta’if Accord, but also one that has continued to resonate to this day with the vast construction projects that have resulted in the continued destruction of much of Beirut’s (as well as in Lebanon’s more broadly) historical fabric. Discussions in public forums have been led by the emergence of Facebook groups, such as Save Beirut Heritage (which in 2018 had almost 15,000 members) but have also been debated extensively among Lebanese and international news media outlets. I myself, working as a journalist in Lebanon, have also contributed to this debate writing a number of articles—for local and international media (such as Executive Magazine and the Guardian)—on the destruction of Lebanon’s Ottoman, French and Lebanese modernist built fabric (Sharp 2009, 2010).
Scholars have noted in detail how Solidere not only sought to erase previous physical structures, memories and histories in the downtown area, but it also attempted to create a new type of memory and identity for the nation (el-Dahdah 1998; Haugbolle 2010; Hourani 2005, 2010, 2011; Makdisi 1997, 1997a; Nagel 2002; Salaam 1994; Sawalha 2010). Cooke argues that Solidere’s creation of generic Arab Mediterranean facades results in the visitor to the new downtown being struck “by a sense of Disney” (p.409). Cooke further notes that, “The slick lines and surfaces of housing blocks targeting the wealthy middle classes cannot harbor the unpredictable collective memories that lurked in the thick green of the weed choked Downtown ruins” (p.409). While Craig Larkin (2009) notes that the Lebanese youth he interviewed found resonance with Michael Sorkin’s (1992) idea of the modern spectacle city that is adorned with an architecture of deception, and the city-as-theme-park that distances itself from fundamental realities. Larkin (2009) concludes from his conversations with Lebanese youth that Solidere both embodies and extenuates Lebanon’s postwar failings, which he identifies as: inequality, corruption and segregation (p.17).

The missed opportunity to build a common history through the reconstruction process and the formation of a heavily commercialized one, is a persistent theme in the scholarship on Solidere. Makdisi (1997), in a much-cited piece, argued that Solidere’s slogan “Beirut—An Ancient City for the Future,” along with its broader plans, tried to merge the past and the future together in an attempt to “spectacularize history” (p.691). The Solidere proposal, Makdisi (1997) contends, does not offer a collective memory or national identity but a new form of “collectivity,” defined by a stock-offering and participation in the market rather than in terms of historic or communal/national identities and uncommodified rights (p.693). The literature notes that, far from building a common history, the Solidere-led reconstruction led to the “right to the city” slipping away and the city being subjected to a purely economic rationale (Fregonese 2012; Hanssen and Genberg 2001; Haugbolle 2010; Larkin 2009; Nagel 2000; Nagle 2017; Ragab 2011; Sawalha 2010).

The figure of the market dominates the focus of this scholarship and the corporation is understood as simply a representative of market forces. But at the same time the academic literature notices that the intensification of the market process was not actually happening. By 1996, the “reconstruction” was already looking for many Lebanese like an economic failure and the prospect of a financial crisis loomed on the horizon. Solidere and the reconstruction process
were increasingly becoming a (more publicly visible) tug-of-war between competing factions within Lebanon. Although some analysts continued to argue for the benefits of the Solidere project (see for instance, Ariss and Poorvu 1997), the scholarly consensus was turning against the project by the late 1990s (Baz 1998; Denoeux and Springborg 1998; Hakim and Andary 1997; Najem 1998; Sawalha 1998; Stewart 1996). Even scholars, like Denoeux and Springborg (1998), who wanted Lebanon to “seize the opportunities offered by globalization”, question the Hariri model of reconstruction. They argued that the assumption by Hariri that the state and the political system can be bypassed is a “flawed assumption” and that Lebanon must have a modern state with legitimate institutions that provide “effective government, secure property rights, and a reliable legal framework” (1998: p.172).

A growing scholarly consensus arose at the start of the new millennium, that the Solidere project was not assisting in the economic development of Lebanon (Baroudi 2002; Becherer 2005, 2016; Dibeh 2005; Gaspard 2004; Hourni 2005; Leenders 2004; Najem 2000). Analysts began to interrogate with a more critical eye why Lebanon’s famed private sector was failing to produce the desired results. This scholarship highlighted spiralling levels of national debt, the state’s fiscal crisis, corruption and increased social inequality. More significantly, scholars from the 2000s began to note that government expenditure on the reconstruction had become a mechanism of money transfer to rentiers and to the politically privileged (Gaspard 2004: p.220). Naomi Klein (2007) cites Solidere in her influential book The Shock Doctrine as a prime example of the mechanisms of disaster capitalism (pp.460-461). Indeed, Ariss (1996) had argued nearly a decade earlier that “the majority of the Lebanese citizens strongly believe that the Hariri government is really the ‘shock therapy’ to Lebanon’s economic and political problems” (p.3).

Notably for the focus of this dissertation, Klein (2007) argues that the term for a system that erases the boundaries between big government and big business is “corporatist”; “Its main characteristics are huge transfers of public wealth to private hands, often accompanied by exploding debt, an ever-widening chasm between the dazzling rich and the disposable poor and an aggressive nationalism that justifies bottomless spending on security” (p.15). This mechanism that transferred national wealth to a small elite appeared to resonate strongly with what scholars in the new millennium, including Klien (2007), had regularly been identifying as “neo-liberalism”.

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By the 2000s, neoliberal frameworks had become powerful explanatory apparatuses for how and why the Solidere-led reconstruction was undertaken in the form that it was (Baumann 2012, 2017; Daher 2011; Fregonese 2012; Hourani 2005, 2011; Krijnen and Fawaz 2010; Mango 2014; Makaren 2014; Schmid 2006; Summer 2006). Scholars from the start of the new millennium increasingly identified Hariri’s post-Ta’if reconstruction and the Solidere project as in tune with what Hannes Baumann (2017) calls the “global neoliberal Zeitgeist” (p.5). On the one hand, as a number of scholars have pointed out, Hariri and the Solidere project resulted in the “dramatic intensification of market forces in the national economic and political organization” (Krijnen and Fawaz 2008). But on the other, this intensification of market forces had limited success and Foreign Direct Investment (FDI) into Lebanon was well below expectations (Baroudi 2002). Hourani (2005) cites the failure of Solidere to live up to neo-liberal theory: “The contradiction between Solidere’s utopian image of itself, and the economic policies that had enabled its creation, had by 1996 brought the project to a grinding hold” (p.83). Hourani concludes that the production of Solidere was not only a market affair, but rather that “the neo-liberal approach to reconstruction and real estate, have simply rearranged, but not disembedded, economic processes from political, social and cultural logics” (2005: p.393).

Neoliberalism

The 1973 Chilean coup is often cited by scholars as a defining moment for the transition of neoliberal theory into practice. At this time a group of Chicago-trained Chilean economists, whose mentor was the prominent neoliberal theorist Milton Friedman, went to war against inflation that had plunged the country into recession (which had spiked at 370% in the junta’s first year) and set about a program of trade liberalization, tax reform, deregulation of foreign investment flows and monetary restraint (Peck 2010: p.108). The coup was followed by China opening up its economy to foreign investment in 1978 and the macroeconomic struggles (stagflation) at the end of the 1970s in Britain and the United States that provided the context for the rise of Reaganite-Thatcherite economics (often understood to be synonymous with neoliberalism).

But neoliberalism is a complex framework or political project with many histories that exceed the thought of Friedman and can be traced to a period long before the Chilean coup. The Lippmann Colloquium, held in Paris in 1938, has been identified by many scholars as the first
time that the term “neoliberalism” was used explicitly. This colloquium is widely regarded as the precursor to the creation of the Mont Pelerin Society, which included central neoliberal thinkers such as Friedrich Hayek, Milton Friedman and Ludwig von Mises. Perhaps because of the large expansion in its use in contexts across the world since the mid-1990s, neoliberalism has garnered in a broad array of definitions and genealogies.

Neoliberalism has never existed in a pure form, however. There is no clearly defined neoliberal philosophy and therefore no clear set of principles or processes to identify. Peck (2010) contends that the confusing and inconsistent manner in which neoliberalism has been deployed by academics is perhaps “telling us something about the tangled mess of neoliberalism itself” (p.15). Neoliberalism, in its various guises, has always been about the capture and reuse of the state, in the interests of a pro-corporate, free-trading “market order” (Peck 2010: p.9). But Peck (2010) notes that there is not a single version of neoliberalism; it is a qualitatively differentiated process and a set of state/economy relations that varies in kind (p.10). Aihwa Ong (2007) traces two main threads in the work on neoliberalism. Ong (2007) defines the first as neoliberalism with a big “N”, associated with critical political economists (mainly Marxist-influenced thinkers); and the second, a small “n” neoliberalism, which is influenced by work in poststructuralism (specifically by Michael Foucault), in which neoliberalism is understood as a governmentality that coexists with other political rationalities.

Big “N” neoliberalism, is exemplified by the work of David Harvey (2005), who distinguishes between what he deems to be the facade of neoliberalism, which take its form as a theory (or utopian project), and the real material process of neoliberalization, which is the elite driven political project that is merely the accumulation of capital by a narrow elite through the dispossession of the working class. As a political economic theory, neoliberalism proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and perverse an institutional framework appropriate for such practices (Harvey 2005: p.2). According to neo-liberal theory, the neoliberal state favors: strong individual private property rights, the rule of law and the institutions of freely functioning markets and free trade and the freedom of businesses and corporations to operate within this institutional framework of free markets; within such a state, free trade is regarded as a fundamental good (Harvey 2005: p.64). As Harvey (2005) concludes, we can
interpret neoliberalization either as a utopian project to realize a theoretical design for the reorganization of international capitalism or as a political project to re-establish the condition for capital accumulation and to restore the power of economic elites” (p.19, emphasis Harvey). For Harvey (2005), neoliberal theory is simply the surface appearance of a much deeper political project by powerful economic elites of accumulation by dispossession: “Neoliberalization, the process rather than the theory, has been a huge success from the standpoint of the upper classes… The main substantive achievement of neoliberalization… has been to redistribute, rather than to generate, wealth and income” (Harvey 2005: p.159).

Small “n” neoliberalism, is associated with the work of Foucault and his idea of neoliberal “governmentality”. Unlike big “N” neoliberalism, neo-liberal governmentality is not a standardized universal apparatus to usher in the political project of “accumulation by dispossession” by political elites. Rather, small “n” neoliberalism is a migratory apparatus that does not have a fixed set of attributes with predetermined outcomes; it is a logic of governing that is selectively taken up in diverse political contexts (Ong 2007: p.3). Neoliberal governmentality involves re-orientating the state to use its coercive power to discipline people to be market compliant; in this scheme, market logic reigns supreme over all decision-making across all social spheres and at all levels, personal and political, individual and collective (Schram and Pavlovskaya 2018: p.xix). The aim of neoliberal governmentality is how to administer people for self-mastery in order to “respond strategically to population and space for optimal gains in profit” (Ong 2007: p.4).

Neoliberalism and Urban Studies

Geographers have perhaps played a central role in contributing to neoliberal critiques because of how important urban space is to this process (Brenner and Theodore 2002; Harvey 2005; Peck and Tickell 2002; Swyngedouw et alia 2002). At the heart of liberal and neoliberal theory is the necessity of constructing coherent markets for land, labour and money (Harvey 2005: p.166). In their article on “actually existing neoliberalism”, Brenner and Theodore (2002) argued that, while neoliberalism occurs at all spatial scales, cities and city-regions have become strategically crucial arenas in which neoliberal forms of creative destruction have unfolded since the 1970s (p.367). They contend that the three central phases of neoliberalization have been
anchored and fought out within strategic urban spaces: 1) The “proto-neoliberalism” phase of the 1970s, in which cities emerged at the frontline of the battle over the Keynesian postwar order; 2) the “roll-back” neoliberalism of the 1980s, that resulted in a significant shift in neoliberal urban policy, in which municipalities were pushed to introduce cost-cutting measures and accelerate external investments promoting good business climates; 3) finally, the 1990s “roll-out” neoliberalism, in which state institutions became even more involved in the creative destruction of urban built environments and urban competitiveness further deepened, as the neoliberal project responded to its own contradictions (Brenner and Theodore 2002: pp.373-374).

New York has been identified as one of the first cities to be steered toward neoliberalism. President Ford famously refusing to aid the city during the 1970s fiscal crisis (and the New York Daily News ran the headline “Ford to City: Drop Dead”) is cited as providing the template for Reagan’s neoliberal practices in the 1980s (Harvey 2005: pp.45-48). Harvey (2005) notes that, when New York was bankrupt the investment bankers did not abandon the city but rather restructured it to create a good business climate in which the city’s elite mobilized the image of the city as a cultural center and tourist destination (p.47). Meanwhile, in the European Union, Swyngedouw et alia (2002) examine the proliferation of “large-scale urban development projects”. They contended that “The urban turned into ruin in the devastating restructuring of the 1970s and 1980s. Rebuilding the city—as in the aftermath of a war—became the leitmotif of urban policy” (Swyngedouw et alia 2002: p.551). The large-scale urban development project they cite include the expansion of the EU offices in Brussels, the Guggenheim in Bilbao, the 1998 world expo in Lisbon and the science-university complex in Adlershof in Berlin. As Swyngedouw et alia (2002) argue, “These projects are the material expression of a developmental logic that views megaprojects and place-marketing as [a] means for generating future growth and for waging a competitive struggle to attract investment capital” (p.551). They are the “actual concrete process” in which neoliberal governance is produced. The authors stress that these large-scale urban projects that are often elite-driven and poorly integrated into wider urban processes and planning systems (Swyngedouw et alia 2002: p.547).
Neoliberalism in the Arab World

Urban neoliberal policies have seemingly swept through the entire Arab region. Neoliberalism has become an important explanatory framework in Middle East studies to explain the vast contemporary urbanization and the integral role that real estate has taken on in organizing many of the region’s economies in recent years. As Christopher Harker (2017) has noted, Janet Abu-Lughod’s (1987) critique of the Orientalist Islamic city resulted in many scholars distancing themselves from the methods and assumptions of Orientalist scholarship and toward the utilization of neoliberalism, which has become the “sine qua non of contemporary critical analyses of Arab-world urbanism in general, and governance in particular” (pp.36-37).

While there were extensive discussions in Lebanon throughout the 1990s in the scholarship on globalization and/or Harirism in relation to the reconstruction, Bourdi (2002) was one of the earliest scholars, to my knowledge, to identify in the scholarship the explicit “hold that neoliberal ideology (or orthodox neoliberalism) has over the minds and actions of the Lebanese political and economic elite” (p.81). Baroudi did not view neoliberalism as specific to Hariri or to his Solidere project but part of a trend that spread throughout the Lebanese elite and the Arab world. Indeed, before addressing the scholarship that directly associated Solidere with urban neoliberal templates it is important to stress the notable particularities of Lebanon’s political economy and its strong association with “lassiez-faire economics”.

As Beirut began to emerge as a central trading hub in the 1800s along the Syrian coast, it was soon declared a “Merchant Republic”. From its inception, Beirut has always been very open to trade and, as I argue in Chapter Three, it was also arranged around, to a certain extent, corporate enterprises. As a number of scholars have noted, since independence in 1943, Lebanon’s economy operated with a high degree of laissez-faire and therefore it is false to refer to a dramatic “neoliberal” shift in the 1990s (Gaspard 2004: p.2; Fawaz 2009: p.839). Furthermore, I would argue that Beirut understood as a city that was formed from corporate power in the 1800s – as I contend in chapter three – should perhaps be comprehended as one in which trade was always central to its constitution.

Newly independent Lebanon—in stark contrast to Syria and other recently independent Arab states that broadly embraced socialist state developmental models—chose a political-economic model that stressed private initiative, the provision of adequate infrastructure and the
safeguarding of monetary stability (Gaspard 2004: p.61). Gaspard (2004) argues that even in the era of President Chehab (1958-1964), which is associated with the consolidation and expansion of state institutions, and in which economic and social development was set by the political regime as a major national objective, important infrastructure and institutional achievements remained focused on providing a more efficient framework for the functioning of the market (p.62). “To the extent that the essence of a market or laissez-faire economy consists in the free movement of labor and capital, all Lebanese governments scrupulously adhered to that principle,” Gaspard contends (2004: p.63).

Despite Lebanon’s historical relationship with laissez-faire, sustained scholarly attention has associated Hariri with neoliberalism and specifically his Solidere project. Accounts of neoliberalism in Lebanon have drawn from both big- and small “N” neoliberalism. Small “n” explanations of neoliberalism in Lebanon, have shown how neoliberalism has been visible in urban policy making in which the role of the public planner has shifted toward entrepreneurialism and has been mobilized to boost Beirut as a competitive regional center (Fawaz 2009). This has been exemplified not only by Solidere but also by the new airport, the increase in land prices, rise of high-end towers and new private security and policing systems (Fawaz 2009; Krijnen and Fawaz 2010). Scholarship directly on Solidere has drawn heavily from big “N” neoliberalism (Baumann 2012, 2017; Makarem 2014). This work strongly associates Solidere with Harvey’s (2005) distinction of neoliberalism as a utopian project that is the veneer for the process of neoliberalization, which is a political project to accumulate wealth through dispossession. The “failure” of neoliberalism to expand the market, according to big “N” neoliberalism, is to be expected because its theory (the utopian project) should only be understood as a ruse for the real neoliberal political project of, which Harvey (2005) has described as, accumulation by dispossession.

Solidere, at the time of its inauguration one of the single largest urban megaprojects in the world, fits neatly into the broader argument that the overarching goal of such neoliberal urban policies is to mobilize city space as an arena for both market-orientated economic growth and elite consumption practices (Brenner and Theodore 2002: p.368). Many in Lebanon believe that the Solidere project is the prime reason for Lebanon’s public debt burden (138 percent of GDP in 2015), the collapse of its basic urban services and its the extreme levels of social inequality and polarization in Lebanon (Baumann 2012, 2017; Becherer 2005; 2016; Makarem
The top 1 percent in Lebanon is estimated to receive 25 percent of national income and the top 10 percent collect another 25 percent, placing the country among the highest in the world in levels of income concentration (Assouad 2017: p.4).

Hannes Baumann’s book *Citizen Hariri: Lebanon’s Neoliberal Reconstruction* (2017), is exemplary of big “N” neoliberal accounts of Solidere. Baumann directly utilizes Harvey’s (2005) definition of neoliberalism. He shuns Foucauldian “neoliberal governmentality” approaches but is sensitive to the manner in which socio-spatialian contexts (in this case Lebanon) can shape “actually existing neoliberalism”. Baumann (2017) writes, “Neoliberalism is first and foremost an intensification of capitalism generating class conflict and is dependent on the path of previous social struggles and institutions” (p.9). Global neoliberalism provided Hariri with a set of practices and discourses, which included privatization, financialization, fiscal austerity, urban redevelopment and public sector reform. The most important template that Hariri utilized from global neoliberalism was the Solidere megaproject and the anchoring of the Lebanese lira (LL) to the US dollar (Baumann 2017: p.11). Both of these, Baumann (2017) argues, produced “rents”, defined as superprofits that Hariri was able to appropriate in his competition against rival political elites (and therefore a class struggle) who appropriated their own rents through the Lebanese state’s welfare agencies. The reconstruction and currency stabilization were also associated with high degrees of state intervention and opened up, Baumann (2017) contends, drawing from Brenner, new state space through urban governance.

Solidere, according to Baumann (2017), produced rents through its focus on highly profitable real estate and the creation of an elite playing field segregated from the rest of the city, in which the state bore most of the cost and risk for the formation of this company. Furthermore, Baumann (2017) claims that the type of (neoliberal) state restructuring that Solidere was part of producing resulted in the proliferation of “mini-Solideres” throughout Beirut (p.70), while Hariri’s economic policy of anchoring the Lebanese lira (LL) to the US dollar was done by providing attractive interest rates on government debt (Ibid). Following the logic laid out by neoliberal policy, Baumann contends that this currency anchor was a rent-creation mechanism, as it resulted in an explosion of Lebanese debt and the transfer of wealth from the state to banks and depositors (Ibid). Hariri’s neoliberal agenda was not undertaken without limits; rather, Lebanese neoliberalism was shaped by patterns of conflict and cooperation between Hariri and rival elites (Baumann 2017: p.12). Neoliberal frameworks have provided scholars working on
Solidere with a powerful explanatory framework as to how this corporation has assisted in the vast economic inequalities in the country. Factors include the continued attempts to privatize public utilities (e.g., water, electricity and telecommunications), social welfare provision and the significant state-sponsored spending on infrastructure within Solidere but the diminished spending elsewhere. However, this thesis’s focus on the utilization of the joint-stock corporation; the distinct materials, designs and regulations it enforced and the process of capitalization has largely been neglected.

In the literature on Solidere and neoliberalization there is little attention given to its distinct features of a joint-stock corporation and the potential significance of this. Baumann (2017) notes, for instance, as cited above, that Solidere resulted in the proliferation of many Solideres throughout Beirut. By this Baumann (2017) is referring to the construction of high-end real estate and not joint-stock corporations. Solidere’s formation as a joint-stock corporation, with its distinct corporate structures and processes, is not focused upon. The re-establishment, for instance, of the Beirut Stock Exchange is not afforded any significance or its relation to Solidere commented upon. This has been typical of both the approaches to Solidere and the broader scholarship on neoliberalism. In this thesis, I seek to highlight the importance of the joint-stock corporation and its processes.

The neglect of the corporation is also apparent in the broader and prolific scholarship on neoliberalism. In the critical neoliberal work the corporation is placed in somewhat of a paradoxical position. On the one hand, the expansion of corporate power is deemed to be central to the process of neoliberalization. Harvey (2005) contends that 30 years of neoliberal freedom not only restored power to a narrowly defined capitalist class, but also produced immense concentrations of corporate power in energy, the media, pharmaceuticals, transportation and even retailing sectors (for example Walmart): “The freedom of the market that Bush proclaims as the high point of human aspiration turns out to be nothing more than the convenient means to spread corporate monopoly power and Coca Cola everywhere without constraint” (38). Both Harvey (2005) and Peck (2010) stress that corporations have been central to economic elites in seizing national political power through the funding of political parties. They note that these business entities have also been crucial to the circulation of knowledge providing significant funding to universities, such as Harvard and Stanford, as well as an array of think-tanks, which have been centers of neoliberal orthodoxy. Neoliberalization has also meant that increasing reliance on
public-private partnerships, such as urban development corporations, like the London Docklands Development Corporation (Harvey 2005: p.76).\textsuperscript{16} Finally, Harvey (2005) notes, “The boundary between the state and corporate power has become more and more porous” (p.77). Corporations not only collaborate with the state but in some cases acquire a strong role in writing legislation, determining public policies, and setting regulatory frameworks (Harvey 2005: pp.76-77).

But on the other hand, a thorough examination as to what a corporation is and how it consolidates power is largely absent from the scholarship on neoliberalism. Indeed, the absence of an examination of the corporation stands in stark contrast with the detailed analysis that is often undertaken on the role and content of the neoliberal state (see, for instance, Harvey 2005). The corporation is largely understood as distinct from the state and synonymous with the market. But as I detail throughout this thesis the corporation is a more complex entity and exceeds the logic of the market, while also maintaining its distinction from the state.

**The Corporation in Middle East Studies and Geography**

Joint-stock corporations have been and are integral to the organization of urban space and social life throughout the Middle East but they have largely escaped sustained critical scholarly attention. Scholars, such as Ahmed Kanna (2011) have noted the emergence of the “city corporation” in the Middle East but few have fully examined the consequences of this on contemporary life in the region. Even Kanna (2011) neglects an interrogation of the corporation itself in his account of *Dubai: The City as Corporation*. There has been some notable work on Aramco in Saudi Arabia that I detail in Chapter One, but the broader and significant role that corporations have had in shaping the Middle East has not been examined in detail. Recent publications on the political economy of the Middle East, for example, often neglect to mention the vast capitalization process that has been underway or the important historical role of corporations in the formation of the contemporary Middle East. *Business politics in the Middle East* (2013), an edited volume by Steffen Hertog, Giacomo Luciani and Marc Valeri, for instance, does not mention the expansion of stock markets in the region or the rise of large joint-stock corporations. The proliferation and prominence of the joint-stock corporation throughout

\textsuperscript{16} And of course for our purposes Solidere.
the Middle East and how it has embedded itself in the region’s urban fabric is of note given the absence of the corporation in Islamic law. Indeed, although the broader contemporary rise of the joint-stock corporation in the urban fabric (and beyond) has been largely neglected in Middle East Studies, the historical absence of the corporation in the region has recently received sustained attention.

A notable scholarly debate has emerged over the joint-stock corporation in Middle East Studies due to the provocative thesis by the economist Timur Kuran in his book *The Long Divergence: How Islamic Law Held Back the Middle East* (2011). Kuran (2011), drawing on the insights of modern institutional analysis that emphasizes the primacy of institutions in development processes (North 1990; Acemoglu et alia 2005), contends that the Middle East “…fell behind the West because it was late in adopting key institutions of the modern economy, including laws, regulations and organizational forms that enabled economic activities now taken for granted” (p.5). A key institution that Kuran (2011) argues the region failed to utilize was the joint-stock corporation, an outcome he claims was the result of the path dependency imposed by Islamic Law.

The corporation was critical, Kuran (2011) contends, because it enabled the mobilization and pooling of productive resources on a large scale, the lengthening of individual planning horizons, and the exploitation of new technologies through structurally complex organizations (5). For Kuran (2011), Islamic Law with its *wafqa* (Islamic endowments) and inheritance laws created a path dependency that prohibited large-scale and long-lasting corporate enterprises:

Well into the nineteenth century, the private sectors of the Middle East were composed of atomistic enterprises that did not outlive their founders. When individuals pooled resources in profit-making enterprises, their cooperation was meant to be temporary, often no more than a few months. By that time, most of the now-advanced countries had developed institutions essential to the mass mobilization of savings, the lengthening of individual planning horizons, and the exploitation of new technologies through structurally complex organizations. Therein lies a key reason why the Middle East fell behind in living standards and why it succumbed to foreign domination (p.5).

Scholars have critiqued Kuran’s (2011) thesis extensively for not taking into account the impact of European colonization and the broader sociopolitical contexts in which the corporation emerged. It is the formation of the superior institutional form of the corporation, and its large-
scale, impersonal exchange and complex organizational systems, Kuran (2011) claims, that enabled Europe to rise and caused the Middle East to fall under European occupation when it did. He lambasts “Islamist” interpretations for holding on to traditional institutions and their invocation of timeless and context-independent concepts of efficiency, and their ignorance regarding how foreign institutions can broaden capabilities (p.37).

Kristen Alff (2018) argues that Kuran’s utilization of new institutional paradigms, “formulated as foils to Orientalist tropes, end up propagating neo-culturalism” (p.152). The importance of the corporation to colonization that I outline in this dissertation is not of significance to Kuran (2011). He does not deem European colonization to be a factor in the Middle East’s underdevelopment. Kuran (2011) states, “For all its discontents, the Middle East’s colonial period brought fundamental transformation, not stagnation; rising literacy and education, not spreading ignorance; and enrichment at unprecedented rates, not immiserization” (p.37). The argument that Kuran (2011) proposes, however, is a narrow one. He disregards the impact of colonialism and its broader sociopolitical dynamics to account for the rise of the corporation and in turn the West, as these considerations would disrupt the specific historical movements he outlines, their methods of organization and the kinds of representations they make possible. As Timothy Mitchell (2008) has argued, the success of an economic explanation and its representation depends upon its narrowness—not its comprehensiveness—in its explanation of events (p.1120).

Adeel Malik (2012) has noted that Kuran is not attentive to the interplay between law and politics. Malik (2012) contends that political power and economic power reinforce each other but Kuran downplays not only the impact of colonization but also the broader sociopolitical context in which religiously embedded legal injunctions were embedded (2012: p.18). As Malik (2012) has noted, by focusing on the narrow concerns of the legal framework and trade, which indeed does form a vital part of the European “success” story, Kuran (2011) excludes vital parts of the broader framework in which the corporation emerged. Colonization, Malik (2012) notes while drawing from Pomeranz (2000), is central to understanding the rise of Europe and the underdevelopment of the Middle East (and the Global South) because it provided a scale of recourses to Europe that enabled the expansion of systems of production and consumption: “It is in this backdrop that European firms invented new organization forms and financing mechanisms that ultimately manifested in such Western corporate inventions as impersonal and permanently lived organizations, the separation of ownership and control, and the mobilization of long term
capital through joint stock companies” (p.24). But as I highlight in this thesis, rather than the corporation simply being an outcome of colonization, it was central to the processes of the colonial project and formed a distinct apparatus of social power and domination. To understand the corporation, of what it is and what it enables, we need an account of the broader sociopolitical contexts in which it operates and how its processes are related to the general organization of social life.

In geography a field of “corporate geography”, also known as “enterprise geography”, emerged in the sub-field of economic geography in the 1960s but has continued to be marginal to the discipline at large, despite the continued (and arguably increased) importance of corporations to contemporary socio-spatial relations. Robert McNee (1958, 1960) is credited by most geographers with establishing the subfield of corporate geography. McNee (1958) called for Geography to study the organization of industry in terms of its corporate units as well as in terms of aggregate industry because a large part of human decision making can be found in institutions (p.321). “The modern corporation,” McNee (1958) argued, “may be considered one of man’s most effective tools in the attempt to organize space for human purposes” (p.322).

McNee (1960) cited four reasons as to why the new managerial corporation was significant for the formation of contemporary geography (pp.203-204). Firstly, there was the large corporation’s collective geographic decision-making abilities. No longer did thousands of market-based individualistic decisions or the natural and/or social environment direct spatial decisions. Rather, it was the corporate plan and the corporate hierarchical bureaucratic structure aimed at survival and growth that provided the basis for the organization of place relationships. Secondly, the corporation’s managerial autonomy, i.e., the separation of ownership and management meant that professional managers now made spatial decisions that were not only relatively independent of owners but also of public opinion. Thirdly, there was the importance of corporate regional planning. The corporation operated within the general framework of the market, but the market was no longer the direct regulator of place relationships within a given corporate system; administrative decisions rather than price per se created aerial patterns. Finally, the corporation created a new role for government, in which the government was now cast as a compromiser and arbitrator in the struggles among corporate regional systems. McNee (1960) notes that much like medieval European monarchs mediating between quasi-sovereign barons, the government was one
power among several that mediated and judged corporations, but that could also become subject to them.

Unfortunately for McNee and Geography, the quantitative turn in the discipline meant that his calls for a regional method to be applied to the study of the firm were not welcomed by the discipline. Citing the Dutch geographer H.J. Keuning, McNee noted the importance of the French School of human geography and the work of Vidal de la Blanche who was one of the architects of the regional geographic tradition. McNee (1960) argued that, “In short, the geography of the firm is an attempt to go beyond the analysis of mere things in economic geography to a consideration of man himself and his social organizations and institutions” (p.201, emphasis in text). The most important institution in the modern urban-industrial genre de vie is the modern corporation, McNee claims (1960: p.201). This regional geographic approach to the study of corporations, as McNee stresses himself, is not amenable to the utilization of large data sets. As Watts ([1980] 2018) notes, the population of enterprises in any one industry is too small for the appropriate use of many quantitative techniques in Geography and statistical inference is an almost impossible task.

In the late 1980s and 1990s, however, there was a revival of studies in corporate geography and institutionalist thought in economic geography. Walker (1989) perhaps marked the return of corporate geography with his polemical paper in which he composed “a requiem for corporate geography”. But the work of such geographers like Dickens and Thrift (1992), Massey (1984) and Scott (1986) ensured that corporate geography did make a return to the discipline. Two strands of institutionalist thought emerged in Geography. The first was influenced by new institutionalist economics that, as noted above, influenced Kuran (2011). But this thread of institutional economics led by Douglass North had limited appeal in Geography due to its foundation in mainstream economics and in turn its ahistorical and aspatial inclinations (Amin 2009: p.385). The second strand is old institutionalism that proved to be more influential in the 1990s in Geography that draws from thinkers such as Thorstein Veblen, John Dewey and Karl Polayni. Old institutionalism, Amin (2009) argues, “rejects the premises of mainstream of economics and injects a considerable degree of texture, contingency and socio-institutional specificity in heterodox economic theory traditionally dominated by big-picture generalizations” (p.386). It is this second stream to which this thesis is indebted and contributes; specifically, I draw heavily from the work of Veblen.
In the 1990s, contributions in corporate geography provided a more concerted focus on the firm-state nexus and the territorial embeddedness of business organizations (Yeung 2017: p.3). Yeung notes that the aim of this new corporate geography was to elucidate the complex ways and processes through which corporations interacted with nation-states and became (re)produced in localized territories; the nation-state was no longer merely the environment in which the corporation could thrive, but was the key architect of economic globalization and changing economic governance. Dickens (1994), Yeung notes, highlighted the rise of the “competition state”, in which the nation-state takes on some of the characteristics of corporations as they strive to develop strategies to create national competitive advantage (2017: p.6).

Significantly, the firm-state nexus was touched upon by McNee in the 1960s but his insights have it seemed been neglected. McNee (1958) noted that geographers have long been interested in the importance of the institutional organization of space and highlights the focus by political geography on “state-areas”: “In fact, the customary theoretical distinction between economic and political geography may be based in part on the assumed importance of the institutional differences involved” (p.321). McNee (1958) stressed the difficulty of distinguishing between economic and political institutions, which may he argues account for the complications in developing a purely “economic” economic geography and a purely “political” political geography (p.322). For McNee (1958) corporations were both “political and economic bodies” that, although they were technically subservient to the state, could also at times dominate it.

Importantly for the purposes of this thesis and my understanding of the corporation, McNee (1960) stressed that the “value” of corporations and their regional systems could not be measured in terms of profit-making alone, but also must be measured in terms of strengths or weaknesses in power struggles with other corporate regional systems, trade unions, and with the government” (205). The question of corporate power, the ability of corporations to organize our socio-spatial relations is central to this thesis. More recent work in Geography has also focused more concertedly on engaging the corporation as more than a business; rather, it is viewed as a mode of governance, not state-like but as a type of sovereign entity itself. For instance, Joshua Barkan (2013) has argued that corporations are central to contemporary modes of governance. Rather than examine corporate power as distinctly “economic” or corporations as an economic institutions whose power threatens the state, Barkan (2013) contends that corporate power should be rethought as a mode of political sovereignty, in which corporate and sovereign power are
ontologically linked (p.4). A notable recent literature across a range of disciplines has joined Barkan in investigating the way in which the corporation is a distinct form of social, political and economic governance and administration (Milken 2018; Mitchell 2016a; Stern 2011; Turner 2016; Welker 2014). Drawing on this contemporary scholarship to understand the corporation as a mode of power, this dissertation focuses on the corporate processes of capitalization.

**Capitalization**

This thesis draws on the contemporary work of Nitzan and Bichler (2009) and Mitchell (2016) with their emphasis on capitalization as the central process of the modern joint-stock corporation. As I detail in Chapter Two, capitalization has multiple meanings in modern economics but is a foundational term in finance, meaning the sum of a corporation’s stock and long-term debt. It is the universal creed of capitalism and is equal to the corporation’s expected project and interest payments adjusted for risk and discounted to their present value (Nitzan and Bichler 2009: p.8). Timothy Mitchell (2016b) argues that, rather than capitalism, we should think of capitalization as the means through which modern forms of collective life is organized and as a particular way of rendering the future available in the present.

Drawing on the work of Thorstein Veblen, Nitzan and Bichler (2009), emphasize the importance of power to the capitalization process and its ability to control the sociopolitical future of communities. Nitzan and Bichler (2009) insist that capital is not a productive economic entity but a broader power institution–political economy cannot make economy separate from politics because the very question the economy seeks to answer are inherently political. Unlike Nitzan and Bichler (2009), however, I do not consider capitalization to be a merely symbolic representation of power. Utilizing work in Science and Technology Studies (STS), and in particular scholarship by Timothy Mitchell, I am attentive to the fact that power is not something that automatically provides an explanation but rather is the result of a process. Power is produced and composed. To produce power a material force has to be created that is able to maintain itself through space and time it must able hold things, people and space together as a durable whole. It is the ability of the corporation to hold many different entities together as a durable whole in which the corporation derives much of its power to organize much of modern forms of collective life. As Timothy Mitchell (2016a) has argued, historically the corporation utilized the railways to extend the process
of capitalization across a vast geographical scale. Railways created a physical and organizational structure that spread across time and space and that necessitated socio-political control over large swathes of territory. The corporation through capitalization also produced power by bringing the future into the present through these durable structures, it moved the future into the present through the durable spatial arrangements of the railroad. Corporate power is produced through the capitalization of durable structures.

Contemporary capitalization has extended itself forcefully into the vast world of the durable spatial arrangements of real estate. As with the railways, modern real estate can construct a building that can guarantee a flow of income over 50 years. The entrepreneur sells the unit not at the cost of construction (including profit), but as the discounted value of the rent or mortgage payments that can charged to future occupants (Mitchell 2016b: p.260). The capitalization of the built environment necessitates a shift from an understanding of time-space compression (Harvey 1989) to one in which time is extended (the future) and space compressed (urbanization). Not only is time-space being “annihilated” and compressed; it is also being extended into the future through the capitalized durable structures of the present. As Mitchell notes, real estate is the most significant form of capitalization today and represents the most widespread use of the techniques of enriching a minority of entrepreneurs in the present by taking wealth away from a future generation (2016b: p.260).
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Chapter One: The Corporation: The Last 1,000 Years

Shortly after his return from India to England in the spring of 1788, Warren Hastings, the first Governor General of Bengal, was impeached in dramatic fashion that caused a national scandal. “He had ruled an extensive and populous country, had made laws and treaties, had sent forth armies, had set up and pulled down princes” the historian Thomas Macaulay (1841) wrote about Hastings, but now this once seemingly all-powerful man faced trial and a possible tragic end. The nation was gripped. As Macaulay noted, “It is to be added that, in the spring of 1788, when the trial commenced, no important question, either of domestic or foreign policy, occupied the public mind” (1841). Notably, Hastings, who had ruled thousands of people, made laws and sent forth armies was not a monarch, the head of state or (debatably) the representative of one. Rather, Hastings was the equivalent of a chief executive officer for what was at the time one of the largest and oldest multinational corporations in the world, the East India Company (EIC).

Hasting’s was impeached in a context in which the EIC had not been delivering the profits that its shareholders expected. The EIC, once a highly profitable proposition for its sovereign and shareholders, and despite its increased political authority, had not been able to make its annual payments to the state or its shareholders (Ahmed 2002: p.39). A number of parliamentary investigations had been initiated into the EIC (in 1766-67, 1772-73 and 1784) and these reports broadly concurred that senior company officials were abusing their authority and expropriating EIC revenue (Ahmed 2002: p.30). The gossip in England was that Hastings had come under the influence of his wife, who was claimed to have siphoned off large sums of money. Rumours swirled that she had adorned her cabin on the EIC ship with sandal-wood and carved ivory (Macaulay 1841).

Edmund Burke, the founder of modern British conservatism, was appointed the head of the Commons’ Select Committee on East India Affairs in 1781. He was aghast at the type of sovereign power that the EIC had apparently obtained. In a 1783 address to Parliament, Burke declared that the “Magna Charta is a charter to restrain power, and to destroy monopoly. The East India charter is a charter to establish monopoly, and to create power” (1852: p.177). Burke it seemed wanted to end the privileges of the trading companies and instead of a corporation of private citizens he wanted the British state to govern India (Ahmed 2002: p.30).
In 1786, Burke moved to impeach Hastings for crimes he had committed in India. At the trial, Burke laid out the powers that Hastings was accused of abusing. He went to great lengths to detail the curious situation in which the EIC, a corporate body and not a sovereign one, had delegated the powers to Hastings that he was supposed to have abused. Burke explained to the court the way in which the EIC had obtained its powers. The first source of the EIC’s powers, Burke noted, was the charter granted by the crown of Great Britain via an act of Parliament and the second was from several charters from the Mogul emperors: “Under those two bodies of charters, the East India Company, and all their servants, are authorized to act” (1852: p.289).

“You will therefore recollect,” Burke noted, “that the East India Company had its origin about the latter end of the reign of Elizabeth, a period of projects, when all sorts of commercial adventures, companies, and monopolies were in fashion” (p.291). He then explained how the EIC gained many of its sovereign powers due to the nature of commerce, as well as the challenges that it faced in conducting its commerce—the need to have an army and “naval discipline in their ships” and criminal jurisdiction for their factories and servants and then the “power of peace and war” (1852: p.292). Charles II, Burke explained, had codified the EIC’s powers in law, and “From that time the company ought to be considered as a subordinate sovereign power; subordinate with regard to the power from whence its great trust derived” (1852: p.291).

The problem, of course, was that the EIC, and its employees like Hastings, were getting above their station. The EIC seemed to constantly accumulate its own sovereignty and to have been acting independently of the sovereign and Parliament. Famously Burke declared:

The constitution of the company began in commerce and ended in empire… In fact the East India Company in Asia is a state in the disguise of a merchant. Its whole service is a system of public offices in the disguise of a countinghouse. Accordingly the same external order and series of the service, as I observed, is commercial; the principal, the inward, the real, is almost entirely political (1852: p.291).

The impeachment of Warren Hastings lasted seven years; the public largely lost interest in the trial and he was acquitted. Macaulay’s 1841 account of the trial describes so much in a sub-title “The trial, at first thrillingly dramatic, soon becomes long, cumbersome, and dull”. But the impact this trial had on our understanding of corporations has perhaps been long lasting.
The idea of corporations as state-like is one that continues to the present day. Large corporations, such as Facebook, Aramco or even the joint-stock corporations like Solidere, are often accused of being a “state in the disguise of a merchant”. In this chapter, however, I do not argue that corporations are like nation-states. Nor, do I seek to contend that merchants are states or that they emulate or disguise themselves as such. Rather, I consider the corporation on its own terms. I argue that the corporation has its own logic of power and ability to organize socio-spatial life. Corporations are perhaps one of the most significant apparatuses in organizing socio-spatial relations around the world. The power of corporations in shaping our social world has long been recognized but has usually been framed as subordinate to the nation-state. The corporation, however, precedes the rise of both the nation-state and capitalism and was even instrumental to their formation. In this chapter, by assessing the longue durée of the corporation I address the this dissertation’s central questions of what a corporation is, how it produces certain types of sovereignty and how it organizes socio-spatial life. In considering the various iterations of the corporate form, I illuminate how the corporation has long been far more than a mere business enterprise.

I argue that a central feature of what a corporation is and does is to bind people, space and things together. It is a means through which a group can achieve a certain power over others through this combination. At times the corporation has been utilized by sovereigns and elites to extend their power and domination over territories and urban centers; but at other times the corporation has been deployed to elude the power of sovereigns and other groups, thus creating new centres of power. The corporation has long been both an opportunity and a threat for those in positions of social power seeking to sustain and extended their station.

Urban space has been central to evolution of the corporation and its ability to bind people, space and things together. In the first part of this chapter, I consider what scholars consider to be the rise of the earliest corporations, in the form of corporate cities or towns in medieval Europe. Corporations in this period, I show, formed a means through which to challenge other types of power, namely that of monarchs and barons. Most of these city corporations across Europe, however, declined with the rise of the nation-state. Corporations did not disappear; as Burke identified, they rather became trading companies in the 16th-century, a period of “commercial adventures”. It was in this period, with the rise of trading companies like the English-but also Dutch-and French East India Companies, that many of the central features
of the business corporation gradually emerged, such as the split between ownership and management, temporal permanence, geographical extension, limited liability and tradable shares (credit). These corporate trading companies not only engaged in trade but formed colonies organizing large-scale territories and founding their own corporate cities.

In the second part of this chapter, I consider the significance of the settler-colonial state of the United States of America (US) to the evolution of the corporation. The US was formed both directly and indirectly from a collection of European trading corporations. In turn, the through the expansion of the railways in the US that provided the teething ground for modern corporate forms of organization, with their large capital requirements, geographical scales and also their socio-temporal transformations. The joint-stock railway company greatly expanded the credit system, created new statistical and accounting apparatuses, developed new forms of multiunit administrative hierarchies and extended the use of absentee ownership. But as I highlight in this chapter, these corporate characteristics and the expansion of the railway were not only focused in the narrowly on trade or economics. Drawing on the work of Richard White’s (2011) work on the transcontinental railways, I contend that, just like the corporate city and the trading companies, the joint-stock railways were central to providing certain groups with social power over others.

In the final section of this chapter, I outline the modern business corporation and its expansion around the world. I highlight the extraordinary expansion in the number of listed joint-stock corporations, as well as the dramatic increase in global market capitalization (from $1.2 trillion in 1975 to $65 trillion in 2016). I then consider the modern business corporation in the Middle East and note the significance of Saudi Arabia as an area for the growth of the joint-stock enterprise in the region. I argue that corporations like Aramco and Bechtel, have been central to the socio-spatial organization of much of Saudi Arabia and in turn the region more broadly. I also detail how in the context of the formation of Solidere there has been a shift since the 1990s in the region from corporations coming from the outside to the significant expansion in the presence of joint-stock corporations and stock markets created from within the Middle East. Corporations from both within and outside the region now make themselves present through the formulation of the built environment throughout the region’s urban fabrics.
“The germ of the corporate idea lies merely in a mode of thought; in thinking of several as a group, as one,” Robert Raymond (1906) argued in his article on the “Genesis of the Corporation”. The corporation, like religious groups, the tribe and the family, provided a means through which to bind groups of people together with things. Perhaps due to the distinctive ability of the corporation to bind humans and things together they have long been associated with the urban form. As Raymond (1906) contends, the starting point of the corporation was simply that certain people lived near one another, and some of these settlements became more densely populated than others, which is “what chiefly distinguished a borough, the group which directly led to the corporation, from the ordinary village” (p.355). As legal scholar Federic Maitland (1898) noted, since the city (“borough community”) is corporate while the village community is not, “Corporatness came of urban life” (p.18).

Scholars broadly agree that the corporation emerged in the context of the gradual disintegration of the ancient Roman Empire and Christianity’s split into two branches in 1054. Thousands of new urban centres emerged across Europe and the Eastern Mediterranean that acquired a “corporate” identity recognized by princely power, bishops and nobles. The Roman Catholic Church began calling itself a corporation and running its affairs according a new canon of law (*jus novum*) (Kuran 2011: p.102). Maitland (1898) notes that “The canonists had been making a theory. The body corporate is a ‘fictitious person’ and owes its personality to some act of sovereign power” (p.18). The church’s claiming of a corporate identity by the church was aimed at differentiating itself from other entities (namely the secular world and royalty), separating its assets from those of its members and projecting itself as a superior power over both individuals and rulers (Barkan 2013: p.23).

It was not only the Church that organized itself as a corporation. Trade corporations and guilds were also powerful institutional structures that organized much of medieval life. Monarchs and others recognized corporations in practice long before they were codified and established through the law. Legal restrictions were soon developed by sovereigns as these corporations offered both an opportunity for the ruling elite and a threat to them. Sovereigns wanted these corporations for their revenues but, as Raymond (1906) argues: “It would not do for the sovereign power to have them exist too freely. This reason also applied to the gilds which
were likely to become aggressive” (p.363). The corporation was usually granted legal privileges as a corporate entity through a royal charter and/or through hard bargaining with the bishops and feudal proprietors. “It really meant: recognition of the corporation cannot continue without the king’s express consent. The sovereign’s act was not creation, but permission,” Raymond concludes (1906: p.363).

The corporation was central to the development of the city and in turn the city was pivotal to the organization and protection of the corporation. Churches, guilds, traders, hospitals, schools and charities could all gain corporate status, but they did so through cities’ corporate charters that protected their legal and political autonomies (Isin 1992: p.18). Lewis Mumford argues that the “cities movement, from the tenth century on, is a tale of old urban settlements becoming more or less self-governing cities, and of new settlements being made under the auspices of the feudal lord, endowed with privileges and rights that served to attract permanent groups of craftsmen and merchants” (1961: p.262). The corporate form began to gradually spread with different constitutions and shapes throughout medieval Europe. Corporate towns created their own legal frameworks and local courts. They had the right to hold regular markets, coin money, collect taxes and establish weights and measures, as well as the right to bear arms (Mumford 1961). The city as a corporation provided its inhabitants with citizenship and a collective identity; it was a selective environment that granted citizenship to those it deemed worthy. “Citizenship itself, free association, replaced the ancient ties of blood and soil, of family and feudal allegiance. The specialized vocational group now supplemented, in a new set of relationships and duties, the primary family and neighborhood groups: all had a place in the new city,” Mumford writes (1961: p.262). To exist one had to belong to an association (a household, guild, manor or monastery) that possessed distinctive forms of ceremony, privileges, rituals and protection. As Mumford claims, “One lived and died in the identifiable style of one’s class and one’s corporation” (1961: p.269).

For the powerful, the corporate city represented both an opportunity and a threat. These corporate cities could be lucrative propositions if they did not gain too much autonomy. They offered new sources of wealth for feudal landowners who could utilize urban ground rents and use these new revenue streams to indulge in new European luxuries or equip armies (Mumford 1961). The crown also expected guilds to control their respective economic sectors of activity, including regulating the labour market and supplying the public with high-quality goods at
controlled prices (Crowston 2001: p.175). For the monarchy, the corporate town could act as a potential check on the power of feudal nobles who might challenge a monarch’s dominion, but it came with the risk that said nobles could also form competing identities and allegiances. For The Venetian Giovanni Michaeli wrote in 1557 that corporate municipalities in England were, “almost like a republic” (cited in Turner 2016: p.112). City “freemen” were all who did not belong to a feudal lord but could enjoy the right to earn money and own land under the protection of their town or city’s charter; they had the freedom of the city and their city allegiances could often clash with the crown and nobility.\(^\text{17}\) It was with the rise of the corporate city that the famous German proverb emerged, “The air of the city makes free” (*Die Stadtluft macht frei*).

These medieval corporate towns continue to exist to the present day. The City of London Corporation is a 1.2 square-mile area in the heart of London that is a product of the rise of a plurality of corporate groups, all of which played a role in the governing of the city’s population, regulating its commerce and providing charitable assistance. Its charter dates back to 1067 and was granted by William the Conqueror to recognize the rights, privileges and laws of the City. As the corporation notes, “The right of the City to run its own affairs was gradually won as concessions were gained from the Crown… From medieval to Stuart times the City was the major source of financial loans to monarchs”.\(^\text{18}\) In addition to its independent charter, the corporation had its own independent democratic and legal institutions, taxed itself and possessed its own militia.

Today, the City of London Corporation is a central node in the global financial economy and it continues to uphold special privileges obtained from its medieval charter. The City of London consists of: over 100 livery companies, a separate police force (the City of London Police), three fee-paying schools, and three wholesale food markets (City of London 2015). The City is divided in 25 wards and 125 members are elected to represent them.\(^\text{19}\) The Lord Mayor leads business delegations meeting ministers and heads of state and has permanent offices in China and India (City of London 2017: p.20). Notably, the corporation was not reformed by the


\(^{19}\) Each ward elects one Alderman and two or more Common Councilmen. Uniquely in Britain, in the City of London businesses can vote in council elections; the number of votes a business has correspond to the number of people it employs in the City.
Municipal Corporations Act of 1835. As Nichoas Shaxson (2011) has noted, the City of London is different from any other local authority insofar as it as a place where “hi-tech global finance melds into ancient rites and customs that underline its separateness and power with mystifying pomp”.

The City of London Corporation is a powerful force in Britain’s sociopolitical and economic makeup. As the Alderman Peter Estlin has stated, the corporation earns vast sums of money as a global center for international finance and business services, “on which successive British Chancellors and governments have relied” (City of London 2017: p.20). Following the Occupy protests, the City of London Corporation was pressured to release its accounts and releveled that is had a sovereign wealth fund with net assets of £2.3 billion (City of London 2016). The City of London Corporation, however, is a rarity.

The multiple sovereignties of the corporate city and the guilds that existed throughout Europe were gradually replaced by the single sovereignty of the state and of the individual by the 18th-century. Monarchs began to reign in the independent corporate cities, with the invention of the \textit{de jure} corporation that replaced \textit{de facto} corporate towns in which charters were established between its members and subject to constant negotiation (Isin 1992). Corporate status was now gradually imposed from outside and above rather than within and between a town’s inhabitants (Isin 1992: p.23).\textsuperscript{20} Political power had been consolidated in the state. City building was no longer a means for craftsmen and merchants to achieve a certain freedom and security (Mumford 1961: pp.355-356). Corporations, however, continued to form polities that extended the power of both the crown and nobility. The corporation remained central to holding certain alliances together over others.

\textsuperscript{20} The 1440 charter of Kingston-Upon-Hull is often cited as the first incorporation of a city because it is one of the earliest surviving written charters. The Hull charter is novel because it was codified and prescribed by the authorities of the nascent State rather than being an outcome of negotiation; “The incorporation of Kingston-Upon-Hull thus was the beginning of the subordination and political integration of autonomous cities within the nascent modern state” (Isin 1992: p.31). This charter laid the foundations for the essential attributes of corporations after this date, namely perpetual succession (even on death of a burgesses the corporation would not cease to exist as a legal person); the power to hold lands as a corporation; the power to hold a common seal and name; the power to issue rules and regulations (or bylaws). It was widely known by scholars, however, that many city corporations existed before this. Hull’s charter should rather be viewed as the decline of the city corporation and rise of the monarchical state, and the shift from \textit{de facto} to \textit{de jure} city corporations (Isin 1992: p.30).
The Colonizing Corporation

Coinciding with the decline of the corporate city, and directly related to it, was the rise of the trading companies that marked the formation of the first “business enterprises”. In the midst of intense rivalries within and between European nations, peasants, monarchies, nobles, guilds and merchants the trading company was forged. Karl Marx writes that these new corporations, or “new manufactures”, were placed in “sea-ports, or at points in the countryside which were beyond the control of the old municipalities and their guilds. Hence, in England the bitter struggle of the corporate towns against these new seed-beds of industry” (Marx [1867] 1990: p.915). The medieval corporate city and its guild system, Karl Marx argues, placed careful limits on the accumulation of capital to prevent the transformation of a master of a craft into a capitalist ([1867] 1990: p.423). Corporate cities prohibited the formation of capitalists by limiting the number of workers a master could employ and the amount of money capital that could be formed by usury; commerce was effectively prevented from turning into industrial capital. Marx contends that capital is required to accumulate to a certain level for the metamorphosis into capitalism to appear. To increase the sum held by to precipitate the transformation into capitalism in the 16th-century, according to Marx, state subsidies to private persons occurred and the for the rise of “companies with a legally secured monopoly over the conduct of certain branches of industry and commerce–the forerunners of the modern joint-stock corporation” ([1867] 1990: p.424).

The business corporation utilized the structure of the corporate city but also used this form to traverse the strictures of the old municipalities. For Marx, these early business corporations were “powerful levers for the concentration of capital” ([1867] 1990: p.198). Marx did, however, place an emphasis on the “power of the state, the concentrated and organized force of society, to hasten, as in a hot house, the process of transformation for the feudal mode of production into the capitalist mode” ([1867] 1990: p.919). He also noted the importance of the European trading companies and the associated system of public credit and colonial exploitation that they created.

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21 As is clear from Hull’s 1440 charter, and as many scholars have argued, the joint-stock company is a product and outcome of medieval collectivism and the way it was overtaken by the monarchical state (Isin 1992).
Cash-strapped European sovereigns often fighting for their survival in brutal internal and external wars were experimenting in delegating their power to private individuals and companies. Marx contended that the extension by European sovereigns of national loans, “performs the service of a capital fallen from heaven”, for financers “who play the role of middlemen between the government and the nation, and the tax-farmers, merchants and private manufactures” ([1867] 1990: p.919). The vast extension of the national debt by competing European monarchies, Marx argued “has given rise to joint-stock companies, to dealing in negotiable effects of all kinds, and to speculation: in a word, it has given rise to stock-exchange gambling and modern bankocracy” ([1867] 1990: p.919).

But these corporation not only accumulated what Marx defined as “capital”, they also accumulated and ordered territories, armies and entire societies. Corporations shaped social orders both at home and abroad. “The delegation of power and privileges to private individuals or companies seemed like an easy, low-cost way for revenue-strapped, risk-averse European monarchies to extend their reputation and dominion overseas in the so-called ‘Age of Expansion’,” Dewar writes (2012: p.1). Numerous small businesses were established, as monarchies and elites experimented with ways in which to create revenues and solidify their rule within a ferociously violent Europe. Indeed, Cheyney (1907) argues, for the English, it was not the “natural human interest” of new lands, romance of the distant or poetic imaginations, that provoked the country’s turn to empire (pp.508-509). Rather, it was the growing realization of the wealth and power that Portugal, Spain and later the Dutch, had attained in the East and the West. The English government, however, was not in a position financially or politically to furnish funds for colonization, so the only remaining option was the formation of trading companies, with, with in Cheyney’s words, “[their] much more extended resources and [their] corporate life” (1907: pp.511-512). He concludes that “In fact, the whole advance of English discovery, commerce, and colonization in the sixteenth and early seventeenth centuries was due not to individuals but to the efforts of corporate bodies” (1907: p.512).

Colonization, Engles noted, was “…a pure appendage to the stock exchange” (Marx [1897] 1991: p.1047). As I detail in Chapter Three, French merchants established a formal presence in Ottoman territory in 1535 through corporations (or échelles), which were established by treaties that came to be known as “Capitulations”. Soon after, the English established the English Muscovy Company (1555-1746), which some academics note as one of the earliest joint-
stock corporations. The Muscovy Company was shortly followed by the regulated company the English Levant Company (also commonly known as the Turkey Company) formed in 1581 to regulate and monopolize trade with the Ottoman Empire and the Levant. It was through the spice trade with Asia in the 16th and early 17th-centuries that the English and Dutch (and later the French) formed the infamous East India Companies that were all granted monopolies on this trade by their respective sovereigns.

The English East India Company (EIC; 1600-1858) and the Dutch United East India Company (1602-1799), or the Verenigde Oost-Indische Compagnie (henceforth VOC), are widely cited by scholars as the first multinational corporations and are considered to form the institutional foundations for the modern business enterprise. Both of these companies were given monopoly control of the trade on spices between Europe and many sovereign powers in Asia. The VOC and EIC took their corporate form in a gradual, ambivalent and often incoherent manner. As Gelderblom, De Jong and Jonker (2013), contend the corporate form of the VOC was engineered piecemeal to remedy design flaws arising from the incredible costs (both human and financial) of trade with Asia. The development of both the VOC and EIC was also impeded by monarchs who were highly cognizant of the both the opportunity and the threat these trading companies could pose.

The VOC was the first to list on a stock market and have a permanent charter. The trade with Asia required much greater capital, time and risk than trips to Africa and the Caribbean, thus prompting the adaptation of existing forms of business organization (Gelderblom and Jonker 2004: p.649). As a result, the VOC spread share-ownership among a much wider array of individuals than before and established clear rules about the ownership and transfer of shares. The VOC obtained share subscriptions worth 6.4 million guilders across 1,100 initial subscribers (in a country with an adult population of around 50,000) (Ibid). To ensure the permanence of its operations and gain a competitive edge over the English and Portuguese, the VOC stipulated that shareholders pledge their capital for ten years. To compensate for this temporal extension of investment, shares were made transferable and were therefore transformed into durable assets. Shares were limited liability and shareholders had no engagement in the management of the organization. VOC shares, Gelderblom and Jonker (2004) argue, provided the catalyst for trust in paper claims to assets and trade in them, “creating securities trading, forwards and futures, and a range of credit techniques more or less from scratch” (p.666). Indeed, the VOC led the formation
of some of the textbook characteristics of modern corporations: capitalization, permanent capital, legal personhood, separation of ownership and management, limited liability for shareholders and directors and tradable shares.

The VOC was central to the Dutch’s rapid rise against rival European states and vital for the Dutch crown that could not rely on an agricultural or industrial base to fund its war of independence against Spain. The VOC resulted in the accumulation of significant social and financial power for those elites attached to it and to the Dutch sovereign. As Marx wrote, “Holland, which first brought the colonial system to its full development, already stood at the zenith of commercial greatness in 1648” ([1897] 1991: p.918). The spectacular rise of the VOC caused great consternation among rival European factions. It must have been of great concern to the English that the port of London, for instance, was filled with Dutch ships, which outnumbered English ships by 360 to 207 in 1601 and that the VOC had sent 76 ships to Asia in its first 10 years, while the EIC had only sent 17 (de Vries 1976: p.122).

Indeed, the English greatly expanded the operations and increased the autonomy of the EIC to compete with the Dutch and other European powers throughout the 17th-century. The French, meanwhile, grew increasingly alarmed at their economic stagnation, which they attributed in part to Dutch control of foreign trade (de Vries 1976: p.123). Jean-Baptiste Colbert, Louis XIV’s controller-general and finance minister, pushed the monarchy to directly engage in overseas enterprise and finally established France’s own East India Company, the Compagnies des Indes Orientales (1664; henceforth CIO). The CIO was formed as a joint-stock corporation with exemptions from common law and was a matter of royal prerogative, charted by King Louis XIV as a quasi-public institution.22

The organizational scale of these Companies and their operations meant they were actively engaged in the governance of millions of people and among the largest employers in the world, to say nothing of the vast exploitation and plunder that they initiated through colonization and the slave trade. According to de Vries (1976), the VOC is estimated in its two-century existence to have sent ships to Asia manned by a total of one million men, only a third of whom

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22 Although the CIO was directly modelled on the VOC and the EIC as a joint-stock corporation the term “joint-stock corporation” was not used in France in this period and the equivalent term société anonyme was only introduced in the early 19th century (Dewar 2012: p.199). It was not until 1808 that the new Code de Commerce in recognized the term société anonyme to denote companies formed along the lines of the joint-stock company (Dewar 2012: p.119). Both the Compagnie Impériale and Solidere are société anonymes.
ever survived the five-year round-trip to set foot once again on European soil once again (p.131). These companies of course not only relied on the labour of Europeans but also the labour and bodies of slaves and indentured servants. Thousands of labourers were required to man, outfit, service and provision their ships. The trading posts they established around the world resulted in thousands being employed in sugar refining, cloth finishing, tobacco cutting, silk throwing, glassmaking, distilling and other tasks related to the companies’ various operations. Slave labour was often utilized to build many of the colonial corporate cities and factories, as well as infrastructure, such as canals, housing and fortifications.

Much like the city corporations of the medieval era, these East India Companies set about forming their own political communities and polities, each trying to bind people together in a legal singularity and image. These Companies had the power to administer law, collect taxes, mint their own coins, create their own seals, provide protection, inflict punishment, make claims to territory and govern social life. They engaged in warfare, as much as trade, and their corporate charters allowed them to create their own standing armies. Perhaps the most famous example of such a company gaining the ability to govern social life and territory, is the EIC’s victory at the battle of Plassey in 1757.

This victory at Plassey resulted in the EIC’s assumption of the Mughal office of diwan (allowing it to act as revenue collector and administrator) in East India. On obtaining the diwan, the EIC was widely proclaimed as a company-state and a merchant empire. Importantly, the historian Stern (2011) insists that we understand the EIC not as shifting from a business organization to an imperial ruler, with its victory at Plassey in 1757, but to comprehend that it represented a form of government from its very inception in 1600 (p.3). The corporate form of the EIC was not state-like, semi-sovereign and quasi-governmental, or, as Burke put it a “a state in the disguise of a merchant”, but rather a corporate sovereignty and power from the start (Stern 2011: p.6). Stern insists that the EIC along with, I would contend perhaps all its fellow joint-stock corporations-are political institutions in their own right that are “neither tethered to supposedly broader national histories nor as an imitation, extension, or reflection of the national state” (Ibid).

The fusion between company, crown and state, as well as the ability of the EIC to forge extraterritorial alliances, became celebrated by the end of the 18th-century. Anxiety that the EIC
would take the spoils of imperialism had dissipated in the aftermath of the victory of the Seven Years’ War. As a 1786 poem about the EIC goes:

She speeds, at GEORGE’S sage command,
Society from deep to deep,
And zone to zone she binds;
From shore to shore, o’er every land,
The golden chain of commerce winds.

The Early Modern Corporation

The impact of the East India Companies, and the rise of the trading company more broadly, is significant not only for being early examples of modern multinational business corporations; they also formed contemporary colonial states. The United States of America not only takes its flag directly from the English EIC; the constitution is also partially modelled on the corporate charters that the colonialists travelled with from Europe to America. Adam Winkler (2018) notes that the “Constitution’s shape and scope reflected the Framers’ experience with corporate governance” (p.31). While the American constitution does not mention the “corporation”, the Founders did invoke the corporation as a model at the Constitutional Convention. These early corporate colonial charters contained four distinct elements: they founded a people, created a government, established shared values and goals and created institutions for collective decision making (Lutz 1998: p.xxiii). The Massachusetts Bay Company’s charter influenced colonial government up and down the eastern seaboard and the American constitution also contains strong similarities to it (Winkler 2018). Perhaps the Bay Company’s charter was particularly influential because although the charter was written in England, it was authored not by the English authorities but the colonialists themselves before they embarked (Lutz 1998: p.36). Both the charter and the constitution established government offices, set procedures for law-making and imposed limits on what the government could do.

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23 The Seven Years’ War was a conflict that lasted from 1756 to 1763, placing France, Austria, Saxony, Sweden and Russia against Prussia, Hanover and Britain. This war also involved Britain and France’s overseas colonies as they struggled for control of North America and India.
The corporation shaped the US state and in turn the US state would shape the corporation. This doubling that Joshua Barkan (2013) has identified means that “corporations and states model each other’s defining figures. Modern state sovereignty is founded in and anchored to a figure of the corporate political body. Likewise, modern corporate power emerges from and mobilizes apparatuses of sovereignty, discipline, and government” (p.6: emphasis in text). The strong association between corporations and the modern state has long been noted by legal historians. Barkan highlights that throughout the 1940s and 1950s scholars in the US produced a large body of work that showed how law promoted corporations as a means of economic development as well as a form of government and regulation (2013: p.5). Furthermore, Barkan adds that government (or good governance) and regulation were not strictly political or economic terms in this period: “Corporations drew on mechanisms for structuring behavior associated with older monastic and educational corporations. Merchant companies, universities, and fraternal organization installed oaths for membership and required religious observance” (2013: p.32).

The Birth of Corporate America

By the end of the 16th century, six chartered companies had divided the Old World between themselves and for European monarchies eager to accumulate greater power, the western continent seemed the obvious place to seek for new territory to explore, exploit and conquer. Small corporate sponsored groups—often led by prominent merchants and funded by credit—sent equally small groups of settlers to America, many of whom failed. Modelled on the EIC and also funded by many of its members, the Virginia Company of London (1606-1624) founded England’s first permanent settlement in the “New World”, Jamestown. The corporation was formed with King James’s blessing on the basis that one fifth of the revenue the corporation generated would be delivered to the crown (Winkler 2018: p.6). To attract settlers to Jamestown from Europe, the Virginia Company brought the earliest measures of democracy to the US, offering the settlers some self-autonomy. For instance, the company authorized a “General Assembly” that promulgated rules to govern the colony. In addition, every stockholder was given 100 acres of land for every share they owned and additional acres for each settler the stockholder sent. As Winkler (2018) argues, this new system of landownership fundamentally changed the
colony; instead of everyone working company land on company orders for company profit, landowners now worked primarily for themselves, with the Virginia Company only taking a cut (p.14). The Virginia Company soon spawned other joint-stock corporations related to tobacco cultivation, glass, fishing, as well as one “for Transporting 100 Maids to Virginia to be made Wives” (Davis 1917: p.33).

The Virginia Company was shut down in 1624 but other corporations soon replaced it, the most significant of which included the Massachusetts Bay Company in New England and the Dutch West India Company (WIC) that was capitalized at the huge sum of 7 million guilders. The same year that the Virginia Company closed, the WIC failed to secure permission from other rival English corporations to settle in the established outposts along the Delaware and Connecticut rivers. Instead the WIC occupied an area called Noten (now Governors Island, New York). The settler-colonists of Noten were soon working and planting on a farm located on nearby Manhattan (Burrows and Wallace 1999: p.21). Manhattan, or “New Amsterdam”, was soon founded as a corporate town. Notably, central to the WIC’s establishment of “New Netherland” as a colony proper was the appointment of Petrus Stuyvesant, a WIC Company veteran, as a highly-salaried Director-General. Stuyvesant immediately established a municipal government, reliable property lines, regular streets and orderly markets (Burrows and Wallace 1999: p.43). “In 1658 the residents of Brouwer (Brewer) Street received permission to pave their land with cobblestones, creating New Amsterdam’s first properly surfaced roadway, now Stone Street,” Burrows and Wallace note (Ibid). Notably, the colony required physical, social and financial organization to build defences that could protect it from an impending attack by New England colonies and raids by Hackensacks, Mahicans, Wappingers or Lenapes (Burrows and Wallace 1999: pp.64-68).24

Meanwhile, with the restoration of the monarchy and the start of Charles II’s reign, the English began a new push to derail the dominance of the Dutch. Parliament adopted a second Navigation Act stipulating that only valuable colonial products (such as sugar, tobacco and indigo) could only be imported to England in English ships; the creation of the first imperial

24 Famously a Dutchman murdered a native Indian woman in 1655 for taking a peach that resulted in the so-called “Peach War” between the settlers and Indians. The Peach War resulted in an escalation of violence by the Dutch, the expansion of New Netherland and fortification of New Amsterdam; it also marked the end of the Lenape resistance to European expansion in Long Island (Burrows and Wallace 1999: p.68). Notably, the news of the Peach War meant that the WIC stock sunk to 10 percent of its par value and soon declined further (Burrows and Wallace 1999: p.71).
customs collectors soon followed (Burrows and Wallace 1999: p.71). The King’s younger brother James Stuart planned to displace the Dutch by establishing several trading companies, including the Royal Fishery Company, the Morocco Company and the Company of Royal Adventures Trading to Africa (later the Royal African Company). The later was aimed to monopolize and displace the WIC’s domination of the slave trade (Burrows and Wallace 1999: p.71). English settlers began to flood into New Amsterdam. Despite efforts to jail them, Stuyvesant was ultimately powerless to stop them from coming in (Ibid).

Burrows and Wallace (1999) note that in 1664, the Duke of York requested that Charles II make him the proprietor of all the territory of New Netherland in return for forty beaver skins a year, as he prepared to take New Amsterdam. York had dispatched Colonel Richard Nicolls to take Fort Amsterdam. It was weakly defended and, even with Stuyvesant’s preparations for a fight, was easily taken. The inhabitants of New Amsterdam, like other corporate towns in America, had started to forge their own identities distinct from the Dutch sovereign, the WIC and they had little affection for Stuyvesant. Only a slight majority of the colony’s inhabitants were Dutch; the rest were Walloons, English, French, Irish, Swedish, Danish, and German. In addition, the WIC had brought in a growing number of slaves, who constituted most of the colonial working class. “About the only thing they had in common was that nearly everyone was an employee of the West Indian Company” (Burrows and Wallace 1999: p.31). When Colonel Nicolls attacked New Amsterdam, few of its inhabitants were willing to risk their lives or property for the Dutch sovereign, Stuyvesant or the WIC.

In 1665, Nicollas formally confirmed the right of New York City residents to govern themselves “according to the custom of England in other [of] his Majesty’s corporations” (cited in Burrows and Wallace 1999: p.78). The offices of burgomaster, schout and schpen were changed to mayor, alderman and sheriff, respectively (Ibid). But the English would soon face the same problems as the Dutch, with the inhabitants of New York forming their own identities and allegiances independent of the crown. The sovereign powers that granted corporate charters were constantly being challenged both domestically, in the colonies and by rival powers. As legal documents, colonial charters provided a models for government and established limits on what a government could and couldn’t do; so “Americans began to regard their corporate charters as constitutions” (Winkler 2018: p.25). Winkler contends that all of these American colonial corporations—which followed commonplace corporate norms and practices-exerted a
considerable influence on American understandings about governance, because they were also governments themselves, responsible for the people who lived under their jurisdiction (2018: p.19). The colonists believed that the rights guaranteed to them by their corporate charters were under attack by the British Parliament and the EIC seeking extra revenue: “By taxing the colonies, Parliament was infringing the colonists’ fundamental right of self-government—the right to pass bylaws and legislation as specified by their colonial charters” (Winkler 2018: p.27).

Indeed, the English crown kept tight control over the formation and proliferation of corporate charters. Only six corporations of “American origin or charter” had been granted before the American Revolution (Wright 2013: p.23). But as soon as the colonial governments gained a slight degree of autonomy and development, they began to form their own corporations without asking permission from the English crown or by act of Parliament (Davis 1917: p.7).

The American settler-colonialists appeared well aware of the ability of the corporation to achieve new social associations and greater autonomy from sovereign power. As the power of the settler-colonialists grew, so did the number of their corporations. Those numbers increased during the three decades preceding the revolution, and this trend continued following the ratification of the Constitution. Increasingly freed from English monarchical control, American settlers embraced the corporate form for organizing social life. Americans formed corporations to produce silk, cotton, iron and maps; to build roads and water works; and to operate ferries, banks and insurance companies (Winkler 2018: p.43).

Early Corporate Controversies: Adam Smith

The rise of the trading companies and their notable accumulation of social power had not been without controversy within Europe or even amongst the newly independent settler-colonial Americans. Memories among Americans of the EIC’s tea monopoly provided a warning against the combination of “too much power and influence” (Wright 2013: p.33). Europe and America, then as perhaps now, were split between corporatists and the anti-corporatists.25 The collapse of the English South Sea Company in 1720 produced not only the first international financial crisis

25 Indeed, a comment by an American anonymous critic in 1829 is remarkably close to that of Corbyn’s Labour Party slogan (“for the many, not the few”); the critic claimed that corporations were “made solely for the advantage of a few, and the probable injury of many” (cited in Wright 2013: p.30).
but also some of the most prominent critiques of the corporation that remain pertinent to this
day—notably, as detailed below, the issue of corporate “agency”.

The “South Sea Bubble” resulted in the closely integrated stock markets of London, Paris
and Amsterdam, as well as those in Hamburg and Lisbon, all experiencing a contagious crash.
The South Sea Company has been founded on a wave of enthusiasm, encouraged by self-
generated newspaper hype and government backing, and had in turn promoted the formation of a
proliferation of other joint-stock corporations (Dale 2004: pp.70-71). Its subsequent ruin
prompted a backlash against joint-stock corporations that became associated with monopolies,
speculative finance (or stockjobbing), corruption and collusion. Parliament passed the Bubble
Act, or “An Act to Restrain the Extravagant and Unwarrantable Practices of Raising Money by
Voluntary Subscriptions for Carrying Projects Dangerous to the Trade and Subjects of this

The South Sea Bubble resulted in the highly influential economist Adam Smith taking an
arguably negative view of the joint-stock corporation that he saw as suffering from an “agency”
problem. Smith viewed stockholders as unwilling or unable to improve incentive structures. He
argued that the granting of exclusive privileges, the separation of ownership and control and
limited liability all created a problem of agency, which is to say a “total exemption from trouble
and risk, beyond a limited sum” (cited in Henderson 1983: p.114). The more stockholders who
owned shares in a corporation, the bigger the free-rider problem: any given individual faces
temptation to wait for other stockholders to handle any problems that might arise. Smith noted
that because of such principal-agent problems, corporations found it difficult to remain profitable
without becoming monopolies. He also noted how corporations seemed particularly adept at
manipulating governments, which he warned should be cautious of granting corporate charters.
For Smith, business partnerships were much better forms than joint-stock corporations. The
agency problem that Smith identified has continued to resonate among economists who debate
the merits of joint-stock corporations. For instance, Michael Jensen famously argued in 1989 that
private firms can resolve agency conflicts more effectively than public corporations. However,

Adam Smith in his examination of the ruins of the South Sea company argued that it was not surprising as:
They had an immense capital dividend among an immense number of proprietors. It was naturally to be
expected, therefore, that folly, negligence, and profusion should prevail in the whole management of their
affairs. The knavery and extravagance of their stock-jobbing operations are sufficiently known (as are) the
negligence, profusion and malversation of the servant of the company (Smith [1776] 2003: pp.703-704).
Smith did see the importance of the joint-stock corporation for large-scale organization and for gathering large sums of money and capital together. For this reason, Smith noted that joint-stock corporations were justified in four fields: banking, insurance, canals and waterworks. Salaried employees’ minimal efforts-minimal because additional labour was accrued to stockholders rather than themselves-was sufficient in these large infrastructures, which only required routine tasks to operate (Henderson 1983).

The Joint-Stock Railway Corporation

Unlike Adam Smith, Karl Marx witnessed the vast expansion in the utilization of the corporate form with the rise of the joint-stock railway corporation. In the United States, the total expenditure on canals from 1815 to 1860 stood at $188 million; railways in comparison had surpassed $1.1 billion by 1859 (Tedlow 1991: 14). “The world would still be without railways,” Marx wrote, “if it had to wait until accumulation had got a few individual capitals far enough to be adequate for the construction of a railway. Centralization, however, accomplished this in the twinkling of an eye, by means of joint-stock companies” (Marx [1867] 1990: 780). The joint-stock railway corporation due to its financial and geographical scale, technological innovations and military advantages provided the teething ground for modern corporate forms of organization. The age of the railways was simultaneously the age of the large-scale modern business corporation. Importantly, the railways, as with the trading companies, were created through the extension of credit. Alfred Chandler (1977) claims that the railway corporations centralized and institutionalized the New York City capital market where all the present-day instruments of finance were “perfected”: “so too were nearly all the techniques of modern securities marketing and speculation… The great increase in railroad securities brought trading and speculation on the New York Stock Exchange in its modern form” (92). The railroads were the first business enterprises to acquire large amounts of capital from outside their own regions (bonds became the primary instrument of railroad construction and soon bonds could be converted to stock) (Chandler 1977: 91-92). Chandler (1977) concludes that by the outbreak of the Civil War the New York financial district was the largest capital market in the world (92).

In the 19th and 20th centuries, joint-stock railway corporations produced a revolution in the force, speed and scale of the capitalist enterprise. The joint-stock railway corporation meant, as Chandler (1977) famously argues, that that the “invisible hand” of the market had been
replaced by the “visible hand” of the managerial corporation. The joint-stock railway corporation was characterized by its multiunit administrative hierarchies, careerist managers, extensive geographies, statistical and accounting apparatuses (including the massive expansion of credit), predictability, and the separation of ownership and management and its associated limited liability. It was these characteristics, Chandler (1977) contends, that assisted in the formation of a new bureaucratic enterprise that displaced the market’s role in the coordination and integration of the flow of goods and services and produced managerial capitalism (11).

The railways, and the telegraphs that followed them, meant information could flow much faster than before. Unlike the canals, railroads could remain open all year round and did not have geographical constraints, such as having to follow rivers. Railways were faster than existing transportation options and lowered the unit cost of moving goods through a more intensive use of available transport (Chandler 1977: 86). Railway and telegraph corporations accelerated the shift from muscle power to fossil fuels and from a rural, agricultural based society to an urban, industrial one. The modern business enterprise internalized activities that had previously been carried out by several business units and the transactions among them. This internalization gave the enlarged enterprise many advantages including the ability to move goods from one unit to another via administrative coordination rather than by the price mechanism; it also allowed more intensive production, reduced costs and facilitated faster information flows (Chandler 1977: 7). For railroads to operate successfully they needed a constant flow of information and goods across a large geographical scale:

Daily reports, the real basis of the system, were required from conductors, agents, and engineers… Reports on each locomotive, for example, included miles run, operating expenses, cost of repairs, and work done. Such data, flowing regularly from the division superintendents and other operating officers to the general superintendent, were supplemented by further detailed information provided both by the divisional managers and the heads of functional departments. This information, so essential for regular and economical flow of trains and traffic, also made possible the comparison of work of the several operating units with one another and with those of other railroads… Central to coordinating flows and evaluating performance, these statistical data were also… essential in understanding and controlling costs and setting rates (Chandler 1977: 103-104)
This flood of bits of information brought new ways of collecting, collating and analyzing data: “For middle and top managers, control through statistics quickly became both a science and an art” (Chandler 1977: p.109). The volume of financial transaction meant that the railroad managers pioneered modern business accounting (Chandler 1977: p.117). All of these statistical techniques were tried and tested through the construction of the railways; no earlier business form had required the generation of such large volumes of data as instruments of management (Chandler 1977: p.104). The commodity prices that later flowed through the telegraph wires meant that western and eastern markets were more integrated than ever before: “The wider the telegraph’s net became, the more it unified previously isolated economies. The result was a new market geography that had less to do with soils or climate of a given locality than with the prices and information flows of the economy as a whole” (Cronen 1991: p.121).

In addition to creating large data sets, these railways corporations created new forms of administrative coordination. This new level of coordination resulted in the formation of technical and professional managerial hierarchies, which Chandler (1977) contends, were based on training, experience and performance rather than on family relationship or money (pp.8-9). The geographic scale of the railways meant that a superintendent had to divide up tasks and manage through staff, thus creating a corporate structure that usually consisted of a board of directors, officers, employees and accounting services (see Image 2 that shows the first organizational chart for a business corporation by the Scottish-American engineer Daniel McCallum). One of the most salient features of the joint-stock corporation was the continuity of its existence beyond individual owners and managers and its separation of ownership and operations. Railway corporations expanded the absentee ownership of the trading companies to a historic scale. The joint-stock corporation meant that the owners (stockholders) did not run a business; salaried managers determined long-term policy and short-term operating activities via the techniques of management and organization. A durable managerial hierarchy meant the hierarchy itself could become a source of permanence and growth. In turn, this meant that the joint-stock corporation was operated on the basis of absentee ownership, the separation of ownership and management. Traditional family-run business enterprises were normally short-lived but the modern business enterprise was credited with having a permanence beyond any individual: “Men [sic] came and went. The institution and its offices remained” (Chandler 1977: 8).
Image 2: This is considered to be the first organizational chart for a business corporation designed by the Scottish-American engineer Daniel McCallum for the New York-Erie Railroad in 1855.

The socio-spatial power that these joint-stock railway corporations began to wield was enormous. Famously, Frank Norris (1901) captured the power of the railways in his novel *The Octopus*, in which the railway was described as: “the symbol of a vast power, huge, terrible, flinging the echo of its thunder over all the reaches of the valley, leaving blood and destruction in its path; the leviathan, with tentacles of steel clutching into the soil, the soulless Force, the iron-hearted Power, the monster, the Colossus, the Octopus”. The rise of the joint-stock railway corporation and the vast power that is possessed meant it was far more than a mere business proposition. “As the railroads made and remade space… they pulled cars as full of politics, ideology and social relationships as of lumber, wheat and coal,” White concludes (2011: p.178).

The railroad corporations shaped the socio-ecological geography of contemporary America creating a country that previously ran north-south into one that now ran east-west; railways also required an agrarian landscape and so bison gave way to cattle and grasslands to corn and wheat (White 2011: pp.455-456). The men who managed the railroads recognized that the most profitable traffic came from settled country and in the West migrations followed the rails (White 2011: pp.455-456). As Richard White (2011) has argued, the railroad corporations were integral to nation building: “In nineteenth century western North America, railroads and the modern state were coproductions… The governments of North America lavishly subsidized the corporations, and the corporations assisted in the great state projects of bringing half a continent under the domination of central governments” (p.511). Indeed, there was a strong correlation between “corporate intrusion and the decline in Indian sovereignty” (Miner 1976: p.208). H. Craig Miner (1976) writes that “The history of the Indian Territory from the Civil War to statehood, then, was dominated by the rise of the corporation and the decline of the sovereignty of tribes, the federal government standing by to watch the direction of the breeze of circumstance” (p.214).

But the federal government did not simply watch developments unfold, it actively subsidized the railways, secured their rights of way and regulated and protected them. The first transcontinental railroads began as private/public hybrids. Much like the medieval corporate towns and the trading company, the railway corporations were important tools to extend sovereign control. But they also could pose potential threats to sovereign power and on a number of occasions they nearly brought the entire nation crashing down. The transcontinental railways, for example, were not simply about the efficient movement of goods and people, but also about
sociopolitical and economic power, as well as the networks of information and people that accompanied these networks (White 2011: p.96). Railroads could also contribute to conquest in military battles through the transport of troops and supplies; the lack of cross-town connections could greatly inhibit the delivery of troops and information.27

Scholars have often pointed toward the maps that show how, by the mid-19th century, the thousands of miles of railway bound independent colonies together into one American nation with a single national economy. But there is a more entangled, violent and disordered narrative. Nation-building is complex process and various actants, both human and non-human, need to negotiate their mutual and conflicting interests to join together. As White (2011) notes, “Like the union itself, American railroads did not quite cohere” (p.2). The thousands of miles of railways were not a single coherent system but one in which crosstown connections often did not exist, distrust between competing train operators meant cooperation was low and six different gauges were in use, prohibiting a unified rail network (Pufferet 2009). It took the South losing the Civil War and their fight against the Union “standard” gauge (4 feet and 8 ½ inches) for the railways to be tied together. Abraham Lincoln signed the Pacific Railway Act of 1862, part of a series of acts central to the construction of the transcontinental railway, ensuring that the 4 feet and 8 ½ inches standard gauge was imposed throughout the rail network. Notably, this Act was justified on the grounds of military necessity, and was aimed at preserving California and the West for the Union (White 2011: p.17).

The railway may have helped create the modern American state but it also frequently threatened it and foreclosed other possible futures. Not only was the corporation to be found often at war with itself; it was also frequently “failing” and in need of rescue by the state and the courts. Indeed, these corporate “failures” could be highly profitable for absentee owners when of corporate collapse could mean state subsidy and rescue: “Overbuilt, prone to bankruptcy and receivership, wretchedly managed, politically corrupt, environmentally harmful and financially wasteful, these corporations nonetheless helped create a world where private success often came from luck, fortunate timing, and state intervention” (White 2011: p.509). As White (2011) notes, “By 1865 the promoters of the Pacific Railroad had successfully observed rule number one of

27 It was not only intra-settler colonial wars that the railway was used against. The settler colonial military also utilized the railway to quell native resistance, which persisted longer at a greater distance to the railroads (White 2011: p.455).
building transcontinentals—put little or no money down—and were ready to move to rule number two: negotiate among yourselves. The device for doing this was the insider construction company that made money by charging far more to build the railroad than the road actually cost” (p.28). To do this and get away with it, however, the corporation needed to acquire limited liability. Through legal maneuvering, publicity drives and the infusion of corporate money into politics, this was soon achieved.

Furthermore, there was often a significant gap between what the annual reports of the corporation recorded—which Chandler (1977) relied upon to outline his thesis on the rise of managerial capitalism—and what actually occurred in what White (2011) calls the “bowels” of the enterprise. The railway corporation was, White (2011) writes, “not the harbingers of order, rationality, and effective large-scale organization” (p.xxix). Rather, the statistical charts themselves could be a source of disorder. The railway corporations really did introduce new statistical techniques but the extent to which they corresponded to any material reality is questionable. The design of Annual stockholder’s reports were not designed to be “accurate” but to sell stocks and bonds. Corporate annual stockholder’s reports, White (2011) argues, were one of the 19th-century’s great fictional genres (p.69). Likewise, the multiunit organizational administration was also, “often a fiction, and the charts dissolved into particular networks of dependence, cronyism, and kinship” (White 2011: p.236). White (2011) frequently highlights the “fictions” of the railways but at the same time stresses how these very same fictions shaped much of the American ecological and social order. It is the so-called fictions of the corporations that constitute much of our contemporary reality and that are the focus of this dissertation.

Contemporary Corporations

By the middle of the 20th-century, the managerial revolution in American business had been carried out, a small number of enterprises coordinated the flows of goods through the processes of production and distribution and allocated the resources to be used for future production and distribution in major sectors of the American economy (Chandler 1977: p.11). This expansion of corporate control over various sectors of social life has continued to expand across the globe, albeit often in highly uneven ways, geographically. American corporations in particular have a powerful reach across the planet. For instance, the joint-stock corporation
Walmart, for instance, employs 2.3 million people around the world and 1.5 million in the US; in comparison, the US government employs 2.7 million people (excluding non-civilian military). In the fiscal year ended 2015, Walmart’s total revenue was $486 billion, which is exceeded the total tax revenue collected in California ($406 billion), the world’s fifth largest economy. Walmart’s planetary reach is outlined in its annual report: “Each week, we serve nearly 260 million customers who visit our over 11,000 stores under 72 banners in 27 countries and e-commerce websites in 11 countries” (2015: p.19). The American technology companies Facebook, Amazon, Microsoft and Google (or Alphabet Inc) not only organize much of our virtual social life, but have all also begun to engage in city building, direct urban governance and the construction of entire infrastructures and infrastructural systems. The extent to which corporations have the power to order and control our lives is a topic that continues to resonate around the world.

Despite the continued rise of specifically American corporations the actual number of joint-stock corporations in the United States has actually decreased from a high of 7,507 in 1997 to 3,766 listed firms in 2015. This smaller number of firms, however, has meant that financial and social power of these corporations has been concentrated rather than weakened. The market capitalization of American corporations in 2015 was about seven times higher than in 1975 (expressed in 2015 dollars) and the top 30 firms earn 50 percent of the total earning of the US public firms (Kahle and Stulz 2017: p.77). The growth in the capitalization of these firms has not been linear, as Kahle and Stulz (2017) highlight; in 1999 (at the peak of the dot-com bubble) the capitalization of these corporations stood at $22 trillion, which declined to $11 trillion in 2008 but returned to $22 trillion in 2015 (Ibid).

But while the number of firms in the United States has declined from the 1970s, around the world there has been a dramatic increase in the number of publicly traded business enterprises. In the 1970s there were no more than 15,000 companies listed domestically around the world. As Figure 1 shows, the collapse of the Soviet Union in 1991 coincided with a massive rise in the number of corporations founded internationally. In 1991 there were 25,002 companies listed domestically around the world; by the start of the new millennium there were over 40,000. The market capitalization of listed domestic companies has also expanded exponentially. In 1975

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the world market capitalization was $1.2 trillion and in 2016 this reached a new height of $65 trillion (see Figure 2). While corporations have become increasingly multinational in their operations and many of the largest corporations continue to be located in the “West”, there has been a dramatic creation of corporations from different countries around the world. The world’s largest companies are now not only based in the United States but increasingly in China as well as India, Brazil, Russia and South Africa-not to mention, of course, the growing number of corporations in the Middle East.

![Total Number of Listed Domestic Companies Globally, 1980-2017](image)

*Figure 1: Total number of listed domestic companies, 1980-2016. Source: World Bank and World Federation of Exchanges Database*
The Corporation in the Middle East

Today, if you look at the skyline of downtowns throughout the Middle East, in particular in the Gulf cities like Dubai and Doha, but also in Cairo and Casablanca, the joint-stock corporation has transformed the urban landscape. The corporation makes itself present by the proliferation of its urban mega-projects, including skyscrapers, downtown developments and gated communities; retail malls and artificial islands; airports and ports; and highways. Although this corporate expansion into the cities of the region is a relatively recent phenomenon, the corporation has deeper historical roots in the Middle East. The corporate form, as I detail in Chapter Three, has been present in the Middle East from at least the 16th-century, as the European colonial powers through their corporate trading companies to establish factories, offices and infrastructure. Following the end of World War I, the presence of the modern business corporation expanded significantly throughout the Middle East and in particular in the oil-rich Arabian Peninsula. Oil played a central role in World War II and its significance was...
quickly realized and capitalized on by the Allies. As a result, the US government pushed deeper into the Middle East driven by the need to successfully prosecute the war. Saudi Arabia was the place where the US pushed first and most visibly (Vitalis 2007: p.64). Notably, the US government expanded its presence through corporations, not the state per se. Namely, it used the Arabian American Oil Company (Aramco) and Bechtel Corporation, a private Californian enterprise founded by the Bechtel brothers.

Aramco, originally founded by a consortium of American corporations in the 1930s and known as Saudi Aramco since its Saudi’ization in 1988, is perhaps one of the most significant corporations in shaping not only Saudi Arabia but much of the contemporary Middle East.\(^{30}\) Saudi Aramco, with the Bechtel Corporation, has acted as a key pillar of the Saudi monarchical state and has built much of the Kingdom’s urban fabric. Today the corporation employs 65,000 people in Saudi Arabia and thousands more through the many companies that it outsources to and its operations around the world. Aramco is now active beyond the borders of Saudi Arabia. It owns outright America’s largest oil refinery in Port Arthur, Texas and supplies huge amounts of crude oil to refineries it has purchased in China and South Korea (Wald 2018). Most recently it announced the construction of a $44 billion “mega refinery” in Mumbai, India (Iyengar 2018).

But as with the corporate towns and trading companies, Aramco was both an opportunity and threat to its legal sovereign the United States government. As Robert Vitalis (2004) notes, the US government relied on Aramco in the 1940s for reporting on developments from the East Province of Saudi Arabia and the company effectively built the city Dhahran, which Aramco officials described as the largest single overseas postwar American settlement (p.152). The American ambassador Rives Childs, however, complained about the corporation’s power from early on in its operations, describing it as an “octopus” whose tentacles “extended into almost every domain and phase of the economic life of Saudi Arabia” (cited in Vitalis 2007: p.34). He grumbled about Aramco executives using prerogatives that properly belonged to the US

\(^{30}\) In 1933 Standard Oil of California (now Chevron) and then Texas Company (now Texaco), later joined by Standard Oil of New York (later Mobil) and Standard Oil of New Jersey (later Exxon), secured oil concessions in the newly founded state of Saudi Arabia. These companies formed a consortium that led to the creation of “Aramco” (the Arabian American Oil Company), originally incorporated in Delaware with headquarters in San Francisco. In 1988 Aramco underwent “Saudi’ization” and was renamed Saudi Aramco and founded as a Saudi corporate entity. Due to the difficulty of accessing information in Saudi Arabia, however, no one outside of the company’s walls know under what type of corporate structure (joint-stock or otherwise) Aramco operated under from 1988 to 2017 (Wald 2018: p.2). In 2018 Saudi Aramco released a charter that included articles of incorporation and bylaws and established itself as a joint-stock corporation, it ostensibly did this in order to sell 5 percent of the company in an Initial Public Offering (IPO) (the rest reportedly will remain in state hands) (Raval 2017).
government and its representatives (Vitalis 2004: p.152). Childs warned that unless the US government gained control of Aramco soon, “the policy of the Government of the United States in Saudi Arabia and in the Middle East may be dominated and perhaps even dictated by that private commercial company” (Vitalis 2007: p.34).

Aramco was part of constellation of corporations that assisted in the formation of the Saudi state and much of the Arab world, and was critical to the formation of a certain type of fossil fueled modernity in the United States and around the world. Indeed, Timothy Mitchell (1991) utilizes the example of Aramco to critique the way in which the state is often thought of as a “distinct entity, opposed to and set apart from a larger entity called society” (p.89). Aramco blurs the distinction between state and society, Mitchell (1991) contends, as the US Department of State was eager to subsidize this corporation through US taxes to support the repressive, pro-American Saudi monarchy. Mitchell concludes that “The Aramco case illustrates how the institutional mechanisms of a modern political order are never confined within the limits of what is called the state” (p.90).

Often in direct cooperation with Aramco, another corporation that has been central to shaping much of the Middle East is the American Bechtel Corporation; one of the largest construction companies in the world (albeit privately-owned). In the official account Bechtel in Arab Lands by Richard Finnie (1958), “Bechtel forces” are noted to have begun their operations with the construction a 200,000-barrel-per-day refinery for the Bahrain Petroleum Company on the main island of Bahrain in 1943 (p.4). Bechtel was central in the material formation of the Saudi Arabian state and the Middle East more broadly. Vitalis (2004) contends that from 1947-1951, Bechtel was the de facto public works department for the Saudi Arabian government and also one of Aramco’s main contractors (pp.157-158). “From 1944 to 1957 Bechtel’s work for Aramco was of such volume and variety that any detailed description of it would become unwieldy and bewildering,” Finnie writes (p.43). By 1957, Bechtel’s activities included 19 refinery units, 15 gas-oil separating plants, 55 industrial facilities, 92 apartments buildings and 579 single dwellings, 169 miles of roads and highways, 102 miles of railroads, two airstrips, five marine terminals and 31 offshore drilling platforms (Ibid). Bechtel has also constructed entire cities, such as Jubail in Saudi Arabia, which now has 100,000 inhabitants, accounts for 7 percent of Saudi Arabian GDP and in which Bechtel is currently undertaking an $11billion redevelopment project. Bechtel was also engaged in constructing most of the Trans-Arabian
pipeline (Tapline), a subsidiary of Aramco, aimed to transport Saudi oil to Europe. The Tapline was 1706-km in length and went from Dhahran in Saudi Arabia to Zahrani in Lebanon. It started transporting oil in 1950 but had ceased operations completely by 1990 due to political disputes as well as technological developments, notably in the form of containerization.

The vast operations of Aramco, Bechtel and similar corporations in the region meant that these companies did not only focus on concerns that were identified as economic. To keep oil and revenues flowing through infrastructures like the Tapline required more than technical and economic expertise it also necessitated political alliances. Corporations have directly shaped the political trajectory and form of much of the Middle East. Bechtel, for instance, is accused of being directly involved in funding and providing weapons to the rebels involved in the Syrian coup in 1949 and the Iranian coup in 1953 (Denton 2016: p.64). Sally Denton (2016) claims that Bechtel gathered intelligence information of both economic and military significance for the newly formed CIA in the late 1940s and 1950s, and the US government reciprocated by providing Bechtel with often-classified information for its foreign operations; the government also pushed Arab regimes to pursue many of the infrastructure projects, which Bechtel ended up building, as bulwarks against the Kremlin (p.63). Bechtel and corporations like it have been a significant force in shaping the Middle East not only economically but also in socio-political and spatial terms.

Corporations have long been part of the constellation of socio-spatial power in the Middle East. It is perhaps the Saudi’ization of Aramco in 1988 and its transformation to Saudi Aramco, however, that marks the start of a shift in the way corporations were formed and operated in the Middle East. Throughout the 1990s, including the formation of the joint-stock corporation Solidere in 1994 and reopening of the Beirut Stock Exchange (BSE) in 1996, an increased number of regional joint-stock corporations emerged. Many of these joint-stock corporations, like Solidere, were strongly associated with the capitalization of the built environment.

Accompanying the reopening of the Beirut Stock Exchange (BSE) in 1996, a number of countries in the region started to open new stock markets or significantly expand existing ones from the mid-1990s to the mid-2000s. The number and/or size of joint-stock corporations also increased with these new or revitalized stock markets. Kuwait has one of the older stock exchanges in the Arabian Peninsula, founded in 1977. In 1982 it became one of the first to be formally reconstituted and modernized. The Kuwait Stock Exchange remains a significant and leading stock
market in the region. Oman followed Kuwait’s lead, founding the Muscat Securities Market in 1988. But the larger transformations of the stock markets and number of joint-stock corporations in the Gulf occurred at the end of the 1990s and early 2000s. Qatar founded the Doha Securities Market in 1997 and this was soon followed in the United Arab Emirates by the opening of the Abu Dhabi Securities Exchange and Dubai Financial Market in 2000. This in turn was followed by the 2005 of NASDAQ Dubai. The largest transformation of the stock market, however, occurred in 2007 with the opening of Tadawul in Saudi Arabia. Tadawul is the largest stock market in the region, with a market capitalization of US$529 billion (see Figure 3). Next is the Tel Aviv Stock Exchange with a market capitalization of US$204 billion.\(^{31}\)

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**Figure 3: Stock Market Capitalization in the Middle East in $US, 2018**

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\(^{31}\) A Saudi Stock Market goes back to early 1934 but it continued to be largely opaque and unofficial until the establishment of Tadawul (Hokroh 2013: p.387)
As for the Levant, in addition to the BSE reopening in 1996, a major restructuring of the capital market was undertaken in Jordan in the 1990s and the Amman stock exchange was opened in 1999. In Palestine, the Palestine Securities Exchange was established in 1995, while in Israel’s Tel Aviv Stock Exchange has been operational since 1953. (Israel’s stock exchange has a historical trajectory that distinguishes it from other regional stock exchanges, as well as one of the largest market capitalizations). Syria opened its first stock exchange in 2009, two years before the start of the brutal conflict there. Significantly, despite or perhaps even because of the conflict, the relatively new Syrian stock exchange has not only continued to be very active throughout the course of the war, but to a certain extent has thrived (Davies 2017). The number of shares that have traded has increased throughout the conflict—but of course, while this may seem to show that market capitalization is on the rise, this is not the case in real terms because of high inflation and the steep fall in the value of the Syrian pound (in 2010, 50 Syrian pounds were worth US$1; now it is over 500). Therefore, although the ostensible value of the shares traded has increased from 7.8 billion Syrian pounds in 2011 to a market capitalization of 603 billion Syrian pounds in 2018 the vast inflation and devaluation of the Syrian pound must also be taken into account. Indeed, in 2018, 603 billion Syrian pounds is worth around US$1 billion making the Syrian stock market one of the smallest in the region and the world.

In North Africa a similar transformation of the stock exchanges occurred in the 1990s and early 2000s. In Egypt in 1997, both the Cairo and Alexandrian stock exchanges underwent significant restructuring in 1997, when the Cairo and Alexandria Stock Exchange was added to the International Financial Corporation Global and Investable Indices. A significant rise in the number of companies listed and the market capitalization occurred; in 1991, 627 companies were listed with a market capitalization of LE 8.8 billion and by 1998 this had risen to 833 companies with a market capitalization of LE 71.3 billion. Morocco’s stock exchange underwent reorganization in 1993 and then again in 2002. Tunisia’s stock exchange that was founded in 1969 and in 1994 the market was reorganized, with the Tunis Stock Exchange reopening in 1995 as a joint-stock corporation. The Algiers Stock Exchange was founded in 1997 and the Libyan Exchange Stock Market was formed in 1997; both are among the smallest in the world.

As shown in Figure 3, with the exception of Israel, the Arabian Peninsula features the stock markets with the highest market capitalization in the Middle East. Joint-stock corporations

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have grown rapidly in the peninsula over the past twenty years. The Gulf countries are home to many of the largest public and private real estate corporations in the region and among the largest in the world. In 2015, the top ten public real estate companies in the Middle East have a market capitalization of over US$55 billion (Forbes 2015). The Saudi Arabian real estate corporation, Jabal Omar Development Company (JODC), is the largest listed real estate group in the Middle East by market capitalization (US$18 billion) and is responsible for much of the urban development in Makkah. According to Maha Yahya (1995), the renovation and reconstruction in Makkah became the model for Solidere (p.214). The second largest public real estate company in the region is Emaar Properties of the UAE (US$14 billion). Many real estate corporations established after the inauguration of Solidere, like Emaar, are now household names in the Middle East.

Not only was Solidere founded in the context of a regional proliferation of joint-stock companies and stock markets focused on the built environment; Solidere has many direct and indirect links to these corporations. For instance, the Abdali project in downtown in Amman, (Jordan) was modeled on the Solidere project and is supported by Oger Jordan (a subsidiary of the Hariri family’s Oger companies). The Abdali corporation, like Solidere, is also backed by the government, in its the case of Abdali the Jordanian government-owned real estate developer National Resources and Development Corporation (Mawared). In 2006, Solidere established an international arm (Solidere International) that has engaged urban development partnerships–not always successfully–with corporations in the United Arab Emirate (UAE), Egypt, Turkey and Saudi Arabia.

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33 Maha Yahya details that Solidere was inspired by the many real estate companies that had been formed in Saudi Arabian cities (1995: p.258). The most significant of which, Yahya (1995) notes, is the developments in Riyadh and Mecca in the mid-1970s. In Mecca a coalition of big developers was established in which property owners were given a choice to exchange their properties for shares or sell their property to the company. The Jabal Omar Development Company led this project and Dar al-Handasah (DAR) also played a leading role. In Riyadh the rehabilitation of the kasr el hokm (the Palace of the Governors), the historic core of the city, seven companies were formed, each of which took charge of a small area to redevelop and design (Yahya 1995: p.258).

34 For instance, Emaar was established in 1997; Damac (2002); the Jabal Omar Development Company (2006); Aldar (2001); Abdali (2004).
Figure 4: Market capitalization of domestic companies in the Middle East (US$), 2009-2017. Source: World Bank and World Federation of Exchanges Database

Conclusion

Despite the significant turmoil that has been underway in the Middle East in the context of the Arab uprisings, stock markets have continued to increase their market capitalization. Indeed, the market capitalization of the stock markets has actually shown a notable increase at the heights of tensions within the region (see Figure 4). What then, does this market capitalization actually represent? How are we to understand what this vast expansion of market capitalization means to the socio-spatial organization of social life in the region? It is to these questions that I turn in the following chapter.

The contemporary corporation of today, whether an American corporation like Amazon or Facebook, or an Arab corporation like Saudi Aramco or Solidere, operates in ways that are completely distinct from the corporate cities of medieval Europe, the East India Companies or the joint-stock railway corporations. I contend, however, that the central purpose of the corporation has remained constant: it exists to bind certain people, space and things together to enable one group or association to gain power over another. Just as the medieval corporate city and the joint-stock railway corporation were able to bring certain spaces and things together for a sovereign, Solidere and Facebook can create certain polities. But, these corporations both
historically and in the present, these corporations can also have their own types of sovereignty and formations of social power that can be detached from, and even threaten, the nation-state. The corporation can be a lever to accumulate social power and to organize our socio-spatial relations. To fully understand, however, how the corporation can be such as powerful social force we have to engage with its central process, namely capitalization, and its relationship to socio-spatial relations.
References:

Media Articles:


Academic References:


Chapter 2: Corporate Urbanization: Building a Future into the Present

In 1911, Nicholas Murray Butler, the president of Columbia University, recipient of the Nobel Peace prize, anti-Semite and fascist sympathizer, addressed the Chamber of Commerce of the State of New York. Butler told his audience, “There is no power in Presidents, there is no power in Attorneys-General, there is no power in Supreme-Courts, there is no power in Congress, there is no power in political platforms” (1912: p.81). The “unrestricted individual competition has gone forever” he declared, and in its place is the “new and larger principle of cooperation… This new movement of cooperation has manifested itself in… the limited liability corporation” (1912: p.82). Butler continued:

I weigh my words when I say that in my judgement the limited liability corporation is the greatest single discovery of modern times, whether you judge it by its social, by its ethical, by its industrial or, in the long run – after we understand it and know how to use it – by its political, effect. Even steam and electricity are far less important than the limited liability corporation and would have been reduced to comparative impotence without it… it is simply a device by which a large number of individuals may share in an undertaking more than they voluntarily and individually assume. It substitutes cooperation on a large scale for individual, cut-throat, parochial competition. It makes possible huge economy in production and in trading (Ibid).

By the start of the 20th-century, the joint-stock corporation had proliferated beyond the railways into industry and manufacturing. Many of the great “center firms” of the second industrial revolution were born from 1880 to 1910, including: Standard Oil, General Electric and Westinghouse in electrical equipment; Ford and General Motors in automobiles; and United States Steel and Bethlehem in steel (Tedlow 1991: p.24).35

35 J. Pierpont Morgan was renowned for gaining control of a corporation and reorganize its managers and directors to increase its profit. This process became known as “Morganizing” an industry. He founded Drexel, Morgan and Company (1871) on Wall Street to assist in selling securities of the Pennsylvania Railroad Company, the largest company in the world at the time. The Pennsylvania’s capitalization stood at just under $400 million and was the first interterritorial railroad system (Chandler 1977: p.154). Also regarding railways, J.P Morgan would soon finance the formation of the United States Steel Corporation (US Steel), which was capitalized at $1.4 billion making it the world’s first billion-dollar corporation. US Steel was built around the core of the Carnegie Steel Company and merged all major producers of steel, iron and coke. Notably, the formation of US Steel caused significant consternation at the time, with public opinion anxious over the size of the corporation and potential monopoly power it could obtain (Roy 1997: p.3). President Roosevelt famously went head to head with J.P Morgan as he tried to tackle corporate monopolies and price fixing.
Just as Chapter One noted the consternation caused in 18th-century England by the impeachment of Warren Hastings and by implication the East India Company, so too did the growing power of joint-stock corporations caused serious concern within America at the start of the 20th-century. The presidencies of Theodore Roosevelt (1901-1909) and William Howard Taft (1909-1913) were both dominated by the question of the corporation’s role in society (specifically around the antitrust law). 1911, the US Supreme Court declared the Standard Oil trust an illegal monopoly and broke it up into a number of smaller companies, Standard Oil of New Jersey (later Exxon) and Standard Oil of New York (later Mobil)-which are now newly merged corporations known as Exxon/Mobil and Standard Oil of California (later Chevron) (Vitalis 2007: p.49). Roosevelt believed strongly that corporations were necessary for the organization of “modern business” but stressed the importance of accountability and the power of the federal government to regulate interstate corporations. Roosevelt (1908) stated that “A certain type of modern corporation, with its officers and agents, its many issues of securities, and its constant consolidation with allied undertakings, finally becomes an instrument so complex as to contain a greater number of elements that, under various judicial decisions, lend themselves to fraud and oppression than any device yet evolved in the human brain”.36

All modern joint-stock corporations, from the Compagnie Imépriale and Solidere to Exxon and Walmart, can trace much of their institutional origins and operations directly to the joint-stock corporations that formed toward the end of the 19th-century. Paddy Ireland (2010) argues that this great expansion of corporations was not due to technological development or growing capital needs but the desire of businessmen to eliminate competition (p.839). The Long Depression of 1873-1896 saw businessmen confronted with chronic overproduction, price cutting and falling profits, as well as mergers of unincorporated, unlimited partnerships, many of which were family firms formed into larger incorporated limited liability joint-stock corporations (Ireland 2010: p.839). In Chapter One, I argued that the corporation has retained throughout its evolution its ability to bind people, space and things together for certain groups to gain power over others. In this chapter, I focus on how the corporation achieves this by being attentive to capitalization and its relationship to the processes of urbanization.

Capitalization is central to how the corporation organizes its operations. It represents the present value of a future stream of earnings, and is the central mechanism through which the

corporation is able to order society. In modern economics, capitalization has multiple intersecting meanings. In the stock market, corporations are valued at their market capitalization, the number of outstanding shares multiplied by share price; in financial circles it is understood as the process by which future income flows are translated into a present stock of wealth; and in accounting it possesses two meanings. The first refers to the amount of capital that has been invested in a company, be it in the form of stock, bonds, or retained earnings. The second, found in the verb to capitalize, refers to recording an expense not as an operating cost but rather as a capital expenditure (Cook 2017: pp.5-6). It is the financial definition that this thesis draws on for the importance of capitalization as a process in organizing much of our contemporary social life. Timothy Mitchell (2016) argues that rather than capitalism we should think of capitalization as the means through which modern forms of collective life are organized (p.740). In drawing on central debates in old institutionalism, and more recent work in Science and Technology Studies (STS), I focus on the corporation’s ability to organize socio-spatial relations through the capitalization of urban space. As I show in this chapter, the urbanization process (specifically in terms of real estate) has been central to capitalization, as the railways were in the 19th-century.

Although the representation of market capitalization recorded in stock markets is merely symbolic it is also part of material structures, ones that are often connected to the urban fabric. As I detail, capitalization, the nucleus of the corporation, is now central to the contemporary urbanization processes. Unlike the precarity of revenues from manufacturing and industry, the urban fabric (specifically real estate development and infrastructure) offers the corporation a durable structure to guarantee a stream of income. I contend that the vast expansion of capitalization into the city, in the Middle East and around the world, is the extension of time (the future) through built space. Capitalized urbanization is not only an economic proposition but also necessitates sociopolitical and spatial control to ensure that taxes, laws, zoning, wants, fiscal and monetary policies, needs and desires are aligned to ensure the flow of future income is sustained through present space. Capitalized urbanization is the building of future streams of revenue (lines of credit) into the urban fabric of the present, enabling some groups to increase their social power and possible futures at the expense of other actors.
Image 3: Vision of the Future. Source: Solidere Facility Management (2016). This image has been cropped and text has been removed.
Karl Marx, perhaps surprisingly, was more optimistic-or opportunistic—than Adam Smith about the emergence of the joint-stock corporation and its consequences for humanity. Marx saw in the joint-stock corporation a potential transitional mechanism from capitalism to socialism and communism. Marx notes in Volume III of Capital that the, “Capitalist joint-stock companies as much as cooperative factories should be viewed as transitional forms from the capitalist mode of production to the associated one, simply that in the one case the opposition is abolished in a negative way, and in the other in a positive way” ([1894] 1991: p.572).

Marx understood the credit system that “produces joint-stock capital” to possess a dual character. On the one hand, it develops the motive for capitalist production into the most “colossal system of gambling and swindling” and narrows the already small number of exploiters of social wealth into a “new financial aristocracy”. Marx argues that the joint-stock corporation meant ownership, Marx argued, now existed in the form of shares that are a result of dealings on the stock exchange, “where little fishes are gobbled up by the sharks, and sheep by the stock-exchange wolves” (Marx [1894] 1991: p.571).

On the other hand, it constitutes the form of transition to a new mode of production (Marx [1894] 1991: p.572). The transformation of the productive capitalist into a mere manager, Marx writes, entails “the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-abolishing contradiction, which presents itself prima facie as a mere point of transition to a new form of production” ([1894] 1991: p.569). Marx saw the potential of management functions to be delegated to workers and thus saw the rise of the cooperative movement as coeval with the joint-stock corporation, where both were transitional

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37 David Harvey, writing on Marx’s understanding of the role of credit and banking system, noted that Marx understood the joint-stock company as a transitional state in capitalism that has the potential to evolve in a different direction and to produce the “socialization” of capital (Harvey 2013: p.232). Marx writes in Volume III of Capital: “The cooperative factories run by the workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished here, even if at first only in the form that the workers in association become their own capitalist” (Marx [1894] 1991: p.571). Harvey states that Marx's positive take on the potential of joint-stock corporations has resulted in socialist thinkers frequently revisiting the corporation’s potential to be a vehicle to transition from the capitalist mode of production to the associated one. But as Harvey writes, while hopes for such a transition “spring eternal, there is unfortunately no doubt whatsoever that the dominant historical trend has been of an opposite, negative sort” (2013: p.237).
forms through which capital would be reconverted into the property of associated producers, “outright social property” ([1894] 1991: p.437).

Marx viewed the spread of the credit system, and with it the joint-stock corporation, as an organizational and structural adjustment that compensates for overaccumulation, since a portion of the total social capital now circulates to capture interest instead of claiming the full share of surplus value it produces (Harvey 1983: p.198). Capital can be replicated again and again “by the various ways in which the same capital, or even the same claim, appear in various hands in different guises. The greater part of this ‘money capital’ is purely fictitious” (Marx [1894] 1991: p.601). This credit system (or high finance) was “fictitious,” Marx claimed, because instruments like bonds, mortgages and bank loans made claims on the means of production rather than being generated through it. For Marx, the means of production and the object remained central, the ownership titles of joint-stock companies railways and mines, were genuine titles to real capital but the promissory notes of the credit system are illusionary. These, he said, “… become nominal representatives of non-existent capitals” ([1894] 1991: p.608). The shares of these railway and mining companies are not simply a fraud, Marx explains, but they do not exist twice over, “once as the capital value of the ownership titles, the shares, and then again as the capital actually invested or to be invested in the enterprises in question. It exists only in the latter form, and the share is nothing but an ownership title, pro rata, to the surplus-value which this capital is to realize” (p.597).

Behind fictitious capital for Marx is the principal of capitalization, Marx writes, “The formation of fictitious capital is known as capitalization.” (Marx [1894] 1991: p.597). He further notes that “Any periodic income can be capitalized by reckoning it up, on the basis of the average rate of interest, as the sum that a capital lent out at this interest rate would yield,” Marx notes ([1894] 1991: p.597). He likewise notes that the capitalization of any periodic income loses “all connection with the actual process of capital’s valorization… right down to the last trace, confirming the notion that capital is automatically valorized by its own powers” (Ibid).

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Harvey uses the contemporary example of US social security checks to illustrate that is instructive to understanding Marx’s idea of fictitious capital. Harvey notes that many US citizens receive monthly social security checks, “but it is illusionary to believe that this flow of money is the interest on some mass of capital held by the state. But, by promising to turn over the $25,000 a year that the social security recipient receives to the bank, the former can acquire money capital of $500,000 to buy a house” (2013: p.241). The $25,000 is capitalized into $500,000 despite the absence of any original money capital behind the social security payments, beyond the government promise to pay the sum funded through a tax on wages. As Marx notes, “But in all cases, the capital from which the state’s payment is taken as deriving, as interest, is illusionary and fictitious” ([1894] 1991: p.595).
Capitalization, for Marx, is simply interest-bearing claims wrapped around the productive economy: $M-M'$ and not $M-C-M'$. Significantly, for Marx $M-M'$ could never dominate $M-C-M'$; industrial capital, the reasoning went, would always subordinate financial capital to its needs. Michael Hudson (2010) argues that no observer in Marx’s day was so pessimistic to expect finance capital to overpower industrial capitalism and engulf the economy in the kind of parasitic credit system that we see today. Since the 1980s, large corporations have increasingly engaged more explicitly in pecuniary operations. David Harvey (2005) illustrates this shift by noting that, “When US Steel changed its name to USX (purchasing strong stakes in insurance), the chairman of the board, James Roderick, replied to the question ‘What is X?’ with the simple answer ‘X stands for money’” (p.32).

But shortly after Marx’s death, the American scholar Thorstein Veblen (1923) attacked the political economic “folklore” that the rise of the corporation and its absentee ownership represented a creative force in productive industry. Capitalization became pivotal to the capitalist order in Veblen’s lifetime in a way that it was not during Marx’s. The number of joint-stock corporations had grown since Marx’s death, partly through an increase in the number of trusts (in the United States), cartels (in Germany) and Trade Associations (UK) (Ireland Forthcoming: p.21). While many, such as Butler (1912), lauded the rise of the joint-stock corporation and the economic efficiency and large-scale cooperation that it brought, Veblen was less enthralled by the rise of corporate power and criticized their price-fixing, monopolies, limits on production (i.e., opportunities for sabotage) and pecuniary focus.

Veblen (1904, 1923) was pessimistic enough to argue that the rise of the business corporation meant that financial capital had overpowered industrial capitalism. The corporation’s absentee ownership, he understood, marked the transition from the focus of making things to making money. Veblen insisted that, “The corporation [defined as a joint-stock company, société anonyme and Aktiengesellschaft] … is a business concern, not an industrial unit. It is a business concern which has been created by a capitalisation of funds, and which accordingly rests on credit” (1923: p.82). Veblen stressed that the modern corporation had more to do with the organization of social power than with economic efficiency or the production of material goods. The Veblenian perspective stressed that the corporation, defined by its absentee ownership, is a means of making money, not of making goods; a pecuniary institution not an industrial appliance.
The dominating issue the joint-stock corporation is characterized by, Veblen (1923) stressed, is the question of gain and loss in terms of the money unit structured by capitalization: “The base line of every enterprise is a line of capitalization in money values... the question of capital in business has increasingly become a question of capitalization on the basis of earning-capacity, rather than a question of the magnitude of the industrial plant or the cost of production of the appliances of industry” (p.45). For Marx, capitalization was, despite its “fictitious” capital, still attached to the means of production and spent labour, “A great deal of capital, which appears today in the United State without any birth-certificate, was yesterday, in England, the capitalized blood of children” ([1894] 1991: 920). Marx did not know what to do with the forward-looking assets of capitalization on the bond and stock market or how capital had detached itself from the means of production, so he dubbed these phenomena fictitious capital (Nitzan and Bichler 2009: p.91). Veblen recognized that capitalization was “in a sense fictitious,” yet he was more attentive to the type of relationship that it forged to the means of production, its ability to organize material society and its forward-looking character (1923: p.220).

Veblen did not see the potential or opportunity in the corporation that Marx did, as noted above, because for him the corporation’s goods and operations of the corporation were of secondary importance. He argued that joint-stock enterprises and their capitalization meant that the question of capital in business had become almost totally detached from the means of production: “Capitalization is a transaction in funds, not a physical operation” (1923: p.87). A joint-stock corporation may employ managers or technical experts, Veblen (1923) contended, to oversee technical processes, like railway operations or the production of goods, but they are incidental, and “… corporate activities are not in the nature of workmanship, but of salesmanship” (p.83). Nitzan and Bichler (2009) note that, from a Veblenian standpoint, corporations do not make sense in terms of technical efficiency: “The corporation is a business institution, not an industrial unit, and so the reason for its emergence and continuous success must go beyond economies of scale and scope” (p.250).

Rather than questioning of the magnitude of the industrial plant or production costs of industrial appliances, capitalization focuses entirely on earning-capacity: “From being a sporadic trait, of doubtful legitimacy, in the old days of the ‘natural’ and ‘money’ economy, the rate of profits or earnings on investment has in the nineteenth century come to take the central dominate place in the economic system,” Veblen noted (1904: p.47). Veblen adds that, “Capitalization,
credit extensions, and even the productiveness and legitimacy of any given employment of labour, are referred to the rate of earnings as their final test … The interest of the business community centre upon profits and upon the shifting fortunes of the profit-maker, rather than upon accumulated and capitalized goods” (Ibid).

The business enterprise, Veblen argues, emerged as the “directing force” of industrial activity that is carried out by rule of investment for profits. He notes that where the corporation became the master institution, the endless use of credit enabled wealth to multiply out of proportion to increased production brought on by industrial advances (p.89). Capitalization here is fictitious in the aggregate for the purpose of industry but Veblen (1904) was clear that it had a profound impact on the order of the “material framework of modern civilization”. All advances made by creditors go to increase the “capital” businesses have at their disposal, “but for the material purposes of industry, taken in the aggregate, they are purely fictitious items” (1904: p.54).

This fictional force that creditors had at their disposal could organize the entire material system of production despite not adding any productive or industrial value. “Men [sic] have come to the conviction that money-values are more real and substantial than any of the material facts in this transitory world… In the business world the price of things is a more substantial fact than the things themselves” (Veblen 1923: pp.88-89). Funds that were extended as credit only had only a pecuniary existence and not a material one, because they only represented (in aggregate) fictitious industrial equipment. Veblen contended that the only thing this credit enables is the differential advantage for the borrower against other businesspersons “for the control and use of industrial processes and materials” without actually adding to “the material means of industry at large” (1904: p.54). “Funds of whatever character are a pecuniary fact, not an industrial one; they serve the distribution of the control of industry only, not its materially productive work,” he noted (Ibid). A clear divide between fictional and real capital was impossible.

The “Captain of Industry”, whom Veblen defines as the absentee owner and controller of industrial equipment and resources, and who was personified by figures such as J.P. Morgan, came gradually to the foreground at the close of the 19th-century. This Captain became “the center of attention and deference as well as of policy and intrigue in all that concerns the ordinary conduct of affairs, political, civil, social, ecclesiastical. It is the era of personal business
enterprise carried on under the immunities of impersonal investment” (Veblen 1904: p.70). Veblen argues that the Captain of Industry had become the paramount exponent of the community’s aims and ideals. The “substantial business man” had displaced the absentee landlord and merchant prince, and was now the standard container of all the civic virtues, chief among which was, “the steadfast spirit of business enterprise, of getting a safe margin of something for nothing at the cost of any whom it may concern” (1923: p.71). Veblen (1904) explains that the importance of the Captain of Industry was also likely heightened because the nucleus of the capitalization process is not material (industrial) productive work but “good-will”.

When a large transaction occurs to centralize and reorganize industrial concerns into a joint-stock corporation, the newly merged values are often only a fraction of the previous concerns, and much of the nature and value of the material goods is “of a doubtful character”. The total amount of useful goods stays more or less the same-measured according to differences in physical units the effect is zero-but measured in money-values there has been a substantial addition in total wealth. A significant proportion of the nominal collective capital is “made up of the capitalized good-will of the concerns merged. This good-will is chiefly a capitalization of the differential advantages possessed by the several concerns as competitors in business, and is for the most part of no use for other than competitive business ends” (Veblen 1904: pp.64-65). Joint-stock corporations establishes no aggregate industrial effect but rather creates a differential advantage in that competitors disappeared as a result of mergers. This new consolidated landscape creates good-will, which, Veblen notes, “can make only an imaginary aggregate” but one represented by the common stock issued (1904: p.65). The effectual capitalization, “fluctuates with the fluctuations of the prevalent presumption as to the solvency and earning-capacity of the concern and the good faith of its governing board” (Ibid).

Veblen argues that the flip side of “good will”, or to ensure that this “good will” is maintained, is sabotage. He contends that capitalization as a strategy could fall under the head of sabotage, in that big businesses might incur privation to increase (nominal) earnings and to justify the trust placed in them by their absentee owners (p.220). A free run on production would be ruinous for business as it would lower prices and reduce the net business gains, “Which comes to saying that the need of a businesslike sabotage on industry, occasional or habitual, has grown measure for measure as the scope and volume of corporation finance has grown, and as the equilibrium of make-believe carried forward in the outstanding securities has grown more
inclusive and more delicately balanced” (Veblen 1923: p.96). The modern capitalist is nothing more than an absentee owner and capitalism is not the amassment of “capital goods” under private ownership but the pecuniary capitalization of earning capacity: “It consists not of the owned factories, mines, aeroplanes, retail establishments or computer hardware and software, but of the present value of profits expected to be earned by virtue of such ownership” (Nitzan and Bichler 2009: p.231). Building on the work of Veblen (1904), Nitzan and Bichler (2009) have more recently refocused attention on the business enterprise and its capitalization as the universal creed of capitalism and its ability to order society.

Capitalization as Power

Capital, Nitzan and Bichler (2009) argue, is the capitalization of expected future earnings and the process of capitalization (the engine of capitalism) encompasses society’s interaction with the broader environment (p.211). They contend, just like Veblen, that corporate owners do not view their capital as something made up of tangible or intangible artifacts but rather as the corporation’s equity and debt: “The universal creed of capitalism defined the magnitude of this equity and debt as capitalization: it is equal to the corporation’s expected future profit and interest payments, adjusted for risk and discounted to their present value” (2009: p.8, emphasis in text). Material capital is backward looking and capitalization is forward looking. It discounts future earnings in the present: “When we speak of capital accumulation we speak of the growth of capitalization,” Nitzan and Bichler (2009) write (p.150, emphasis in text). Rather than the means of production, it is the capitalist nomos that capitalization both generates and organizes through prices—capitalization reduces qualitatively different aspects of social life into universal quantities of money prices.

Nitzan and Bichler (2009) explain: “capitalization represents the present value of a future stream of earnings: it tells us how much a capitalist would be prepared to pay now to receive a flow of money later” (p.154, emphasis in text).39 Stock and bond prices represent the present

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39 Nitzan and Bichler (2009) provide an example of capitalization that illustrates what this means in practice: a $1,000 payment due in a year’s time ($K_{t+1}$) and “discounted” at a 5 per cent rate of interest ($r$) would have a present value ($K_t$) equal to $952.38 (Nitzan and Bichler 2009: p.153). The capitalist engages in this transaction because the future payment ($1,000) is bigger than its present value ($952.38), since it comprises the repayment of the original investment plus additional earnings ($K_{t+1} = K_t + E_{t+1}$), where $E$ represents an earning flow of a constant or varying magnitude.
value of future earnings. As Timothy Mitchell (2016b) has also noted, capitalization through the joint-stock corporation enables the future to be moved into the present: “The large wealth of a minority of entrepreneurs in the present was acquired from the increased living costs of a majority in the future” (p.260).

The joint-stock corporation of the 20th-century produced a revolution in the expansion of the process of capitalization. Veblen was writing at the very start of the initial growth of capitalization. Nitzan and Bichler (2009) contend that, with the rise of personal computers in the 1950s capitalization had been established as the principal means in which capitalist society is organized: “Nothing seems to escape the piercing eye of capitalization: if it generates earning expectations it must have a price, and the algorithm that gives future earnings a price is capitalization” (Nitzan and Bichler 2009: p.158). Capitalization emerged as a central part of global culture, governance, thought, politics and everyday life. As Cook (2017) notes, “Thanks to the homogenizing powers of monied indexation, these indicators could statistically unite coal mining, steel production, and textile manufacturing via single, easy-to-use metrics, thus allowing economic elites to overcome the narrow sectoral politics of their specific industry”, and this formed a corporate class with shared interests (p.15).

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1. r = \frac{K_{t+1}}{K_t} = \frac{K_{t+1} - K_t}{K_t} = 1 = \frac{\$1000}{\$952.38} - 1 = 0.05
\]

Nitzan and Bichler (2009) note that, when we know the future payment and the going rate of interest, it is possible to figure out how much the capitalist believes is appropriate to pay for it initially (the “present value”):

\[
2. K_t = \frac{K_{t+1}}{1+r} = \frac{\$1000}{1.05} = \$952.38
\]

This “computation” allows the capitalist to predict into the future an earning flow of a constant and varying magnitude \(E\) paid over \(n\) periods.

\[
3. K_t = \frac{E_{t+1}}{1+r} + \frac{E_{t+2}}{(1+r)^2} + \ldots + \frac{E_{t+n}}{(1+r)^n}
\]

If the payments are uniform over time in the capitalized value would be:

\[
4. K_t = \frac{E}{r} \times \left(1 - \frac{1}{(1+r)^n}\right)
\]

If these equal payments are made in perpetuity (so \(n\) is infinity), the present value becomes:

\[
5. K_t = \frac{E}{r}
\]

And if these perpetual payments are expected to grow at a rate of \(g\) per period, the present value becomes:

\[
6. K_t = \frac{E}{r-g}
\]
Furthermore, the corporation continued to extend the characteristics of limited liability, shareholder rights and corporate irresponsibility to new levels (Ireland 2010). Absentee ownership and the flows of capital income-yielding assets upended the localized and socially embedded market. Capitalization reduced the corporate elite’s concern for the moral health of the community and intensified their focus on industrial output, population growth, labour costs and real estate prices (Cook 2017: p.7). Local businesspeople and proprietary producers lost their socio-economic power to institutional investors, investment bankers, real estate investors and the companies that make up stock market indexes.

Building on Veblen, Nitzan and Bichler (2009) contend that the joint-stock corporation and its capitalization together comprise a mode of power. They explain how capital was able to detach itself from material goods by critiquing the way in which both Marxists and neo-classical economists have understood capital as anchored in a material reality. Neoclassical economists understand tangible capital goods and technology to be determined from the outside (i.e., by their ability to satisfy human wants and desires), where both capital and its productivity are counted in the same universal unit, the elementary particle of the “util”; Marxists, meanwhile, see capital as a social relation embedded in material entities, where the key issue is not the utility that the capital produces but the social process by which capital itself gets produced; the universal unit here is “abstract labour” (Nitzan and Bichler 2009: pp.5-6). “In the end, neither the neoclassicists nor the Marxists are able to answer the question of what determines the magnitude of capital and its rate of accumulation,” Nitzan and Bichler argue (2009: p.6). Indeed, in the case of Solidere, neither radical or neoclassical economics can answer why a 480 sq m apartment in downtown Beirut is priced at $3.4 million in 2018, rather than $5 million or $1 million; or why it is possible to negotiate a totally different price and why this price will vary depending on who is negotiating; or why Solidere’s share price has declined from a high of $30 in 2008 to $8 in 2018, but its net asset value (NAV) has continued to rise in value; or why the Beirut Stock Exchange is capitalized at $12 billion and the Tel Aviv Stock Exchange is capitalized at $212 billion.

Nitzan and Bichler (2009) outline the need to abandon the way Marxist’s abstract labour and neo-classicalists util mimic of physics’ elementary particles (p.125). Rather than focusing on how abstract labour or utility could be converted into capital, where the pecuniary appearance of capital is merely the mirror image of its material or energy substance, Nitzan and Bichler (2009) introduce a concept of power that does not distinguish politics from economics (p.148).
Capital does not have an elementary particle, they argue, and it is neither real nor fictitious; rather, they contend, capital is a mode of power. The alternative to explaining the quantitative order of prices in terms of either utility or labour value is to turn to the Ancient Greek concept of the *nomos* (Ibid).

In Ancient Greek philosophy *nomos* referred to human laws and customs; it is the just, the legal and the lawful, and points to human convention and institutions (Adams 2001: pp.94-95). It was placed in opposition to the *physis*, which is usually translated as “nature”, and can be understood as the sum total of reality, *essence* or an inherent force directing the world (Adams 2001: p.94). The dichotomy between *physis* and *nomos* dominated debates among Ancient Greek philosophers, including Plato and Aristotle, who offered various accounts of the relationship between the two (Hong 2002: p.613). *Nomos*, Nitzan and Bichler (2009) argue, is not rooted in the material sphere of consumption and production but in the broader social, legal and historical institutions of society; it is not an object substance but a human creation (Nitzan and Bichler 2009: p.148). In all pre-capitalist societies, prices were determined through some mixture of social struggle and cooperation; Nitzan and Bichler (2009) assert the same is true with regard to the capitalist nomos (p.149). In the capitalist nomos, capital accumulation means a growth of capitalization. Capitalization has little to do with the “means of production” and everything to do with the multifaceted restructuring of the capitalist order (Nitzan and Bichler 2009: p.150). Bringing future revenues into the present requires attempts to shape the social order. Returns accumulating to shares are potentially affected by any change to the social order, such as those in labor and corporate laws, trade and tax policies, markets, spatial organization, political norms, needs, wants and desires. Protecting the integrity of the expectations of returns requires measures aimed at creating and/or preserving a suitable social order (Ireland Forthcoming: p.43). Capital should therefore be understood as a mode of power.

The organizing force of the *nomos* is numbers. The universal numerical unit is price and in principal can be assigned to anything that can be owned. The modern business enterprise enabled the quantification of everything that can be owned into a standardized almost universal uniformity, allowing ownership to be ordered with great precision (Nitzan and Bichler 2009: p.151). Price is the unit through which capitalism is ordered and the pattern of that order is governed by capitalization, “Capitalization is the algorithm that generates and organizes prices. It is the central institution and key logic of the capitalist *nomos*” Nitzan and Bichler (2009) write
Where do prices come from? For Nitzan and Bichler (2009), the answer is not from utility or socially necessary labour time, but from the power of firms who they claim are “price makers” and who set their own prices that “embod[y] the power to incapacitate” (or what Veblen termed, sabotage) and sell as much as possible at that established price (p.242). The authors note, “On the one hand, the profit target and mark-up built into the price reflect the firm’s power, while, on the other hand, that power, exercised by the high price, serves to restrict industry below its full capacity. The sabotage and the power to inflict it remain concealed but their consequences are very real” (Ibid). The ability to generate earnings and limit risk involves the whole state structure of corporations and governments. Debit, credit and interest are all matters of organized power: “[Capital] is not ‘augmented’ by power. It is, in itself, a symbolic representation of power” (Nitzan and Bichler 2009: p.7, emphasis in the text).

Capitalization and Space

In shifting the focus of capital away from ideas of material production, consumption and the past toward credit, the future and power, Nitzan and Bichler (2009) are determined to assert that capital is not a material object. Capital does not, they insist, have a material quality or a social relationship embedded in material entities. “Capitalization of earnings is not a narrow offshoot of production,” Nitzan and Bichler (2009) contend but “a broad representation of power. Pecuniary earning do not have a material source” (p.218). They add that capitalizations are symbolic representations of struggles between dominant capital groups acting to shape and restructure the course of social reproduction at large (Ibid).

Drawing on Lewis Mumford, Nitzan and Bichler (2009) argue that capitalization is a mega-machine. Mumford’s theory of the mega-machine was that some of the most significant large-scale technological advances for the past 5,000 years had been made by centralized organizations seeking greater power to control human communities and the natural environment (Miller 1989: p.509). Two criteria were essential to make mega-machines work: expert scientific knowledge and an elaborate bureaucracy for carrying out orders (Miller 1989: pp.522-523). The mega-machines of the United State and the Soviet Union (i.e. of the modern power state), Mumford (1970) explained, were monstrous reincarnations of older, less sophisticated bureaucratic-military models in which the center of authority was the system itself.
Nitzan and Bichler (2009) extend Mumford’s argument to focus not on the mega-machine of the sovereign state but on the new mega-machine of the *nomos* of capital. “Based on the universal ritual of capitalization and a fundamental belief in the ‘normal rate of return,’” Nitzan and Bichler (2009) state, “capital is a symbolic crystallization of power exercised over large-scale human organizations, typically by a small group of large absentee owners intertwined with key government officials” (p.270). Mumford did recognize that capitalism was preparing the way for a new mega-machine on a scale that even the Egyptian monarch Khufu would not think possible, with its emphasis on calculation and record-keeping, the rise of political absolutism and the introduction of the clock (Miller 1989: p.524). Of central importance for Nitzan and Bichler (2009), however, is Mumford’s argument that the development of the mind and its languages-i.e., the symbolic aspects of human early development-were more important to human evolution than tools is central. For instance, Mumford claimed that the idea of time was more important than any physical instrument for recording it (Mumford 1970: p.419). Nitzan and Bichler want to take up Mumford’s argument to assert that “minding” is more important than “making”.

But it would be a mistake to read Mumford (1970) as rejecting the importance of materiality and/or “making” in structuring capitalization. He is, after all, one of the most important urban theorists and architectural critics to have lived. Mumford did not place the symbolic (minding) in opposition to the material (making) in his work or in his account of the mega-machine. As Mumford explains in his thesis on the mega-machine he seeks to emphasize the symbolic, not reject the material to show that “technological advances to every part of his [sic] organism, not to the hand and its derivative tool alone” (Mumford 1970: p.420). Mumford (1970) simply wanted to correct scholarly neglect of the importance of minding, and to push back against the idea that “the organization of physical and corporeal activities can prosper in a mindless world” (p.420). Mumford aimed to tackle technological fetishism rather than disregard materialism altogether, as he wrote: “Paradoxically, the process of materialization begins in the mind, while that of etherialization proceeds from the visible and external world to the inner personality, finally taking form in the mind, through words and other symbols…” (Mumford 1970: p.421). Mumford viewed the “planetary mega-machine” as a material-symbolic, human and non-human, “assemblage” (1970: p.345).
Perhaps unsurprisingly, Mumford’s writings on society and technology and human-nonhuman associations made him a founding figure in Science and Technology Studies (STS). Félix Guattari and Gilles Deleuze utilized Mumford’s concept of the mega-machine in their book *A Thousand Plateaus* (1987), which itself has become a seminal text in STS. Guattari and Deleuze argue that the mega-machine is an assemblage, or apparatus of capture, that functions in three modes, rent, profit and taxation (1987: p.444). These three modes converge in the agency of the despot, or the landowner or business enterprise for whom direct comparison and monopolistic appropriation were crucial. “This is like three capitalizations of power, or three articulations of “capital”,” Guattari and Gilles Deleuze note (Ibid). Guattari continued to develop the concept of the mega-machine independently and it was important to his own thinking about human-machine entanglements. Gary Genosko (2015) argues that Guattari utilized the city as a mega-machine and as the human-machine interface that defined his post-humanism (p.17). It is an approach that has had a large impact within STS.

It is to STS that I turn to understand how capitalization orders society, specifically by utilizing its understandings of power. STS helps illustrate how capitalization, which exists in an ecology of competing and overlapping networks of “power”, can be materialized to act as a principle by which society is organized. Bruno Latour (2007) has argued power is not something that automatically provides an explanation but is rather the result of a process: “Power and domination have to be produced, made up, composed” (p.64). To incorporate humans and non-humans is no simple task and certainly not something that prices (created through capitalization) are able to do as mere representations or symbols alone. To echo Latour, a price is simply a statement and not enough on its own to dictate what path it will follow. Latour notes that to understand how domination is achieved we have to turn away from an exclusive concern with social relations and be attentive to how human and non-human actants “offer the possibility of holding society together as a durable whole” (1991: p.103, emphasis added).

Power must be in part achieved in part through some type of material force that is able to maintain its presence across space and time. I understand power to be a structure constantly in flux, that is able to hold an array of entities together, both human and non-human. The extent and force, or the durability, of these entities held together is the power that this durable structure is
able to produce. If we look to the history of the symbols that are central to capitalization, money, debt and credit, we can see that their creation and circulation was (and is) always tied to larger material forces embedded in the social order. As David Graber has detailed, a debt is simply a promise, “Within a community—a town, a city, a guild or religious society—pretty much anything could function as money, provided everyone knew there was someone willing to accept it to cancel out a debt” (2011: p.74). Graber adds, “One could often learn a lot about the balance of political forces in a given time and place by what sorts of things were acceptable as currency” (2011: p.75). Money must have some kind of durable structure to facilitate its circulation otherwise it will not circulate. Indeed, the geographical extent of a currency today is strongly associated to broader geopolitical forces. For instance, one can easily spend American dollars in Lebanon on almost any item, but one cannot so easily utilize the Syrian pound.

As I detail in Chapter One, it was not simply the formation of the corporation that created power but also what this form brought together in terms of humans, but also capital and large urban structures, such as canals, railways and even entire cities. The joint-stock corporation through its capitalization, as well as other critical features like absentee ownership, was able to introduce new techniques of socio-spatial control on a profound scale.

STS scholars often cite Thomas Hughes’ (1983) seminal work *Networks of Power: Electrification in Western Society, 1880-1930* to illustrate how human and non-human actants have to be weaved together to form a durable whole; in which the joint-stock corporation was also fundamental. Hughes’s account is notable because he highlights the roles of professional engineers, managers and what he calls “system builders”. One notable “system builder” was Thomas Edison, who Hughes notes, “coordinated a team of electricians, mechanics and scientists and cooperated with associates concerned about the financial, political, and business problems affecting the technological system” (1979: p.126).

Hughes importantly does not just treat Edison as an engineer but follows his entire craft that leads him across economics, politics, technology, applied scientific research and various aspects of social change. Edison engaged in applied scientific research to find a viable electric light bulb, which entailed a series of economic calculations about the costs of laying cables and of building and running power station located within cities, and which meant understanding that to build power stations he needed the agreement of city councillors who in turn had ties to local gas industries (Law 1991: p.9). Edison had formed a wiring network, connecting generators,
light bulbs, buildings, shoppers, consumer desire and capital investment (Mitchell 2008: p.1117). Notably, Law (1991) notes that the lesson from this sociotechnical order is that structures do not simply reside in the actions of people or in memory traces but rather in a network of heterogeneous material arrangements (p.16). Law (1991) asserts that no one or thing can have “power” unless a set of relations is constituted and held in place.

In drawing on Hughes’s study and the significant work that it has influenced in STS, Mitchell (2008) has argued that the socio-technical arrangements have significant implications for how we think about the narrow (human focused) networks of the economics and economic sociology. This in turn has implications for how we think about so-called economic entities, such as the business enterprise. The purely economic refers to the calculating rationality of the market, while the goal of economic sociology is to show that markets are constrained by family, friendships, morality and other so-called noneconomic relations. But economic sociology perspectives still assume that economic calculation (the market or the economy) always already exists, as the expression of some sort of pure self-interest (Mitchell 2008: p.1118). It is the making of the economy to which we must attend. Edison did not create individual light bulbs but rather constructed a power network that users could be connected to. This required the construction of an electricity network that displaced existing arrangements in which people generate their own electric power. “Centrally generated power replaced isolated systems not for technical reasons alone, but because Edison’s companies were able to build socio-technical complexes… that succeeded in overcoming rival systems. The decisions involved were never merely economic. Economic calculation was caught up in the same complexes” Mitchell argues (Ibid). Capitalization, like all symbols, requires a material structure to be the organizing force of the nomos; otherwise it will be displaced.

Capitalized Urbanization: Building a Future into the Present

Rather than placing the representational and the material on two separate axes, Timothy Mitchell (2016) has argued that we should be attentive to the very material history of capitalization (p.740). In Chapter One, I detailed this material history of the corporation from the city corporation, to the trading companies and their colonies to the joint-stock railway corporation. Even Nitzan and Bichler (2009) recognize this material history by noting that, while
the corporate form was central to capitalization, capitalist urbanization was also critical to the spread of the price system. The corporation, capitalization and the city emerged and expanded together. Nitzan and Bichler (2009) note that through urbanization the “architecture of prices emerged as a dominant way of organizing society only two centuries ago, and that it was only recently that its logic has come to dominate nearly every corner of the world” (p.155).

Mitchell (2016b) focuses on the significance of railroads in the expansion of the modern corporate, which enabled the process of capitalization to be extended across a vast geographical scale. He argues that the railroads were significant structures not only in their scale and the complexity of the management but because of their durability in time. He adds that with the railroads entrepreneurs created a “structure that could promise a revenue not just for… one to five years as other enterprises might, but for 10, 20 or 50 years” (2016b: p.740). The railroads provided durable structures with their iron (later steel) railway lines, which were notably referred to as “permanent ways”, but also with their trusses, viaducts, terminals, gauges and rolling stock. Mitchell (2016a) argues, “Since it was not just the physical structure but its operations that had to be durable, the apparatus equally required the control of territory, the displacement or elimination of native populations, and command over labour forces. New technical and political power engineered a new temporal relationship: The future as a durable revenue structure” (p.259). It is this ability of this durable structure to create a present value of a future stream of earnings that formed the nucleus of capitalization. “The railroad exemplifies this method of moving future income into the present,” Mitchell (2016b) writes (p.741).

Unlike the precarity of revenues from manufacturing, telecommunications and/or industry, the processes of urbanization (specifically real estate development and infrastructure) offers the corporation a durable structure to guarantee a stream of income. Indeed, the other “vast world” that capitalization has more recently been able to develop in the formation of durable structures is real estate (Ibid). Capitalization, the nucleus of the joint-stock corporation, is also increasingly the nucleus of contemporary urbanization. The joint-stock corporate city makes itself present by the proliferation of its urban mega-projects, including skyscrapers, downtown developments and gated communities; retail malls and artificial islands; airports and ports; and highways. Real estate is perhaps the most significant form of capitalization today. It represents the most widespread use of the techniques for enriching a minority of entrepreneurs in the present by taking wealth away from a future generation (Mitchell 2016a: p.260).
Timothy Mitchell writes that with modern real estate, like the railways, an entrepreneur can construct a building that can guarantee a flow of income over the next 50 years. The entrepreneur sells the unit not at the cost of construction (including profit), but as the discounted value of the rent or mortgage payments that can be charged to its future occupants (Ibid). As Mitchell (2016b) explains:

The entrepreneur can then realize that future income in the present by selling apartment units, because the price of an apartment will not be what it cost to build, it will be in the present value of 50 years of being able to live in that space. The entrepreneur or the investors realize that future income in the present, or as what appears as the “value” of that housing unit… [which is] not related directly to the material cost of building but a product of the ability to control futures… from a promise of political control, of a reliable legal political order. It’s a control that depends on planning, on zoning in its various forms, on maintaining the liveability of forms of neighbourhoods (pp.741-742).

In addition, real estate enables absentee investors to circumvent taxation. Michael Hudson (2010) notes that tax laws in many countries permit absentee investors to depreciate buildings (allowing real estate investors to avoid declaring taxable income) which appear as write-offs each time the property is sold at a capital gain (where prices increase not in relation to the building but to the land’s rising values). Furthermore, capital gains (80% of which typically occur in real estate) are taxed at only a fraction of the rate levied on “earned” income (wages and profits) and are not taxed at all if they are spent on buying more property (Hudson 2010). The tax favoritism toward real estate is capitalized into “capital” gains, untaxed property revenue is free to be capitalized into larger debts and into further real estate investments (Hudson 2010).

Building on the work of Nitzan and Bichler (2009) and Mitchell (2016), I contend that capitalization has focused its efforts on the extension of time (a future) through the concentration of space (urbanization), the building of the future into the urban present. Capitalized urbanization is not only an economic proposition but also necessitates sociopolitical and spatial control to ensure that taxes, laws, zoning, wants, fiscal and monetary policies, needs and desires are aligned to ensure the flow of income is sustained through space. I define capitalized urbanization as the building of a future into the urban present, which enables some groups to increase their social power over others through the extension of credit into the urban fabric.
The World as Real Estate

According to Savills, a British joint-stock company located in the City of London and one of the world’s largest real estate firms, real estate around the world is worth $217 trillion (including agricultural land valued at an estimated $26 trillion); in comparison, all the gold ever mined is worth $6 trillion (2016: p.6). Real estate is the most prominent asset class; its worth comprises nearly three times global annual income and accounts for an estimated 60 percent of all mainstream global assets (Ibid). Site values are raised by public investment in infrastructure and public works and zoning but also by whatever the bank will lend (Hudson 2010). For the first time in history, Hudson (2010) argues, countries have imagined that the way to get rich is to run deeper into debt (mainly through large mortgages on real estate), not pay it down. The importance of real estate in the global economy has been further fuelled by quantitative easing with its ultra-low interest rates (Saville 2016: p.6). This bond-buying programme undertaken by the Federal Reserve, the European Central Bank, the Bank of England and the Bank of Japan has held back yields available on government bonds and encouraged investors to focus on real estate. Hudson (2010) notes that landed aristocracies no longer dominate the political system, but the fiscal favouritism of real estate has never been stronger because property ownership has been democratized on credit. In 2016, global debt reached record levels of $164 trillion equivalent to 225 percent of global GDP.\(^{40}\)

In China, for instance, its vast expansion of debt has been heavily concentrated in the real estate sector. The vast urbanization there has been driven by a capitalization of the built environment. This capitalized urbanization has built a certain future into the present. In 2007, China’s total debt quadrupled from $7 trillion to $28 trillion, with half of all these loans linked directly or indirectly to the real estate market (McKinsey 2015: p.8). David Harvey has given us a sense of the scale of this capitalized urbanization with what a simple fact. Between 1900 and 1999, the United States consumed 4.5 billion tons of cement, China has consumed 6.5 billion tons of cement between 2011 and 2013: “That is in three years the Chinese consumed 50% more cement than the United States had consumed in the entire proceeding century”.\(^{41}\) Indeed, in 2016 alone, China produced 2.4 billion tonnes of cement (USGS 2018: 43). As Harvey highlights, the


environmental, political and social future consequences of this are of course profound. China has some of the highest income inequalities in the world, with the richest 1 percent owning a third of the country’s wealth.

The Middle East as Real Estate

Although not on the scale of China, the consumption of cement in the Middle East has also expanded to historic levels and with it the social force of real estate has grown along with it. Between 2006 and 2016, cement production has almost doubled since 2006 to 2016 in the major cement producing countries, such as Saudi Arabia (from 27 million tonnes to 61 million tons), Egypt (29 million to 55 million tons) and Turkey (47 million to 77 million tons) (USGS 2018: 43). The Middle East is now one of the most urbanized regions in the world.

The formation of the joint-stock corporation Solidere in 1994 was part of a broader wave of the creation of real estate corporations and joint-stock banks shaping the built environment throughout the region. Most notably of course has been the rise of such cities like Dubai. As Wael Zakout, the Global Lead for Land and Geospatial at the World Bank, has argued at the center of Dubai’s dramatic transformation into a central node in the global economy, “was land and real estate policies”. Zakout notes that in 2018 Dubai hosted, with the World Bank, UN-HABITAT, the Arab League and the Arab Union of Surveyors, the first Arab Land Conference that was aimed in part to “learn from Dubai how to use sand to make gold”.42 Many of the largest public companies in the Arab world are engaged principally in real estate and are household names, including: from the UAE, Emaar Properties (capitalized at $14.6 billion), ALDAR ($4.9 billion) and DAMAC ($4.7 billion); from Saudi Arabia, Jabal Omar Development Company ($16.9 billion), Emaar the Economic City ($3.9 billion); and from Qatar, Barwa ($3.9 billion), the United Development Company ($2 billion). Furthermore, many of the joint-stock company banks in the Arab world are heavily invested in real estate.

Capitalization in the Middle East and beyond is never a singular force in forming the built environment. As Mitchell (2016a) argues, the process of capitalization, of building durable futures and turning them into speculative presents, does not characterize all buildings (p.261). To illustrate the differentiating geographies of capitalization, Mitchell details the distinction

between Dubai and Abu Dhabi. In Dubai, the absence of oil revenues resulted in a strategy of intensive capitalized real estate for which it is famous for. But in Abu Dhabi, vast oil revenues did not require architectural projects to satisfy the need for immediate revenue and so the capitalization of real estate has been less extensive and intensive (Ibid). It is important, therefore, to understand the specificities of a place to understand how and to what extent the joint-stock corporation, and the process of capitalization, will be able to embed itself and form urban fabrics. The corporation and its process of capitalization is just one of many competing means of creating and sustaining power.

Lebanon

To fully understand the impact of the two urban based corporations in Lebanon that this thesis considers, we must have a broad understanding of how real estate and capitalization operate in this context. Real estate plays a central role in the country’s economy. In 2015, combined loans to real estate-related sectors represented 41 percent of total loans and 90 percent of the banking system’s loans to the private sector are either directly (through housing loans to end users, loans to developers, contractors and to other real estate professionals) or indirectly (through all the other loans to corporates mostly collateralized by real estate). Public debt to GDP is among the highest in the world in Lebanon, peaking in 2007 at 169 percent made up of LBP securities and US$ Eurobonds. The World Bank reports that interest costs equal 46.5 percent of revenues as of 2015 and debt service is 150 percent of revenues (p.25).

Wissam Harake, the World Bank’s Lebanon country economist, told me in an interview, that, since the end of the Civil War, real estate has been the prime drivers of “real GDP growth and real economic activity in general for the country”. Real estate and construction has accounted for 17.1 percent of real GDP between 2004-2011 and the real estate sector has accounted for 50-70 percent of total gross fixed capital formation since 1997 (Harake 2016). Nassib Ghobril, the chief economist at Byblos Bank, informed me that real estate has historically always been an attractive investment for the Lebanese. There is a clear consensus among the numerous economists in Lebanon that I interviewed, however, that the postwar period marked by the formation of Solidere resulted in an intensification of the country’s reliance on the real estate

sector. Harake argues that, following the Civil War, there was a vision for real estate to be the primary driver of the country-a vision that I detail extensively in the following chapters.

After a small boom from 2008-2010, in contradistinction to the financial crisis, the real estate sector has entered a period of stagnation and resulted in the Central Bank of Lebanon (BdL) providing housing subsidies through a large stimulus program. Pressure on the real estate sector is pushing the BdL to intensify the capitalization of the built environment through the establishment of Real Estate Investment Trusts (REITs), to “decrease the exposure of banks to real estate” (World Bank 2016: p.15). Notably, despite the significance of the real estate sector there is no official state real estate price index. The only price index that exist are by the private companies Ramco and the banks, their reliability is highly questionable and not viewed as credible data (Nash 2016). Indeed, Nassib Ghobril, the head of research at Byblos Bank, told me that because there is not a proper price index people price real estate at whatever they like.44

As I detail in this thesis, the joint-stock corporation Solidere was at the epicenter of this real estate vision. Moreover, although Solidere was the only joint-stock corporation to successfully be inaugurated (it was part of a series of joint-stock real estate corporations), several joint-stock banks have significant holdings in the real estate sector in Lebanon. But notably, despite the significant increase in the capitalization of the built environment in the post-Ta’if era, this processes has not been an unhindered or all-encompassing force in the formation of the built environment. There are 10 listed companies on the Beirut Stock Exchange that was re-opened with the Solidere development with a market capitalization of 24 percent of GDP (World Bank 2016: 29). But there have been other forces at work restricting the capitalization of the built environment.

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Chapter Three: The Corporation and the Rise of Beirut

In 1800, Beirut was a small, insignificant trading node along the Syrian coast, but by the late 19th-century it was a critical trading center. At the heart of this transformation was the French corporation, Compagnie Impériale Ottomane de la Route Beyrouth-Damas. This corporation was granted a fifty-year firman (decree) by the Ottoman’s in 1857 to build and exploit a carriage road between Beirut and Damascus. I argue that this corporation was not only critical to the making of Beirut but also assisted, all be it indirectly, the establishment of French colonial power in the Levant. This corporation was central (but largely ignored by scholars) to the very emergence of Beirut in the 19th-century as an important trading node in the Eastern Mediterranean and to the expansion of French power in bilād al-shām (Greater Syria).

In the first half of the 19th-century, Beirut emerged as a significant trading hub due to several intersecting factors. First, the city had become semi-autonomous, meaning it remained peaceful during the conflict between the Egyptians and the Ottoman Empire45 and had presented itself as an entry point into the Eastern Mediterranean for British and French traders. Second, Beirut became the uncontested port of Damascus that had gained prominence under Egyptian rule and obtained a privileged relationship with traders in Mount Lebanon. Third, Beirut’s geography provided safe refuge from the civil war in Mount Lebanon in 1860 and its port provided protection to incoming ships from the storms of the Mediterranean. Fourth was the increased demand for silk in France. Finally, the city was an early adapter to many of the transformations that occurred in the context of the industrial revolution. After detailing these intersecting factors below, I argue that what enabled Beirut to rise above its coastal competitors—of which there were many—was the establishment of the joint-stock corporation. The Compagnie Impériale Ottomane de la Route Beyrouth-Damas established on the Beirut-Damascus road was critical to the formation of Beirut as a regional trading hub.

45 The French consult Pillavoine remarked of Beirut that “The Pacha of Acre is without authority… The Lieutenant of the Pacha is nothing, the Mufti [a local Beirut notable] is everything” [Le Pacha d’Acre est sans autorité… Le Lieutenant du Pacha n’est rien, le Mufti est tout] (Cited in Phillip 2001: p.129)
The Corporation in the Levant

The ancient Roman Empire had no legal framework for joint-stock corporations, but relatively large-scale business enterprises did form in this historical period. Roman-era business entities emerged to engage in the organization of shipbuilding, mining, public works projects, infrastructure, temple construction and tax collection. Among historians there is an active debate as to whether these Roman businesses are the earliest examples of joint-stock corporations. Three choices for a business partnership existed in ancient Rome: one was the *societas*, which mostly consisted of only two partners, with no legal separation between the partnership and the individuals themselves; second was the *societas publicanorum* (the “society of government leaseholders”), which carried out state contracts and large-scale operations, like mining, building infrastructure, leasing land and collecting taxes; and finally three there was the *peculium*, a joint-business venture organized through a commonly held slave. Ulrike Malmendier (2009) argues that the Roman *societas publicanorum* is the earliest predecessor of the modern business corporation.⁴⁶ As she notes, the *societas publicanorum* resembled modern shareholder companies in that their existence was not affected by the departure of partners and in that they could issue traded and limited liability shares. Notably, this corporation-like entity was strongly associated with the urban form and with building infrastructure. Its business engagements also required training its sights on political power. Malmendier (2009) argues that these Roman institutions persisted only as long as they severed the interests of the political elite; if political interests reversed, they often collapsed.

Berytus, which occupied much of the same site as modern day the Beirut Central District (BCD), was a relatively autonomous and thriving Roman colony. It is possible that in Berytus, a notable urban center in the Empire, the *societas publicanorum* was active in building much of the urban form. Flavius Josephus tells us that under the reign of Herod the Great Rome had built “halls, porticoes, temples, and market-places” (cited in Kassir [2003] 2011: p.46). Furthermore, Andreas Fleckner (2015) contends that ancient Rome did not have shareholder companies. He argues that there is plenty of evidence for the existence of smaller business entities in the Roman empire but little evidence of something similar to the joint-stock corporation did (p.6). Furthermore, Fleckner (2015) directly rebuts some of Ulrike Malmendier’s (2009) conclusions about the formation of joint-stock corporations in ancient Rome. He contends that her claim that Cicero referred to ancient shareholders or “Partes societatum publicanorum” is incorrect (detailed in footnote 12). Fleckner (2015) adds that there are few sources indicate that note that the *societas publicanorum* were much larger than or structurally different from standard *societas* (p.9).

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archaeological excavations have uncovered a hippodrome on the outskirts of the city, an
aqueduct, a forum and capital, as well as thermal baths in what is now the BCD. All of these
would have required significant sums of pooled capital and the formation of a societas
publicanorum. Berytus could then be considered, from its ancient Rome inception, a city
founded by, and organized around, the corporation.

Power, Trade and the Corporation

Beirut, however, would largely decline into an insignificant coastal town from the fall of
the Roman Empire until 1800. But during the era of the Islamic golden age and medieval Europe,
trade was robust between the two civilizations. European merchants had a long relationship of
exchanging ideas and goods with the cities scattered along the Eastern Mediterranean. The
French, Spanish, Genoese, Venetians and the English, in particular, have long vied for
supremacy and the establishment of trade monopolies over trading in the Levant. Trade by
European merchants in Ottoman-controlled territory was largely undertaken through treaties that
came to be known as “capitulations” in English and French or ahdname in Turkish. The first
series of capitulations was granted by the Ottomans to the Genoese and Venetians between 1352
and 1517, providing them with certain (often reciprocal) trade privileges and guarantees for their
merchants residing in Ottoman territory. These capitulations, however, were not clearly defined
legal documents and were often linked to individual traders. Scholars consider those
capitulations in the 16th century to be the most significant in regards to the intensification of the
relationship between the Ottoman Empire and Europe. Silk and spices formed an important part
of this trade. Braudel notes that in this period, “every single letter from a Venetian or Marseilles
merchants in Aleppo, Tripoli, or Alexandretta, carries a reference to silk, local silk from the
region surrounding Tripoli, or fine silks of Persia brought to Aleppo by the usual merchants,

The 1536 capitulation granted to the French by the Ottoman Sultan is cited by scholars as
particularly significant. Even though it was never fully ratified by the Sultan, it enabled France to
establish a more formal presence in Ottoman territory through corporations (or échelles).
Marseille directed the échelles through its Chambre de Commerce, the first of its kind in France,
established in 1581. The échelles provided Europeans with residences, independent jurisdiction
and trade and tax privileges in the Ottoman Empire.\textsuperscript{47} The capitulation agreements between the Europeans and the Ottomans, however, were constantly under negotiation, however, and their form and content fluctuated greatly from year to year. Franco-Mediterranean commerce greatly expanded, however, following the Ottoman-French alliance in the mid-16th-century. In 1569, the Ottoman Empire sought support from France against Venice, providing the opportunity for the creation of the first comprehensive French capitulation and more stable \textit{échelles} (Philipp 2001: p.94).

The English soon followed on the heels of the French and established their own capitulation agreements with the Ottomans in 1580. The Levant Company (also known as the Turkey Company) was founded the next year. European rivalry, as detailed in Chapter One, was increasing and the Levant Company was established by the crown to assist in the English alliance with the Ottomans against Spain (Despina 2015: p.16). The Levant Company’s employees were even granted diplomatic status and other immunities by the Ottomans. The Levant Company was understood by both its founders and the Ottomans to be vested with a “national” quality (Despina 2015: p.18). As explained in Chapter One, the start of the 17th-century witnessed the expansion of Dutch and then English power through the formation of joint-stock corporations. Both states soon established their respective East India Companies to compete with the Spanish and Portuguese. The French became agitated by the rising power of these European rivals, with their highly profitable joint-stock corporations, large ships and superior navigation technology. By 1635 French trade had diminished considerably.

In the mid-17th century, in response to the growing wealth and power of their violent European counterparts, France made major reforms both internally and in how it conducted trade abroad. This remodeling was led by Jean-Baptiste Colbert, Louis XIV’s controller-general. British and Dutch competition that had overwhelmed Marseille’s Levantine market and threatened to overtake French colonization of the West Indies and Canada. This drove the crown, through Colbert, to make a range of dramatic changes to the organization of French social life. As part of these Colbert-led reforms, French trade and relations with the Levant, and the

\textsuperscript{47} Although this agreement was between the Ottomans and the French, the Ottomans did not differentiate greatly between Europeans. Any European who lacked an ambassador could enter Ottoman territory as a Frenchman. As Ian Coller notes, such Europeans “were obliged to adopt the French \textit{pavillon}, and the introduction of the \textit{berat} or certificate allowed Ottoman subjects to claim French protection and enjoy their trading privileges” (2014: p.6).
presence of their échelles, underwent a dramatic expansion and transformation. The “Colbertism” of the French-levantine relationship was part of a broader series of dramatic changes that Colbert instigated on behalf of Louis XIV in France. Significantly for the relationship between France and the Levant, Louis XIV instigated a military invasion of Marseille in 1660, incorporating this semi-autonomous city into his realm. Takeda (2011) argues that the crown saw in Marseille an opportunity for international commerce thanks to its strong pre-existing trading networks with the Italian city-states and the Levant (p.2). Takeda argues that “The Crown went along with Marseille’s heritage of relative independence on condition that the city’s new leaders renounced separatism and identified themselves more closely with the French monarchy” (2011: p.21).

The French additionally founded its own East India Company in 1664, following the Dutch and the English, and then the Compagnie du Levant in 1670. In parallel to the founding of these companies, Colbert was promoting a merchant elite in a context in which the nobles continued to shun commerce as too base for their status (Takeda 2011: p.92). To wrest power from the Marseille nobility, the crown promoted commerce and merchants. A group of elite traders known as the négociants emerged, upending traditional hierarchies (Takeda 2011: p.57). Following the 1660 conquest of Marseille, the crown forbade the local Marseille from exercising municipal power, promoting a politically compliant merchant elite and establishing a royally regulated market place. Takeda (2011) argues that the rise of the négociant elite, comprising the wealthiest of merchants and nobles whose participation in mercantile activity was previously unimaginable, had a profound effect on commerce (p.57). Business enterprises began to gain social prominence in this context, as they also provided a mechanism through which the nobility was able to invest without direct involvement in commerce (Freedeman 1979).

Furthermore, one of the first acts that Colbert took once Marseille was under the crown’s control was an urban expansion, ordering the city to be redesigned as a clean, spacious space to facilitate commerce and accommodate royal administration, which would also equip the city for its role as a central node of international commerce for the crown (Takeda 2011). Commerce was a means through which the crown could consolidate its sovereign control over the city. In 1669, Colbert issued an edict that made Marseille a duty-free port with a monopoly over France’s Levantine trade. Historians view the 1669 edict as establishing a period of major commercial expansion for Marseille and for France more broadly (Takeda 2011: p.31). Colbert transformed
Marseille not only materially but also in terms of the makeup of its inhabitants. The abolition of duties on all goods from the Mediterranean attracted merchants from all over that region and Colbert instituted an open-door policy. Colbert welcomed Levantines to Marseille, especially Armenians and Jews (although these groups were not always welcomed by the city’s nobility), and made them naturalized citizens of France. Colbert recognized that by naturalizing Ottoman merchants (mostly in the textile and silk industries) could turn them into effective weapons against the Dutch and the British (Takeda 2011). Indeed, the 1669 edict occurred in the context of Louis XIV needing funds quickly for his conflict with the Dutch. Marseille for the crown, with its pre-existing trading relations with the Levant, was a space through the crown could compete with rival European powers, in particular the English and the Dutch EICs that were increasingly dominating the sea routes to India and the Mediterranean. As Colbert wrote to a royal intendant in Aix-en-Provence, “Marseille is the city necessary for us to wage continuous economic warfare against all foreign commercial cities, and especially the English and the Dutch, who have long encroached on all Levantine commerce” (cited in Takeda 2011: p.20, emphasis in text).

In 1673, Colbert’s reorganization of French trade continued with the creation of the country’s first commercial code (the Code de commerce). This code formed the basis for the beginnings of the joint-stock enterprise in France and, in turn, in Lebanon. The commercial code laid out two types of business organizations. The first was the partnership (société générale), the major characteristic of which was the unlimited liability of the partners. The second was the société en commandite, a limited (also known as “silent” or “sleeping”) partnership, which had one or more active partners who were subject to unlimited liability, and one or more commanditaires, who supplied capital but did not participate in the managing the enterprise and whose liability was limited to the amount of capital they contributed (Freedeman 1979: 3). Colbert’s commercial code was a “universal” and thus applicable to all merchants, which was a novelty in France (Takeda 2011: p.54). The parfait négociant that followed the commercial code, for instance, was a guidebook that deliberately ignored merchant corporations and aimed at all traders regardless of birth, fortune, corps or guild (Takeda 2011: p.55). The newly empowered négociant did not necessarily need to belong to a merchant corporation, unlike

48 Solidere is registered as a société générale Liban (SAL), a business enterprise for which the legal form is rooted in Colbert’s code.
almost all other merchants. Many scholars credit Colbert with introducing the bureaucratic state run by civilians that subsequently facilitated the rise of the modern state and the downfall of corporate France (Coller 2014; Soll 2009). But Crowston (2001) argues, and I agree, Colbert viewed corporate bodies as fundamental components of society.\footnote{It was not until Colbert’s death, in the mid-18\textsuperscript{th} century that corporate bodies were largely abolished and replaced by the nation-state and its individual citizens. It was the French economist Anne Robert Jacques Turgot, who Crowston (2001) claims, who led France’s turn away from the guilds and toward a nation composed of individuals with natural rights (pp.208-209).}

Following the commercial code, Colbert soon turned his focus to the corporate guild system, issuing an edict that extended the guild system to all traders. Colbert’s expansion of the guild system not only generated extensive revenue for the crown—the edict noted that revenue generated by the new guilds would go directly to it—but also enabled Colbert to improve the organization and regulation of trade. Indeed, Colbert’s focus on the guilds was followed by ordinances for the textile industry that detailed regulations for every step of production, setting a new national standard and encouraging the domestic manufacture of high-quality silk cloth and lace to provide new revenues for export (Crowston 2001: p.187). The impact of Colbert’s reforms was broadly to simplify, formalize and enforce greater uniformity in the way that the crown dealt with guilds and other merchant institutions rather than abolish them. The corporate system was strengthened under Colbert’s watch.

After controlling and transforming the space and society of Marseille, Colbert immediately turned his attention to relations with the Ottoman empire and the French \textit{échelles}. In 1673, Colbert successfully negotiated a new capitulation with the Ottomans. This capitulation further embedded the \textit{échelles} within the Levant, strengthening French commerce by establishing greater security for French nationals, obtaining better commercial privileges than the English and Dutch and establishing consular sovereignty over French nationals (Takeda 2011: p.39). Colbert strengthened Marseille’s Mediterranean trade monopoly over the Levant. Control of the \textit{échelles} was in the hands of Marseille’s \textit{Chambre de Commerce} and governed by the city’s elite. This extraterritorial sovereignty, Coller argues, meant that Marseille was a “Republic within the State” (2014: p.8). Thousands of French subjects now formed a network of communities across the Ottoman port cities of the Eastern and Southern Mediterranean and inland in Aleppo, Ankara and Baghdad (Coller 2014: p.7). These French communities came to be known in French administrative parlance as the \textit{Échelles du Levant et de Barbarie}. Philipp argues that Colbert
established these échelles on terms that related to a corporate past and with a “corporate vision” (2001: p.116). Importantly, Colbert’s “corporate vision” meant that the échelles not only facilitated business connections between the Levant and the Mediterranean but also created a sovereign territory under the crown’s control.

The échelles were organized as corporations under a consul or vice-consul and were kept separate from neighboring communities. This consul dealt with the local authorities, reported back to Paris, maintained discipline among échelles members and guided the annual issue of fixing prices for merchandise. An échelles’s members consisted of around fifteen négociants, their assistants, and other French residents, such as physicians and bakers (Philipp 2001: 94-95; Takeda 2011: p.59). By the beginning of the 18th century, trade relations flourished between Marseille and the Eastern Mediterranean. In this period there were at least three French corporations, or échelles, in Syria alone, located in Aleppo, Tripoli and Sidon. There were also individual merchants operating in Ramla, Jaffa and Acre (Philipp 2001: pp.95-96).

Acre and the Eastern Mediterranean

Before the 1800s, Beirut did not have a French échelle and was not a base of operation for any highly prominent European merchant or trading company. The city was not a destination for the offices and/or factories of the French or British trading companies that operated in many other cities as, Aleppo, Smyra, Cairo, Alexandria, Algiers, Larnica, Tripoli and Alexandretta. Despite Beirut’s long and illustrious history, it was a small urban center of just 6,000 people at the start of the 19th century.50 In less than a hundred years, however, Beirut would emerge as the central trading hub of the Eastern Mediterranean and earn its acclaimed title as the “Merchant Republic”.51 In the 18th century, the northern Palestinian city of Acre was the political and commercial center of the whole Syrian coast. Beirut was a minor trading hub under the tutelage

50 The construction of Solidere unearthed archaeological treasures from different periods of Beirut’s history, including the Bronze and Iron ages. Beirut was a Roman colony and Solidere’s excavations have uncovered a Hippodrome as well as residential and commercial quarters. However, as Samir Kassir notes, apart from in the Roman period, Beirut was never been a major city until the 19th century (2011: p.85).
51 This famous reportedly originates in comments by the French consul in Acre, Pillavoine, made when he visited Beirut in 1811. He was impressed by the city’s wealth and noted the lively overseas trade, silk-cultivating operations and the caravans arriving from the Syrian hinterland and saw its potential in becoming the preeminent trading city on the Syrian coast. Pillavoine urged the French to move their consulate there, famously noting that Beirut was “a republic of merchants who have their power and their law” [« une République de négociants qui ont leur force et leur loix »] (Philipp 2001; Ozveren 1990).
of its southern neighbor Sidon, where commercial activity was centered, along with Tripoli and Mount Lebanon. In this period, Beirut was not at the intersection of any significant trade, military or pilgrimage routes. In Mount Lebanon, the Ottomans were the sole landowners and had been the dominant political power since the mid-16th century. Mount Lebanon’s main cash crop was silk. The silk trade dated back to the Byzantine emperor Justinian in Mount Lebanon and the Ottomans had incorporated this trade into their internal markets (Diab 1999: p.12).

In the 18th century, under the local rule of Zahir al-‘Umar, Acre dominated the Levantine coastal trade. Significantly, al-‘Umar had achieved a degree of financial autonomy from the Ottomans by selling cotton, a cash-crop, to France that had provided him with a degree of financial independence (Philipp 1984: p.163). In so doing, Al-‘Umar had managed to force the French to deal with him exclusively. He ensured all cotton was cultivated by peasants in the hinterland and delivered to Acre without any French involvement (Philipp 2001: p.110). In turn, the French had created a monopoly in exporting and marketing cotton from Acre. In this period the French (and other European powers) had little contact with the local population (Ozveren 1990: p.76). The French échelles were separated communities within the city under the extraterritorial rule of Marseille, which reported to the crown. But as I detail below, European contact with the local population would change drastically with the rise of Beirut.

The fall of Acre would create the opportunity for Beirut to take its place. It occurred when al-‘Umar’s reign became entangled in a succession battle. Al-‘Umar was deposed and Ahmed Pahsa al-Jazzar (known as “The Butcher”) was made governor of Sidon, taking took up residence in Acre. Al-Jazzar disregarded the French échelles and banished the French from Acre and Sidon in 1790 over a conflict about prices and trade monopolies, as well as Napoleon’s attempt to occupy Syria (Ozveren 1990: p.69). The French laid siege to Acre, and their occupation of Egypt (1798-1801) led to the end of the centuries-old relationship between the French and the Ottomans, and between Marseille and the échelles of the Levant. French subjects living in the échelles along the Mediterranean coast in Ottoman territory were either arrested or expelled and the French merchant presence almost disappeared from the Syrian coast (Coller 2014: p.10). Meanwhile, Acre and its hinterland were convulsed in conflict and famine, causing

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52 The French did manage to circumvent al-‘Umar’s monopoly at times, making deals directly with the peasant population (mainly a result of competition between the French themselves). Overall, however, the French and their capitulations were restricted to Acre and Sidon (Philipp 2001: p.110).
the city’s population and trade activities to plummet. The French did not return to this part of the Levant until 1806.

Both the French and the Eastern Mediterranean had changed significantly when the French returned fifteen years later to the Syrian coast. In the early 1800s, France was in the midst of its “turn to empire” that built upon many of the transformations Colbert had put in place. After eight years of intense drafting and debate, Colbert’s commercial code was finally replaced. In 1808 the new *Code de Commerce* recognized three forms of business organization: the *société en nom collectif*, the *soicité en commandite* and the *société anonyme* (Freedeman 1979: 13). The *société anonyme* was intended to organize large enterprises that were otherwise rare in France. All *société anonyme* stockholders possessed limited liability and capital was divided into shares that were easily transferable. These entities could be formed only with the express permission of the government, by means of a decree approved by the *Conseil d’Etat* and signed by the Emperor. The *société anonyme* was, as Freedeman (1979) notes, “A corporation in the modern sense, its organization was modeled after the privileged companies of the ancien régime” (14). The authorization procedure of a *société anonyme* was highly complex and included descriptions of the object of the enterprise, its duration, the name and addresses of its stockholders and its capital; prefects monitored the business’s progress and chances of success of the enterprise (Freedeman 1979: p.15).

One of the first *société anonyme* was the Enterprise Générale de Messageries formed in 1808, that transported goods and passengers. The *anonyme* continued to spread and the companies organized in its scheme were overwhelmingly in the transport revolution of the 19th century. These companies built canals and roads; the first three French railroad companies adopted the *société anonyme* form and steamship companies did as well (Freedeman 1979). A notable growth in government authorization of *anonymes* occurred from 1834-1859, principally due to the increase in railroad investment. In 1835, one railroad company had an initial capitalization of 6 million francs; by 1845, eleven railroad companies had a capitalization of 554 million francs (Freedeman 1979: p.69).53 The Mediterranean increased in importance with this corporate expansion. Indeed, steamship companies also utilized the *anonyme* form, and, as I note below, this had a significantly impacted relations between France and Beirut and its environs.

53 The Nord Railroad Company formed in 1845 was the largest joint-stock company created at the time in France and was capitalized at 200million Francs under the aegis of James de Rothschild (Freedeman 1979: p.69).
By 1800, Beirut was starting to benefit from the decline of Acre. The legacy of al-Jazzar’s rule saw reductions in Ottoman political influence and military capability, as well increased local urban autonomy along the Syrian coast (Philippe 2001: p.128). Beirut’s confident merchant class and semiautonomous status meant that it could resist, to a certain extent, the attempts by al-Jazzar’s successor, Sulayman Pasha, to impose taxes, monopoly policies and military occupation. Sulayman Pasha was well aware of the threat Beirut posed and in December 1811 imposed an avania of 400,000 piasters on Beirut’s merchants, which they successfully resisted (Philippe 2001: p.129). Philippe argues, “If one looks for turning points in history this act of successful open resistance by the merchants of Beirut could be considered the beginning of Beirut’s rise” (Ibid). Beirut’s semiautonomous merchant class was starting to establish the city as a new center of commerce on the Eastern Mediterranean in place of Acre.

In the early 1800s, a small group of Damascene merchants in Beirut had built up a trade with passing British ships seeking to avoid the monopoly controls in Jaffa and Acre. The end of the Ottoman-French alliance and the French absence from the Levantine coast had opened up an opportunity for the British, as Ottoman demand for British goods increased (Despina 2015: p.93). This period was one of intense rivalry between the French and the British, and from 1793-1815 the two had been at almost constant war. Following the end of the Napoleonic Wars (1803-1815), the Levant Company talked about restoring the company’s activities in Aleppo and Alexandretta and expanding trade with Acre, which had otherwise declined due to French competition and troubles in Persia (Despina 2015: pp.229-230). The increased presence and interest of the British in the Eastern Mediterranean, spurred France into once again engaging in the Levant once again.

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54 Beirut was officially part of Sulayman Pasha’s realm, as al-Jazzar had previously taken the port from the Druze landowners at the end of the 18th century and claimed it in the name of the Ottoman Empire. According to Philippe, the Druze had strongly supported the Beiruti merchants in the hopes that they could reclaim the city back and had successfully helped them repel the Pasha’s troops from entering the city (Philipp 2001: p.130).

55 In 1808, for instance, an English captain is reported to have refused to buy grain at Acre prices and instead sold his merchandise in Beirut (Philipp 2001: p.128). Furthermore, a revival in British trade was sparked by both the absence of the French and the threat the British perceived in the expansion of Muhammad Ali’s Egypt into the Levant (Issawi 1977: p.92).
By 1810, Beirut began to be recognized as a place of trade along the Syrian coast. In 1813, the newly reinstated French consult in Acre, Pillavoine, visited Beirut and was surprised by the city’s wealth and vitality. He cited the lively overseas trade, the silk-cultivation industry and the caravans arriving from the Syrian hinterland, describing its potential to become the preeminent trading city on the Syrian coast (cited in Ozveren 1990). Around this time, the first French-owned silk-reeling factories were founded in Mount Lebanon. The silk trade was central to economic life in the region and to the development of the port of Beirut (Fawaz 1983: p.64). The presence of French-owned business enterprises also marked a different type of relationship between the French and the Eastern Mediterranean. Through the échelles in Acre, the French had minimal contact with the local population in the Eastern Mediterranean. Al-‘Umar directed the cultivation of the cash crops (then mainly cotton) and the French predominately operated as exporters of the goods only. But now the French engaged directly in sericulture in Mount Lebanon, dealing with the local population to both cultivate and export raw silk (both silk threads and cocoons) (Fawaz 1983: p.63). The rise of French influence in Beirut was substantial enough that in 1827 the country moved both its trading house in Tripoli and its consular office in Acre to the city. Several other major European powers soon made similar moves, and the Americans even did, too. But French (or, more broadly, European) influence was still not the dominant force in this area. Rather, it was Egyptian.

In the 1830s, the Egyptian rulers occupied Syria (1831-1840) in an alliance with Emir Bashir II in Mount Lebanon. The Egyptians both strengthened the connection between Beirut and Damascus (to avoid the economic domains of the Ottoman Empire) and upgraded the traffic connections between the city center and the port (Fawaz 1983: 122; Hanssen 2005: 31; Ozveren 1990: p.85). This occurred in the context of a substantial rise in sea trade, with the advent of steam navigation coinciding with an Ottoman-European free-trade agreement (1838-1840). This agreement saw the European powers forced the Ottoman empire to lift its trade tariffs (Fawaz 1983: p.61; Hanssen 2005: p.32).

But the formation of important trading companies and routes was not only a tale of foreign powers and their business routes dominating the Levantine coast. As Kristen Alff (2018) has discovered from research into Levantine family archives, by the mid-1830s, a number of regionally based traders had established small business in and around Beirut that engaged in tax farming, silk farming and moneylending (later, banking). Alff states that “The Sursuq, Bustrus,
Debbas, Khuri, Farah, Tabet, Naggiar and Tueini companies began to take shape through the families’ joint shareholdings in the agricultural hinterlands of burgeoning ports on the Eastern Mediterranean coast” (2018: p.156). A number of these Levantine companies would soon become major commercial enterprises engaged in global trade and speculation.

Until the 1850s, however, Beirut remained one option among many other port-cities along the coast. It is of note that Alff (2018) refers to businesses operating along the Eastern Mediterranean as Levantine rather than Beiruti. This lose association with Beirut was no doubt because, even in the 1840s, the city was not the predominate trading hub along the coast. According to Ozveren (1990), many foreign and local minority merchants moved from one port to another along the Levantine coast, depending on their expectations and presumably the opportunities that existed for trade (p.84). Indeed, the essayist Gerard de Nerval, who visited the Levant in 1843, pondered what all the fuss over Beirut was about, noting the city’s small population and its insignificant urban morphology (cited in Ozveren 1990: p.83).

In 1840, the Ottomans regained control of Beirut from the Egyptians through a joint invasion undertaken with the British, and to a lesser extent, the Austrians. This recapture coincided with, and contributed to, the fall of the Shihabite emirate and the European decision to reform Ottoman Lebanon along religious lines in 1842 (Makdisi 2000: p.193). Following the proposal by the Austrian Chancellor Prince Metternich, the two-kaymakamate system was instituted and lasted until the Mountain War in 1860. The kaymakamate divided Mount Lebanon, along the Beirut-Damascus road, into two distinct religious zones: a northern Christian zone and a southern Druze area (Jabal al-Druz). The two areas were each ruled by a deputy chosen by the Ottomans and the European powers (Ziadeh 2006: p.58). The kaymakamate system, however, was problematic from the start, as a number of scholars have pointed out that the religious zones were never as homogenous as intended and community tensions were interwoven with increased European power and inter-European competition. The presence of European imperial power and the impact of the industrial revolution were making themselves felt in the region.

Meanwhile the Ottomans, ever anxious to maintain stability within Lebanon and to keep the European powers at bay, enlarged the vilayet of Sidon, making Beirut its capital, and reformed the governance system with the Tanzimat. The Tanzimat stipulated the religious

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56 The Tanzimat (literally, reorganization in Turkish) was a series of reforms promulgated by the Ottoman Empire between 1839 and 1876.
equality of all subjects and, Makdisi (2000) argues, was aimed at promoting a secular and elitist Ottoman nationalism in Mount Lebanon that could stem European physical and cultural encroachment. The essential provisions of the Tanzimat were the legal equality of Muslim and non-Muslim subjects and the safeguarding of property (Makidisi 2000: p.194). The Ottoman’s were keen to re-establish their authority on an increasingly restive Mount Lebanon. But as Makdisi (2000) argues, the Tanzimat was open to different interpretations among the elite, as well as divergent understandings, realities and everyday experiences in Mount Lebanon. As a result, the Tanzimat increased tensions within Mount Lebanon. Violence erupted between the Druze and the Maronite communities, culminating in the civil war of 1860.

The local inhabitants of Beirut and its hinterland of Mount Lebanon were at the center of competing struggles for domination by some of the largest powers in the world but, perhaps due to these competing struggles, were able to maintain some autonomy from them. It is possible that the newly formed Levantine businesses, detailed by Alff (2018), were able to thrive particularly well in Beirut thanks to the relative independence that the city had gained. Trade continued to thrive in Beirut relative to the other competing port cities along the Eastern Mediterranean coast. Furthermore, the change from the paddle wheels to screw-propellers meant that steamships’ efficiency and speed were drastically improved and the number of ships and cargo increased. Two steamship lines from Britain (soon replaced by France) and Austria made regular calls to the city (Issawi 1977: p.97). In 1844, Beirut was the only port in the region served by steamers (none called at Tarsus, Alexandretta, Latakia or Tripoli) (Ozveren 1990: p.89). By 1849, the British counsel noted the following: “Beyrout is a thriving commercial town, having usurped the foreign trade possessed by Sidon; in 1845, 365 new houses were built in Beyrout: it is now the port for the center of Syria and Damascus, and the chief point of communication of Syria with Europe” (cited in Issawi 1977: p.96).

In France, meanwhile, the spread of the anonymes between the 1830s and 1850s was producing a railway boom and the formation of large steamship companies, both of which intensified and transformed France’s relationship with the Eastern Mediterranean and Beirut in particular. From 1840, the French presence began in earnest. As Salibi (1965) notes, in 1841 the Maronites began to seek advice and support exclusively from the French consuls, which started to cause angst among the Druze (pp.58-59). In 1841, France had approved the creation of six commercial ships for its expanding sea routes in the Middle East, and in 1845 the country
opened the Marseilles-Beirut line (Diab 1999: p.19). One of the largest steamship companies was the Compagnie des Services Maritimes des Messageries Nationales formed in 1852 and capitalized at 24million francs (Freedeman 1979: p.97). This company, which received an annual subsidy from the state of 2.7million francs, was central to the increased trade between Beirut and France. The expanded trade that the steamship companies expected was supported in 1859 by the government’s authorization of two joint-stock companies to upgrade the dock and the port in Marseille (Freedeman 1979: p.99).

The French connection to the Mediterranean was also strengthened by the completion of the Paris-Lyon-Marseille railway line by the Compagnie des Chemins de Fer de Paris à la Méditerranée. This line opened as relations between France and the Levant were shifting, with cotton’s importance declining and silk increasing. The railway line greatly increased links between the inland French city of Lyon, the country’s “capital of silk”, and the Mediterranean and specifically Lebanon. This expansion in sea traffic was also accompanied by a growth in French (and British) owned silk-reeling factories, a broader increase in the number of spinning wheels and even a shift into the development of making silk thread (Fawaz 1983: p.65). The French had also introduced better silkworm eggs to fill the growing demand for raw silk. Fawaz notes that, after 1855, baladi (“local”) silkworms were replaced by eggs imported from France, Italy and Egypt (Fawaz 1983: p.63). By 1853, silk had overtaken gold and silver as Beirut’s chief export and the number of silk-production enterprises in Mount Lebanon engaged in silk production increased from nine in 1852 to around 65 in 1860 (Diab 1999: p.20; Fawaz 1983: p.63). After 1860, relations between Lyon and Beirut intensified greatly because of the former’s increasing demand for Syrian silk. By 1867, silk from Syria was among the most frequently listed commodities on the Lyon stock exchange (Chevallier 1960: p.282).

The period from the 1840s to the 1860s witnessed a dramatic transformation of Beirut and its hinterlands. By the 1850s the, city was fully integrated into the major European centers of trade and industry. Ottoman dominance in Mount Lebanon was eroding and trade was increasingly going West rather than East, further contributing to Beirut’s rise. In 1856, the Ottoman Sultan granted Europeans and local minorities in the sultanate the right to buy land, boosting the presence and revenues of European businesses. Again, as Alff’s research has shown, it was not only European powers that were capitalizing on the vast increase in the value of silk and the rise of Beirut as a major trading hub on the Eastern Mediterranean coast. The Levantine
businesses established in the 1830s were now profiting from rising silk prices as well, and Alff indicates that by 1857 they were engaging in what would later be institutionalized as the “futures” trade (2018: p.169). In 1858, the Greek-Orthodox Sursuq family had accumulated enough capital to establish their firm’s first European office in Grosvenor Square, located in the fashionable Mayfair area of London; they were soon joined by the Bustrus family nearby. As Alff notes,

When not conducting business in Beirut, Alexandria, Istanbul, Adana, Mersin, Paris, or Marseille, family members used their London offices for business dealings in global commerce, trade, and social visits. They discussed their investments in Ottoman land markets, sent and received bills of lading, negotiated their roles as creditors in European, Ottoman, and Levantine banks, purchased majority shares in major European cotton and transport companies, and strategized corporate litigation presided over by British judges and Beirut’s Islamic (shari’a) and commercial courts (pp.150-151).

The economic transformations of Beirut and its hinterlands, however, placed serious strain on the sociopolitical and economic formations of Mount Lebanon. Long-standing tensions between the Druze and Maronite communities had been exacerbated by the transformations the industrial revolution had brought. These included the introduction of new types of silkworms, which spread a disease that decimated the baladi breed; a decline in traditional crop production because arable land was increasingly dedicated to Mulberry trees to feed the silkworms and the import of European industrial products and technologies, which ruined local agricultural and craft industries (Fawaz 1983: p.63; Salibi 1998: p.16; Diab 1999: p.11).

In 1860 a devastating series of civil conflicts took place between the Maronite and Druze communities in Mount Lebanon, providing the occasion for the transition from Ottoman to French domination. As Leila Fawaz (1994) argues, it is difficult to say when the constant unrest between the Maronites and the Druze—which involved targeted assassinations, raids and looting—shifted into an outright civil war (pp.49-50). But the conflict resulted in large-scale killings and devastated vast areas of Mount Lebanon; 200 villages were plundered or destroyed.

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57 As Fawaz notes, the civil wars of 1860 were entangled in: problems caused by the end of one political system and its replacement by another; the frustrations of the peasants; the weakening of traditional elites; the changing role of the Maronite clergy; tensions among urban elites and the Ottoman establishment and rival urban factions in Damascus; and the changed status of minorities in the empire at large and the relative strength of the Ottoman and European powers (Fawaz 1994: p.6).
and numerous mulberry trees were razed (Fawaz 1994: p.165). The conflicts of 1860 provided Napoleon III of France with an opportunity to demonstrate his self-proclaimed role as a champion of national and minority rights in the Ottoman empire. An international commission was established that investigated the cause of the disturbances: “The European commissioners placed responsibility for the massacres on the local Ottoman authorities. These representatives from France, Great Britain, Prussia and Russia took the position that government responsibility was total” (Fawaz 1994: pp.202-203). Much to the consternation of the Ottomans, Napoleon III proceeded to send troops into Lebanon and re-organized the Ottoman administration in the area.58

The conflict of 1860 had a profound impact on Beirut. The influx of people fleeing the violence and seeking safety in Beirut increased the city’s population increasing nearly fourfold (Diab 1999: p.17; Fawaz 1983: p.32). As Hanssen (2005) notes, “The post-war period from 1860 to the creation of the provincial capital of Beirut in 1888 was a foundational moment of Beirut’s history in which local notables, merchants, and public moralists joined forces in an attempt to formulate a modern vision for Beirut” (pp.4-5). From 1860 onwards, Beirut was the preeminent trading hub in the Eastern Mediterranean. In November 1860, Beirut became the first city in the Levant to open a telegraph station. The quick adoption of the telegraph was a sign of how the city was rapidly adopting the telecommunication and transportation innovations that were sweeping the globe (Hanssen 2005: p.39). I argue, however, that a critical factor of Beirut becoming a central node of French power and a commercial hub was the formation of one of the first capitalized joint-stock corporations in the Eastern Mediterranean, organized around the Beirut-Damascus highway. This corporate road, I contend, created a durable socio-spatial and technical arrangement or system—a power network—that displaced existing power arrangements and assisted in the French colonization of Lebanon.

58 On June 9, 1861, the statute known as the Réglement Organique established a Mutasarrifiyya that constituted Lebanon as an autonomous Ottoman province, administered by a non-local Christian governor (or mustasarrif), under the guarantee of the six signatory powers. In 1864, the Ottomans formed a vilayet in Syria out of the vilayets of Sidon and Damascus. They divided this vilayet into five sanjaks (subdivisions of a province). In 1888, a vilayet of Beirut was formed from the vilayet of Syria and the city of Beirut became the administrative capital of the vilayet carrying its name. This agreement lasted until World War I and the start of the French Mandate in 1918.
There were many reasons for Beirut being propelled into a position of primacy in the Eastern Mediterranean. As I suggested above, trade was able to expand so vigorously in part because the city was able to maintain relative autonomy from the competing powers that sought to dominate the very trade they had encouraged. But also critical to Beirut’s rise were its infrastructural and organizational advances, in particular the road from Damascus to Beirut. This road was one piece of infrastructure that was critical to Beirut establishing its primacy along the Syrian coast. Leila Fawaz notes that “one could argue that the establishment of the Beirut-Damascus road and its progeny led to the commercial importance that Syria and later Lebanon were to enjoy for many years to come” (1998: p.25). While Samir Kassir (2011) echoes the sentiment: “the Beirut-Damascus road had an enormous effect on the two cities and on the whole region that lay between them” (p.117). Kassir claims that the road confirmed Beirut as the principal port city of Syria. It meant that Damascus was now linked to large-scale international commerce resulting in supremacy over Aleppo and transforming the fertile lands of the Biqa‘ (Ibid).

Scholars like Tresse (1936), Fawaz (1998) and Kassir (2011) have already established the significance of this joint-stock corporate road and its relation to trade, and this is not what I seek to focus on. Rather, I stress the importance of this road as a socio-spatial and technical system of power, created through joint-stock corporate form and materiality, that facilitated French domination. The road certainly created great financial profits for its owners and shareholders but it was far more than a mere business. The corporate road was also a key military apparatus and established certain forms of (French-led) governance. Here, I argue that the French-owned Compagnie Impériale Ottomane de la Route Beyrouth-Damas (henceforth, the Compagnie) was central to not only the development of Beirut as one of the Eastern Mediterranean’s foremost political and commercial centers, but that this corporation also created a certain mode of governance. The Compagnie, or the “French Road”, as it was also known, soon facilitated the formation of the “French City” and then the French Mandate in 1918. The Beirut-Damascus road, along with the port of Beirut, are the sites through which the French formed some of the
earliest joint-stock corporations in the Eastern Mediterranean. The corporation, I contend, was pivotal to what Ozveren (1990) has argued was “a special kind of politics which sought to keep Syria open to European interests [that] worked in and through Beirut” (p.104).

Before the Beirut-Damascus Highway

“The town is the correlate of the road,” Deleuze and Guattari (1987) argue; “The town exists only as a function of circulation, and of circuits; it is a remarkable point on the circuits that create it, and which it creates” (p.432). Indeed, Beirut’s importance as a strategic commercial and military hub lay not merely on its own constitution but in its relations to other notable inland cities, namely Aleppo and Damascus. Before the completion of the “French Road” in 1863, the journey from Damascus to Beirut, so critical for Beirut’s existence as a commercial center, was long, uncomfortable and dangerous. As Leila Fawaz notes, “The decrepitude of the road system made travel within Greater Syria often difficult and frequently impossible” (1998: p.19). The poor state of the Beirut-Damascus carriage road meant that it took three to four days for caravans to travel between the two cities: “It also involved the discomforts and fears associated with travel by pack animal, dealing with the weather and highway robbers, and crossing the valleys, plains, gorges, and peaks of Lebanon and anti-Lebanon ranges” (Fawaz 1998: p.20).

To build a road connecting Beirut and Damascus required not only the technical capacity and capital to build it, but also the governance and military system to ensure that people and goods were actually able to circulate freely upon it. As the French historian Rene Tresse (1936) notes, in one of the earliest studies of the Beirut-Damascus highway notes, “insecurity on the road was constant” (p.230). Reports from the European consuls based in Beirut frequently mention attacks on their mail and occasional assassinations of their workers (Tresse 1936: p.232). Henri Guy, the French counsel, noted that newcomers to Beirut arriving via the Beirut-Damascus road were always congratulated when they arrived safe and sound (cited in Fawaz 1998: p.20). Despite the long historical absence of a secure and high-quality road connecting

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59 In the Ottoman empire, the transformation of French business codes was not ignored. In 1851, the first predominately Muslim-owned joint-stock company of the Ottoman Empire was established: Şirket-i Hayriye (Kuran 2012: p.97). Şirket-i Hayriye, formed on the basis of the French business code, was a marine transport company headquartered in Istanbul. Its ownership was divided into 2,000 tradable shares. The Company was an unincorporated corporation and did not have a charter from the Sultan (Kuran 2012: p.98).
Beirut and Damascus, almost as soon as Beirut began to be recognized as a notable trading hub, attempts were made to build one.

As noted above, after the Egyptians took Syria in 1830, one of their first projects was to strengthen the connection between Beirut and Damascus. In 1835, Ibrahim Pacha drew up plans to build a new road. As a British Commercial Report (1835) detailed, “A military road is also to be constructed between Beyrout and Damascus which will greatly facilitate the internal trade by affording a cheaper and more expeditious means of conveyance for merchandise” (Cited in Issawi 1977: p.94). The conflation between a military and trade route is significant. This Beirut-Damascus highway was of enormous strategic importance to both military and commercial operations in Lebanon. The 1835 road planned by Ibrahim Pacha was abandoned, however, as Egyptian rule of the region soon came to an end.

It is likely that it was the road’s military significance that resulted in the Ottoman Porte resisting persistent calls to build the road 1840s by Richard Wood, a former Levant Company dragoman-trainee, and, in the 1840s, a consul for the British crown in Beirut. Tresse (1936) notes that Wood was finally granted permission to build the road when he traveled to Constantinople, after already making several requests to the Ottoman Porte, but only on condition that he organize its financing. Upon his return to Beirut, Wood found that the Séракskier (the commander in chief of the army) was not implementing the Porte’s instructions to build the road and Wood’s subsequent complaints to the Porte fell on deaf ears (Tresse 1936: p.232). It is not unreasonable to conclude that the Ottomans, all too wary of the growing power of the Europeans, did not want this road built. The Ottomans must have been aware of the strategic military importance of the road and the advantage it would provide the European powers with.

By 1850, Tresse (1936) notes, that calls for the construction of the road appeared to have stopped. He puts the declining interest in the road down to new instability in Iraq discouraged trade caravans from venturing into the Syrian desert, and to increased insecurity more broadly (Tresse 1936: p.230). But the expanded European military presence that followed the 1840 Ottoman recapture of Syria was taking its toll on commercial activity. Tresse (1936) states that the French and British militaries had bought all the horses and mules in the local area diminishing their availability for commerce (p.234). Tresse (1936) argues that the Ottoman’s finally agreed to build the road when there was no way to transport grain from Huran, Homs and Hama (Ibid).
But there were also larger forces at work. By the mid-19th century, the impact of the European industrial revolution was radically changing social relations across the Ottoman empire, including in greater Syria. Khoury notes that the decline of traditional Syrian industries and local manufacturers resulted in wealthy merchants and other owners of capital showing greater interest in land as a principal source of wealth (1991: p.1381). The Ottoman Empire itself also increasingly viewed land as a source of revenue and as a means to fund its modernization schemes (Ibid). The 1858 Ottoman Land Code, was the first modern, universally applicable land law enacted by the Ottoman Empire and it created the legal framework for the establishment of private property (Aytekin 2009: p.935). Aytekin argues that the Ottoman Land Code substantially facilitated the alienation of land through sale, mortgaging and other commercial transactions, and cleared obstacles to the free financial circulation of land (2009: pp.938-939). It was in this context that the Ottomans granted the required decree (firman) for the Beirut-Damascus road to be constructed in 1857.

The “French Road”

The Beirut-Damascus road became known as the “French Road”, Isabel Burton (1875) recorded in her diary as she travelled the highway in 1870, “because it was organized by two brothers of the ancienne noblesse, devoted Orleanists, Counts Edmond and Léon de Perthuis, who left France and embarked in a speculation which has proved an exceedingly good one” (p.21). Count Edmond de Perthuis was a retired French naval officer who had left France after the revolution in 1848 and settled in Syria (Fawaz 1994: p.117). He was a representative of the French steamship line Messageries Maritimes and had obtained the Ottomans’ 50-year firman to build and exploit the carriage road between Beirut and Damascus. In 1857, de Perthuis formed the joint-stock corporation Compagnie Impériale Ottomane de la Route Beyrouth-Damas, with offices in Beirut and Paris, and began construction on the road.

Reportedly, de Perthuis had little trouble financing to build the Beirut-Damascus road. The Compagnie des Chemins de Fer de Paris-Lyons-Méditerranée and Credit Lyonnais invested

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60 Aytekin (2009) notes that the pre-modern Ottoman system of land tenure was based on a fundamental distinction between public (miri) and privately owned (müلك) land. All arable land belong to the state as it had the right to absolute ownership over all land the cultivators were tenants of the state. When public land changed hands it was referred to as a ‘transfer’ (ferağ, tefviz) not a ‘sale’ (iştira’, bey’, satmak, almak) (p.937).
heavily in the company (Fawaz 1998: p.24). The company raised 3 million francs from its shareholders, selling 6,000 shares at 500 francs each (Kassir 2011: p.116). The 4.2-million-franc construction of the road was the first major European investment in the area and was followed by a series of investments from 1888-1914 that radically changed the socio-spatial relations of Beirut (Hanssen 2005: p.10). It is important to stress, that the de Perthus brothers were able to easily obtain financing for the construction of a road in territory that was notorious for its insecurity, as detailed above. As Tresse (1936) also emphasizes, it was well known that travelers in this region provided their own security. Every time the Europeans engaged in important business they have to take care of protecting themselves, first Europeans had to protect themselves against the dangers that the government cannot prevent but also in regard that this same government may inflict (Tresse 1936: p.237). For the construction of something like a road, Tresse remarked, “security posts had to be established to guarantee the security of it and in ensuring income these posts obey a European authority” (Ibid). Tresse argues that this European authority made the road neutral ground (“une sorte de terrain neutre”) but of course, as the local called it, the “French Road” was anything but neutral.

The establishment by the French of the geographical scale, as well as financial and social commitment that the joint-stock Compagnie involved, marked a turning point in French relations with the Levant. There is an important difference between the types of companies the French (as well as other Europeans and even the Levantine merchants) created and the Compagnie. The financial revenues that the road created could, with the correct amount of accompanying power, be regular and extended in the future—in the case of the Compagnie, revenue could be generated for the next 50 years. This was in stark contrast to the transitory income of silk. Although many merchants made incredible amounts of money through the silk industry, including the Levantine merchants who, as Alff (2018) has detailed, became major global investors, it was a precarious industry. Silk factories did offer the opportunity for riches, but they did not offer the prospect of a steady and regular incomes. Silk factories could easily be wiped out, as indeed often happened, for instance, by the silkworm diseases perbrine and muscardine, the unstable price of silk itself, labour unrest and/or drought.

A road, however, presented a more durable revenue structure than silk and, crucially, could perhaps capitalize the future through the durability of its urban structure. The Compagnie had a 50-year decree, which guaranteed a monopoly on all transport by wagon and car along this
road over that period. As long as the road could be adequately maintained, and the surrounding populations controlled (or “governed”) to ensure that they did not disrupt the circulation of goods and people, then a constant stream of revenue could be achieved.

Perhaps the investors in the capitalization of the Compagnie’s investors were confident that de Perthuis could secure the governance of the route because he had been provided with certain guarantees by the state. We do know that de Perthuis was able to achieve a certain position of power in the region and was known as the “Emir of the Road” by locals (Cited in Fawaz 1998: 25). Fawaz notes that de Perthuis was occasionally asked to settle personal disputes in Mount Lebanon where he “played local politics and participated in economic ventures” (1998: 25). “He had blended into the local scene sufficiently to perform some of the leadership and mediation functions of a shaykh,” Fawaz notes, “Building a new road had made is possible for an entrepreneur who lived in Beirut and came from France to be an arbiter of sorts in the countryside” (1998: p.26). The Compagnie de la Route was far more than a business, and de Perthuis far more than a businessman or entrepreneur:

During an excursion of the de Perthuis family to Araja in Mount Lebanon, for example, a dispute arose between a Druze and two Christians leading their pack animals. Some villagers were drawn into the quarrel, caught the culprit who asked to defend himself in front of Edmond. The latter was away, however, so his nephew heard the case, as translated to him by a friend of de Perthuis who knew enough Arabic for the purpose, while the various parties sat in the meeting in a sort of impromptu majlis. After some arguments back and forth between the two parties to the dispute, they all agreed to make peace and – what is particularly interesting – “to respect the [Beirut-Damascus] road” (Ibid)

It is my suggestion that the Compagnie was highly favourable to the French colonization of the Levant that would soon follow the construction of the road. I am not suggesting that the French brothers were part of a grand project for French colonization, they very likely were two speculators that no doubt sought to get as rich off this road as quickly as possible. But for Napoleon III the road could likely of been viewed as far more than a business with French connection. Napoleon III is known by military historians to be one of the first European leaders to send commissionaires ahead of the military to gauge resources and establish markets (Khalili 2017: p.94). He would likely of known of the roads French links and the
strategic opportunity this provided France and his plans for domination of this region. As Rabinow (1989) notes, in the context of expanding French power in Indochine, “Roads were the key; without them there could no movement of troops, no commerce, and ultimately no society” (p.148). Could joint-stock corporations like the Compagnie, as well as roads, be considered as key to the expansion of French power in Lebanon? I can only speculate. It is of note that the Compagnie utilized the latest technology in road building and clearly invested heavily in ensuring that the road was of the highest quality. In 1820, a new type of road construction had been invented by the Scottish engineer John Loudon McAdam, the macadam road, and this technique was utilized for the Beirut-Damascus road. Isabel Burton (1875) noted in her account of the journey that “This French road is the only macadam in the country, and a splendid specimen it is, as smooth as a billiard table, crossing mountain, valley, and plain over a total distance of seventy-two miles”.

The military significance to the French of the Beirut-Damascus highway and the Compagnie was proven even before the road was completed. The Ottomans and French both established military camps situated on the Beirut-Damascus highway when they sought to intervene in the civil unrest of 1860 in Mont Lebanon (Fawaz 1994). Despite Lebanon still remaining under Ottoman rule, the main artery from Beirut to Mount Lebanon was the Beirut-Damascus road which—although it only half complete in 1860—was controlled by the Compagnie and therefore nominally by the French government.61 This road not only had a 50-year lease but also a monopoly on all transport by wagon and car; as a result it was the only road that was capable of moving troops or artillery. This road’s importance was also increased by the fact that Beirut itself was still a minor city along the coast and could not accommodate the large military battalions of the French. Osmont, the French staff council, was sent to assess how to accommodate a billet as large as 12,000 and noted that Beirut’s water supply was insufficient (Fawaz 1994: p.117). Osmont, with the assistance of de Perthuis, found a strategic location along the Beirut-Damascus highway for the French troops (Ibid).

At the same time France established a military presence in Lebanon in 1860, its need for imported silk increased, as demand from Lyon increased significantly. The French historian

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61 As Fawaz (1994) records, when news of the civil war spread, business came to a standstill and work on the Beirut-Damascus highway came to an abrupt halt as workers dropped their tools and left to hide or join in the fighting (p.55). It was only after the civil war in Mount Lebanon ended in 1861 that construction could resume and the road was completed in 1863.
Emerit (1952) points to indications that the Lyonnais industrialists urged Napoleon to reestablish order in Lebanon, as the production of silk in Mount Lebanon was increasingly important to Lyon’s silk demands and this also provided the opportunity to lower the tariffs on silk exports to France (pp.211-232). Although the Ottomans avoided a full French military occupation through Fuad Pasha’s skilful negotiations after the 1860 civil wars, French influence was starting to overpower the Ottomans and through the road they now effectively governed the main artery of the city and Mount Lebanon.

Following the civil war’s hiatus on the construction, the road was finally completed in 1863. The route was 111 km and soon became a busy transport route for passengers and goods. The Compagnie was one of the most lucrative French enterprises in the Ottoman empire and it facilitated a large expansion in the transportation of goods. Fares to travel on the road were high or as Burton (1875) noted in her diary, “The passage is tolerably dear, and the transport of baggage dearer still, but the service is right well done”. Soon enough the road was transporting 11,000 passengers per year (Kassir 2011: p.117). The route was very active and earned a steady and constant income for its shareholders. On June 13, 1892, the French newspaper Le Journal des Débats reported that the Beirut-Damascus road was “always in a prosperous situation, its average receipts in the last five years was 1,119,800 francs, or 10,712 francs 50 cent per kilometer, and the shares have received dividends between 12 and 15%. In addition, in the past twenty years the company has written off all the bonds that it has raised”. Fawaz notes that between 1863 and 1890 the transportation of goods increased from 4,730 tons to 21,400 tons (1998: p.25).

Conclusion

The French were weaving a web in Lebanon. The Compagnie, in both its material and legal arrangement, came to have a military, commercial and sovereign significance. Whether by design or default, the corporation was the spider and its silk the capitalization of the built

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62 Writing in her diary in 1875, Isabel Burton in 1875 provides fascinating insight into what it was like traveling on the Beirut-Damascus highway: “A diligence [a coach usually with four or more horses] starts from each of the two termini at 4am, both meet at the halfway house, Shtora, about 11:30, when travelers have half-an-hour to feed, and each reaches its destination at 5 and 6pm. Thus the drive is fourteen hours up, and thirteen hours down. … I have once been obliged to wait a fortnight for a place when I was not strong enough to ride… The drivers change their teams every hour, push very fast, and have respectable conducteurs and guards.”
environment. In parallel to the French capitalization of infrastructure within Lebanon, the trade between France and *bilād al-shām* was booming. French influence soon expanded further following the completion of the Beirut-Damascus highway. The shareholders of the Compagnie also soon founded the Compagnie Ottomane du Port des Quais et des Entrepôts de Beyrouth and had enlarged the Beirut port significantly by 1894 (Khairallah 1991: p.84). In 1893, the Compagnie Impériale Ottomane de la Route Beyrouth-Damas was dissolved and absorbed into La Société des Chemins de fer Ottomans de Beyrouth á Damas-Hauran. But the road had done its work. The Compagnie had remade the region’s socio-spatial relations through its construction. The Compagnie unlike other enterprises did not merely transform an individual location, but rather established a new power network that displaced existing social-spatial arrangements. The Compagnie not only created great profits for its shareholders, but also helped lay the path for French domination of the Levant that became fully apparent with the start of the French Mandate in 1918.
References


A dispute between Solidere and Radian International, a subsidiary of the American engineering firm URS, erupted over the levels of methane gas that Radian was tasked with reducing at the Normandy garbage dump in the Beirut Central District (BCD). This quarrel had escalated to the Lebanese courts in 2004, then French ones and by September 2007, to the district court in the corporate haven of Delaware, USA. The argument between Solidere and Radian had grown to include not only technical questions about the extraction of methane gas, but to disputes over the very constitution and form of Solidere itself. The United States District Court for the District of Delaware was tasked with considering a question that had long been debated in Lebanon: what exactly is the joint-stock real estate corporation Solidere and specifically what is its relationship to the Lebanese government? The court was tasked with deciding if Solidere was an organ of the Lebanese state.

Solidere had awarded Radian a contract worth $53 million in 1999—one of the largest contracts it had issued up to that time— to clear the Normandy Dump. It was financed by three banks loans to Solidere, US$14.7 million of which came from the US government through the Import-Export Bank of the United States (Solidere 2008). The contract came a year after the United State lifted its ban on it citizens visiting Lebanon. The Lebanese newspaper The Daily Star quoted the head of the US Trade and Development Agency, William Daley, who noted that US companies were anxious to catch up in the reconstruction; he called the situation a “win-win for American business and the Lebanese” (Harvey 1999).

The legal battles continued and Solidere escalated the legal fight by including Radian’s parent company URS in the litigation on the basis they were a “single economic enterprise” (Solidere 2008). In 2004, Solidere had already taken Radian to the International Chamber of Commerce (ICC) in Paris, which ordered URS to pay $2.4 million in attorney fees and reduce

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63 The Civil War had resulted in the Normandy Hotel being reduced to rubble and soon turned into a dumping site known as the Normandy Landfill. Fires and explosions were known to occur at the dumpsite due to the levels of methane at the site (Masri 1997: p.98). In a notorious incident in 1987, the Lebanese Forces imported a large quantity of toxic waste from Italy and dumped it in part at the Normandy Landfill (Greenpeace 1996). By 1994 the volume of the landfill had reached about 5 million m³ with half of this below sea level, reaching a depth of 20 m and expanding 600 m beyond the original shoreline (Sadek and el-Fadel 2000). In 1997, Radian began work on the dumpsite but by 2004 when the project was due to be completed, Solidere accused Radian of not reducing the levels of chemical and biological constituents, in particular methane gas, to the contracted levels.
the methane levels to the contracted amounts. The ICC also authorized Solidere to withhold project payments. The legal battles proliferated and expanded. In September 2007, URS filed a countersuit against Solidere in Delaware based on its inclusion in the arbitration at the ICC on the footing of “subject-matter jurisdiction” and requested an injunction against Solidere to invalidate the ICC ruling. One of the ways that URS attempted to obtain an injunction against Solidere was through the Foreign Sovereign Immunities Act (FSIA) of 1976. If URS could prove that Solidere was an “organ of a foreign state” then, under the stipulations of the FSIA, subject-matter jurisdiction would pertain and the court would be obliged to dismiss the suit.

The Delaware court had seven tests to decide if Solidere was an organ of the Lebanese state. The first concerned the circumstances surrounding the corporation’s legal creation—the court deemed to weigh “more heavily in favor of organ status where the entity originally was created for a government purpose”. The court noted that Law 117/91 is one of general application. While it did not require the creation of Solidere specifically, it was clear that the corporation was constituted on the basis of this “special law” (URS Corp vs Solidere 2007: pp.17-18).

The second test concerned Solidere’s purpose—the court considered this to be “mixed”, since it was dedicated to both public (governmental) functions and the commitment to create a profit. URS asserted that Solidere was created by the Lebanese government to “perform an important government interest, rebuilding the CBD”, while Solidere argued its purpose was like that of any other private company, “to increase the financial profit of its shareholders”. In considering Solidere’s articles of incorporation and its agreement with the Council for Development and Reconstruction (CDR), the court deemed that the building of infrastructure “is a traditional government function” and notes that the initial role of rebuilding and redeveloping the BCD, which Solidere took over from the CDR, also “suggests that Solidere’s purpose is public” (p.19). But the court also argued that Solidere’s selling of the redeveloped land and buildings, “presumably for a profit”, suggests a “neutral factor”.

64 Subject-matter jurisdiction is the power of the court to adjudicate a particular type of matter and to provide the remedy demanded.
65 URS is a San Francisco-based corporation that, like so many companies, such as J.P. Morgan and Walmart, is incorporated in Delaware, likely because of the state’s low corporate tax regime, minimal regulations, friendly courts and heightened levels of anonymity and absentee ownership.
For its third test, the court considered the degree of supervision by the Lebanese government. The court weighed against organ status, accepting Solidere’s argument that, while the government does exercise some control over the corporation it is ultimately controlled by its corporate board of directors and that its day-to-day operations are run by a management team.

Fourth, the level of government support was analysed, with the court again weighing against organ status. URS pointed to the substantial public support that Solidere received through public land it received and compensation for undertaking the public works in Beirut. But the court noted that this argument blurred the line between compensation for work performed under a contract and financial support. URS also cited Solidere’s tax-liability exemption, allowing it to use US$ for its financials, and the prioritization of the cash component of Solidere’s capital to the state, public institutions and municipal concerns. But the court cited Solidere’s annual report asserting that it conducted its projects “without recourse to public funds”. The court noted that there was a distinction between providing government incentives to encourage business for the public good and subsidizing an entity without elaborating on what this distinction might be. The court concluded that the Lebanese government “did not lend money to Solidere, guarantee funds, or subject itself to any risk” (p.21).

Fifth, the court reviewed Solidere’s employment policies, again weighing against organ status. The court noted that Solidere had no public employees and is under no obligation to hire any public employees. The only factor that weighed toward organ status was the single member of the board representing the Lebanese government. The court concluded that this was not enough to find in favor of organ status.

The sixth test considered Solidere’s other obligations and privileges under Lebanese law; once again, the court weighed against organ status. URS highlighted the eminent domain rights of Law 117/91 that transferred ownership of the BCD to Solidere. But the court noted that the Lebanese government undertook this transfer, not Solidere. It was the corporation’s “privilege to exercise the taking of property from individual owners” and the Lebanese government “did not grant the corporation the privilege to transfer property rights itself” (pp.22-23). URS cited Solidere’s exemption from taxes and its filing of taxes in US$ rather than Lebanese lira (LL) like other companies in Lebanon, but this the court deemed this to be the government incentivizing business and not conferring a special privilege. Notably, although the court allowed Solidere’s annual reports to be cited, it rejected URS’s presentation of Lebanese media reports that
compared Solidere to a government ministry, because these media reports were “not the same reliable nature as ‘affidavits, depositions, and testimony’” (p.22).

Seventh, Solidere’s ownership structure was considered. Yet again the court weighed against organ status. The court noted that, overall, the Lebanese government and six government entities owned a total 2.32 percent of Solidere shares, which the court deemed insufficient for the Lebanese government to exert control over the company (p.23).

The court concluded that Solidere is not an organ of the Lebanese government and URS’s claims were dismissed *sua sponte* (of their own accord). The court stated, “Essentially, Solidere is a private company engaged in a major restoration project, with public aspects, that is supervised by the government in its capacity as Solidere’s client” (p.24). The court cases continued, and the costs continued to rise. In 2008, Radian reportedly paid Solidere an undisclosed cash amount to settle the case. While Solidere withdrew payments worth $11.5 million, Radian’s legal costs accumulated to $4.2 million (URS 2008; Solidere 2008).

The Delaware court’s consideration of Solidere’s constitution and its relation to the state left out significant contextual information about the corporation’s formation and did not descend into those “bowels” of the company that I seek to address in this Chapter. Notably, the Delaware court did not engage the significant disputes around the passing of Law 117/91 and the corporation’s broader legal formation. Nor did it address Solidere’s principal sponsor, the several-time Prime Minister of Lebanon Rafik Hariri or the particular system he built in relation to the state, the CDR and Solidere. Solidere’s board of directors and corporate managerial structure are cited as being independent of the government but the actual characters that fill these positions are not examined. Furthermore, Solidere’s aim is to increase the financial profits for its “shareholders” but, as I consider in this chapter, its shareholders often link back to the figure of Rafik Hariri. The court did not consider the scholarly literature on Solidere, which I detail in the Introduction, that had extensively documented the relationship between the corporation and the state. Perhaps it was the investigation’s specific framing of whether Solidere was an “organ of the state” that in its decision.

In my own interviews with scholars, journalists and even Solidere employees both current and former, Solidere was frequently referred to as a “state within a state” and/or considered to replace many governmental functions. In this chapter, I do not argue that Solidere is an “organ of the state” or even “a state within a state”. But neither do I consider Solidere to be
merely a business enterprise. Solidere’s formation as a joint-stock corporation and organization of social life in Lebanon was not derivative of the state but constitutes its own type of corporate sovereignty. Solidere not only established a certain spatial order in the BCD; through its capitalization of urban space it provided a central pivot in attempts to reorder Lebanese society more broadly. I contend that Solidere was its own apparatus of social power. Solidere and the Second Lebanese Republic were coproductions.

This chapter is divided into two parts. The first part, provides the context for Solidere’s emergence, specifically examining the Civil War, the Ta’if Agreement and Rafik Hariri, and the second details the gradual assemblage of forces that resulted in the creation of Solidere itself. Accounts of Solidere often begin with its inauguration in 1994, but in this chapter, I argue that this corporation was part of a gradual process of corporate building that began in the early 1980s and resulted in the formation of the Second Lebanese Republic. Solidere assisted in the rise of the Saudi-Lebanese emissary Rafik Hariri and his accumulation of social power in a violently fractured Lebanese context.

In the second part of this chapter, I detail how Solidere emerged as central to the reconstruction process and how it was embedded within the multiple and overlapping attempts to rebuild that can be traced back as far as 1977. Solidere and the previous attempts at “reconstruction” I contend should not be understood as distinct from conflict but a continuation of a certain type of conflict and struggle for social domination. I then examine another corporate entity, the Council for Development and Reconstruction (CDR), that, like Solidere, operated simultaneously within and outside the government, and which coproduced the Second Lebanese Republic. The CDR was pivotal for the expansion of corporate power in Lebanon. Finally, in this section of this chapter I detail the controversial legal and institutional framework that established Solidere and established a new era in Lebanon.
The Urban Geographies of the Lebanese Civil Wars

In the Beirut suburb of Ain el-Remmaneh, on April 13th 1975, gunmen from the Phalangist and National Liberal Party militias opened fire on a bus of Palestinian civilians killing 26 people. This event is commonly accepted in Lebanon as marking the beginning of the Civil War, which was not a military contest between two hostile groups with clearly demarcated lines of conflict. Rather, it was a highly complex and brutal series of violent “events”. The “events” of the Civil War are predominately understood to consist of four different phases: 1975-1977, 1977-1982, 1982-1983 and 1984-1990. Even within the different phases of the war one finds more “incidents” than a singular continuous conflict. As Robert Fisk notes describing the fighting from 1975-1976, these events were “a series of horrors rather than battles; Black Saturday on the Ring motorway, the Palestinian massacre of Christians in Damour, the Christian massacres of Palestinians at Karantina and Tel al-Za’atar” (p.78). The multiple overlapping battles of the Lebanese conflict entangled a wide range of actors and spaces, resulting in the death of an estimated 130,000 people.66

Little accurate data is available as to the impact of the war. The Lebanese government’s Department of Statistics did not function during the war years and many records were destroyed. Appraisals by international institutions in the 1990s it was frequently stressed how difficult it was to gauge what was needed for reconstruction (World Bank 1993). A commonly cited assessment by the United Nations conducted in the early 1990s, estimated that the damages from the Civil War amounted to US$25 billion (around US$42 billion in 2018) in destroyed infrastructure and property alone (World Bank 1993). The World Bank reported that 800,000 people, or 160,000 households-almost one quarter of the population-had been displaced and sought shelter in existing dwellings or on state-owned or private land, “in unhealthy and overcrowded conditions” (1991: p.29).

The war produced dramatic changes to the urban geography of Lebanon, not only in terms of the destruction of the built environment, but to its geographical organization, the use of

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66 According to the Peace Research Institute Oslo (PRIO) battle deaths dataset volume 3 the Lebanese civil war resulted in a total of 131,104 deaths.
its spaces and mobility within it. Beirut, and the BCD in particular, were radically transformed by the war. The BCD was characterized by a number of different souks that catered to all different income levels. There was the Souk Sursok that sold used clothing, the *Souk el-Tawile* where you could buy the latest Parisian fashions, the Souk el-Franj for the wealthiest clients and Souk el-Nouriye (literally “gypsy market”) for the lowest-income groups (Yahya 1995: p.100). Located in the center of the city, Yahya (1995) notes, the particular ownership structure of property in the BCD imposed a certain coexistence and compromise. Although substantial areas of the BCD were owned by two prominent families, the Daouks and Ayases, for the most part property ownership was quite fragmented. The inheritance system and rental laws allowed a range of tenure relationships that would otherwise not have been possible, with land falling under either religious (*waqf*) or private ownership (Ibid). But the Civil War resulted in the destruction of much of this complex socio-urban fabric.

Beirut’s role as the socioeconomic and political metropole was replaced by no less than ten militia-controlled cantons built around several ports along the Lebanese coast (Trablousi 2007: p.232). Competing militias fought furiously to capture and assert their territorial dominance over the BCD. This resulted in the vast majority of businesses and residents fleeing the area. Nabil Beyhum detailed the complex geographies of displacement created by the conflict. Broadly, Beyhum (1994) noted that major migrations included the entrance of Shiites displaced from South Lebanon into Beirut and the dislocation of Christians from the city: “The Maronite settlements became more concentrated, mainly around the district of Nabaa and, like the Shiites, around the dividing green line that the war has drawn in the heart of the city” (p.16). The infamous Confrontational Lines (*khutut at-tammas*), known in English as the singular “Green Line”, bifurcated the capital, separating “Muslim” West Beirut (*gharbiyyeh*) from “Christian” East Beirut (*sharqiyyeh*).67

Destruction of the urban fabric was not the only way in which urban violence was undertaken. The Lebanese Civil War produced a certain type of military urbanization. The war produced an urban project that killed any prospect of an open and plural city (Yassin 2010; Verdeil 2001). Fawwaz Trablousi (2007) describes this process, writing that, “When the militias

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67 It is important to highlight that the use of the singular “Green Line” in English produces an idea that there was a clean division between East and West Beirut, but the plural “Confrontation Lines” (*khutut at tammas*) in Arabic denotes a more complex and fractured division of the city.
finally ‘cleansed’ their territories and came to control ‘their own people’ and run their affairs, pressure on the individual to define himself/herself in terms of a unique social and cultural sectarian identify reached its climax” (p.233). As the Lebanese state’s sovereignty receded, militia territories—often associated with sectarian identities—proliferated. War and violence transformed Beirut into an enclaved city (Yassin 2010: p.1). Public space also disappeared during the war due to the retrenchment of the state and the subsequent growing self-sufficiency of localities throughout Lebanon in terms of basic service (Beyhum 1994: p.17). The provision of basic urban services was used by militias as a strategy to control and intimidate both their “own” population and “others” (Yahya 1995: p.107). Not only were regions and neighborhoods turned into enclaves, but windows were replaced with wood, wooden doors replaced with steel, neighbors replaced with strangers and open streets transformed into fortified compounds.69

The construction and reformulation of urban space was critical to the conduct of urban conflict. Maha Yahya notes that the urban question was a central for militias who wanted to shift their rural communities into the city to facilitate the acquisition of a religiously homogenous socio-geographical space (1995: p.110). Construction sector during the war was one of the few sectors that continued to grow and develop throughout the years of the conflict. General construction and land assembly, as well as the sub-division of land, were all active in the war years (World Bank 1993: p.34). A World Bank report notes that before the Civil War, in 1974, construction represented US$141 million, an estimated 4 percent of GDP; by 1988 this had grown to US$328 million, representing 10 percent of GDP (1991: p.3). Beyond the construction entailed in reformulating space into sectarian enclaves and the new housing required for those displaced by fighting, the absence of government supervision meant that developers were keen to exploit land beyond permitted or appropriate legal restrictions (Eddé 1997: p.116). The architect Bernard Khoury said, “Beirut did not stop its development during the war years, in fact

68 A number of scholars have analyzed the ways in which the Civil War produced a distinct and violent relationship among (predominantly religious) identities, politics and space (Beyhum 1994; Calame and Charlesworth 2009; Davie 1991; Deeb and Harb 2013; Fregonese 2009, 2013; Haugbolle 2010; Khalaf 2002; Trablousi; Yassin 2010).

69 An informant told Fregonese (2013) about some of the spatial practices that people deployed to survive in the civil war: “They arranged places where they could take refuge so they would know where to run in the worst case; they moved their beds from one side of the building to the other; they knew when to open the window so that the air pressure of explosions would not burst them; they started to systematically replace all wooden house-doors with steel doors to turn their home into a fortress” (p.61).
development was accelerated by the fact the center of the city was voided out... Beirut grew in the absence of any master plan, or any sort of regulating mechanism\textsuperscript{70}.

The Civil War produced a highly fragmented urban landscape in Lebanon and specifically Beirut that has continued to impact the urbanization processes and the urban form to the present day. “I compare Beirut to an extremely crowded room full of people that turn their back to each other, packed with solitary islands, all these building are very solitary, they do not communicate with one and other,” Khoury says. Notably, the most dramatic changes in the urban geography of Lebanon, and specifically Beirut, emerged at the very end of the official period of the Civil War. The Ta’if Accord that officially ended the Civil War had a contradictory impact. On the one hand, it signaled the beginning of the end of the conflict; many scholars and analysts agree that the Accord facilitated the reconstitution of the Lebanese army and control of the state’s territory, effectively putting an end to the war. On the other hand, the push for a political settlement to end 15 years of war was paralleled by the most ferocious fighting of the conflict, centered on East Beirut.

The Ta’if Accord: “No Victor, No Vanquished”

At the end of 1989, in the Saudi Arabian resort city of Ta’if, the Lebanese political elite gathered under the sponsorship of Rafik Hariri to ratify the National Reconciliation Accord, later known as the Ta’if Peace Accord or Ta’if Agreement. The Accord was signed on October 22, 1989 and ratified in Parliament a month later. It was signed on a political framework of “No Victor, No Vanquished” (lā ghāleb, lā maghlūb).\textsuperscript{71} But the Accord did not immediately end the fighting and there was great consternation within Lebanon over the role it gave to Syria. At the start, the Accord stalled. Its signing occurred in an extremely hostile context. The country was split by two rival governments, one led by the Maronite Michael Aoun, the commander of the Lebanese Armed Forces, and the other by Salim al-Hoss.\textsuperscript{72} Lebanon’s protracted conflict...
appeared ready to continue into the foreseeable future. Lebanon was cut up into factional territories: Aoun controlled the small territory of East Beirut that held the most important government and economic institutions; the Lebanese Forces (LF) controlled a Maronite enclave north of Beirut; the south was occupied by Israeli troops; and Syrian troops controlled the north with several Lebanese militias. In addition, just days after the ratification of the Ta’if Accord in parliament the newly appointed (broadly pro-American-Saudi) President René Moawad was assassinated, with 23 other people, in a large bomb explosion. A new (pro-Syrian) President, Ilyas al-Hirawi, was swiftly elected with American cooperation.

At the forefront of the opposition to the Accord was the divisive but nominally popular figure of Michael Aoun, a Maronite Christian. Aoun saw the Accord as a means to usher in Syrian tutelage of Lebanon. He rejected the Hirawi/al-Hoss government and fortified his position in East Beirut. As William Harris (2006) notes, Aoun was isolated as never before in the Lebanese and international arenas but his hold on the Christian masses only strengthened: “After Ta’if, large crowds congregated daily at Ba’abda [the Presidential Palace], reaching tens of thousands by the end of October [1989], to applaud Aoun’s pronouncements that the Ta’if Agreement negated Lebanese sovereignty” (p.264). In 1990, Aoun launched his so-called “War of Liberation” (harb al-tahrir).

The “War of Liberation” was one of the most brutal episodes of the Civil War that killed an estimated 1,000 civilians, resulting in mass displacement and extensive destruction in and around Beirut. The IMF noted that, while the Lebanese economy had shown much flexibility and resilience during the civil war years, “1990 was possibility the worst year for the economy since the conflict began” (1991: p.5). Output dropped by a quarter as much of the intense fighting focused on East Beirut where most economic (industrial and financial) activity is concentrated, including the port of Beirut, which was blockaded (Ibid). The rapid growth in money supply (M2) resulted in a sharp depreciation in the exchange market for the Lebanese lira (LL), its value went from LL16 per US$ in 1985 to a low of LL1,250 in 1990 (IMF 1991: p.4).

The ferocity of the fighting in 1990, however, was coupled with increased pressure for an end to the fighting from both within and outside Lebanon. Internally, despite Aoun’s popularity among certain sectors of the population, it was generally accepted among the Lebanese
population that none of the warring factions could win decisively and that a new comprise was required to ensure the continuity of Lebanon (Krayem 1997). But maybe even more importantly, outside of Lebanon the end of the Cold War resulted in the expansion of American global hegemony and produced a new geopolitical context for the Middle East. This American expansion was accompanied by increased Saudi Arabian dominance in the Arab world, Syria’s participation in the UN-led operation to liberate Kuwait from Iraqi occupation and Iranian power in remission (as it recovered from a nine-year war with Iraq). Furthermore, despite Israel’s continued occupation of southern Lebanon, the country had shifted its attention to the Palestinian intifada in the West Bank and Gaza. It largely ignored the remaining Palestinian armed forces in Lebanon, now isolated in refugee camps. All of this meant that the international context had aligned for the Ta’if Accord to be facilitated in Lebanon. In October 1990, Aoun was defeated by a large Syrian military intervention, at the written request of the Ta’if regime, and exiled to France.

In December 1990, the implementation of the Ta’if Accord began in earnest. The long-term Syrian ally Omar Karami was picked by Syria to be Prime Minister for Lebanon’s new “National Unity Government” and the official end to the Civil War was declared. In May 1991, Lebanon entered into a Treaty of Brotherhood, Coordination and Cooperation with Syria that defined the scope of the bilateral relations. This marked the first time that Syria recognized Lebanon as a sovereign nation while simultaneously, with the Ta’if Accord, solidifying Syria’s military presence in the country.

A notable scholarly debate has taken place over the significance and meaning of the Ta’if Accord. Some scholars have lauded it for halting the internal aspects of the Civil War, preventing state collapse and re-establishing peaceful coexistence and intercommunal democracy (Abdul-Husn 1998; Hanf 1993). Hanf (1993) argues that overall the document is a “remarkable achievement: a realistic attempt with broad support to regulate that part of the Lebanese conflict that was a Civil War” (p.589). But most analysts have offered a bleaker view of the agreement. Scholarly critiques of the Accord question the extent to which reconciliation had even occurred and highlight how it did not address any of the causes that led up to the conflict, such as the

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73 It is important to note that Iraq in 1989 had intervened in support of Aoun against Syria. The Arab states, led by Saudi Arabia, had held a summit meeting in Casablanca and formed a Tripartite Committee to ensure the conflict did not escalate regionally but also to try to counterbalance Syrian influence in Lebanon.
sectarian division of power, the Palestinian refugee issue, Syria’s military presence and Hezbollah’s weapons (for example, Haugbolle 2011; Kerr 2005; Malia 1992; Mansour 1993; Salem 1998). Some scholars have stressed that the Ta’if Agreement institutionalized and accentuated one of the main internal vectors for the conflict, sectarianism (Hanf 1993; Krayem 1997; Salem 1998). For instance, Ussama Makdisi (1996) argued, the Ta’if agreement in the postwar period epitomized the sectarian politics of the past as the government of Lebanon “re-inscribed the confessionally-based hierarchical social order while reconstructing the nation-state” (p. 26). The Ta’if Accord, as academics have shown, and history has borne out, was not a final and definitive resolution to the Civil War but rather a pact to (temporarily) halt direct conflict.

The Ta’if Accord was a Saudi-Syrian agreement, overseen by the US, that placed Lebanon firmly under Syrian occupation but finally ended 15 years of open war. The Accord amended and reinstated the power-sharing formula that had functioned between 1943 and 1975 in Lebanon. The agreement bore considerable resemblance to the existing National Pact of 1943 (a power sharing agreement between the Sunni and Maronite communities). It transformed the unwritten National Pact into a written agreement and introduced 31 constitutional amendments (among which was the definition of Lebanon as an Arab state), ensured equality of representation between Christians and Muslims (replacing the Christian’s representational edge) and legalized the Syrian presence in the country. Further, it disarmed the Lebanese militias that had formed during the war, with an exception for Hezbollah.

74 Analysts noted that no timetable, method or agreement was put forward on how to abolish sectarianism in the Ta’if Agreement. They argue that although the Ta’if agreement stated that the abolition of confessionalism was a national goal, its implicit ratification and codification of the unwritten National Pact of 1943 meant that it reproduced and further institutionalized sectarianism.

75 Indeed, in the south of Lebanon active fighting continued until 2000 due to Israel’s occupation of southern Lebanon until 2000. From 2004 to the present day, there have been a number of high-profile assassinations of Lebanese political figures, the most notable of which was Rafik Hariri in 2005. Further to this, in July 2006 a war between Israel and Hezbollah resulted in significant destruction in Lebanon and resulted in a series of protests in downtown Beirut by Hezbollah and other opposition groups. In 2008, Lebanese factions once again fought in open conflict in the streets of Beirut and around the country, leading to the Doha agreement. A fragile truce between Lebanese factions has held as the country has attempted to cope with the influx of Syrian refugees and Lebanese factions, such as Hezbollah, actively taking part in fighting across the border in Syria.

76 The National Pact of 1943 was an unwritten agreement between President Bishara al-Khuri and Prime Minister Riad al-Solh. There is no formal record of how it was negotiated or agreed upon. However, this pact was understood within Lebanon to represent Muslim consent to the continued existence of Lebanon as an independent and sovereign state in the Arab world provided it recognized itself as part of the Arab community (wajh arabi). The pact established a confessional formula providing for the representation of Christians and Muslims in a six to five ratio throughout government. The offices of the President, Prime Minister and Speaker were assigned to the Maronite, Sunni and (as of 1947) Shia confessions, respectively.
The Ta’if Peace Accord, as well as the broader political negotiations at this time, focused on the state apparatus. Overall, the Ta’if Accord was aimed at restoring the confessional balance between and within Christian and Muslim communities in the central institutions of the state. It extended power sharing to non-Maronite Christian communities (and importantly to the Shi’ā) but also maintained Sunni and Maronite supremacy. One of the most significant changes the Accord produced was the shift in power from the President to the Prime Minister. The Speaker of Parliament and the Council of Ministers were also ostensibly given enhanced roles. The state was now structured around a “troika” of key officials from the three main confessional communities: the (weakened) Maronite President, the Sunni Prime Minister and the Shi’i Speaker of Parliament. The Syrian regime largely controlled all major appointments and decisions in the Lebanese state, from the President down through to the Prime Minister, the Council of Ministers and the army and security branches (Salem 1998: p.18). Section II and IV of the Ta’if Agreement, which dealt with issues of restoring Lebanese sovereignty, disarming the militias and Lebanese-Syrian relations, were only submitted following Syrian approval and placed Syria in control of these concerns (Kerr 2005: pp.167-168).

The Ta’if Accord was a weak document in a country desperate to end a brutal and prolonged open conflict. It was produced to ensure there were no clear winners or losers (no victor, no vanquished). Scholars have broadly agreed that the deal constructed around the Accord was that Syria would allow Rafik Hariri to lead the economy and reconstruction process, while the Syrians remained in control of security and foreign-policy posts (Foreign Affairs, Interior, Defense and Information) (Harris 2006; Fregonese 2012; Denoeux and Springborg 1998). Rafik Hariri and the Solidere project were central to the United States and Saudi Arabia allowing, and even facilitating, Syrian military hegemony in Lebanon via the Accord. The document’s focus on the state powers meant that the sociopolitical and economic impact of a corporation owning the entire BCD was not the focus of political negotiations.

However, the Ta’if Accord, however, was fundamental to the formation of Solidere and its capitalization of Beirut. A former Hariri employee (at Oger) and Minister of Telecommunications, Charbel Nahas, said that people did know about Hariri’s proposal for a real

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77 The Ta’if Accord remains the overarching agreement within Lebanon that devolves power among different factions. Until the assassination of Rafik Hariri in 2005, the Ta’if Accord formed the focal point around which the divided Lebanese elites built their strategies to preserve their interests and was the main background to other important national documents. It has never been fully implemented, however.
estate company well before 1991. Nahas explained that Solidere was integral to the political pact that was formed at the formal end of the Civil War, but this corporation was agreed outside the strictures of the Ta’if Accord. “Solidere was part of the package [agreed at the Saudi resort of Ta’if]… with cross commissions,” Nahad states.78 “Solidere would not have been possible without the core dominion between the Saudis and the Syrians,” he concludes.

The transformation of the BCD into a corporation was as much a political and social formation as an economic one. In a political context where any shift in power related to the state apparatus was highly politically sensitive and effectively blocked, an alternative mode of governance was formed through the corporation. Solidere, I argue, was a central part of Hariri’s accumulation of social power in Lebanon. The Ta’if Accord and the Second Lebanese Republic should be understood as parts of “corporate-building”, in which Solidere, along with the many other real estate and banking corporations, and the Second Lebanese Republic were coproductions. Solidere was central to the establishment of the Second Lebanese Republic, the associated rise of Rafik Hariri and his singular accumulation of social power in a violently fractured Lebanese context. As Paul Salem (1998) argues, “Never has one individual wielded such a combination of public and private power in modern Lebanon as has Rafiq Hariri” (p.21).

The Second Lebanese Republic

The precarious peace that had been established by the Ta’if Agreement established is articulated by the volatile circumstances in which Hariri was elected to the Prime Ministership. The birth of the Ta’if era, or what was called the Second Lebanese Republic, occurred in October 1992, after Lebanon’s first parliamentary election in 20 years. Hariri was elected Prime Minister, in what was a highly contentious electoral context, with many boycotting the elections and a low voter turnout.79 In the months preceding Hariri’s election, inflation had risen dramatically, despite the end of the “War of Liberation” that had resulted in a resurgence in economic output. The Central Bank had issued a surprise announcement that February that it would no longer draw

79 Farid el-Khazen (1994) notes that the 1992 election provoked a “sectarian polarisation the country had only seen during periods of crisis” (p.2). This election was boycotted by traditional, mainly Christian, political parties and groups which included supporters of the Ta’if Accord. The boycott was over their opposition to the electoral law, which they viewed as biased towards pro-governmental parties, and over outside interference in the election process (Makdisi 2004: p.90).
on its reserves to prop up the value of the Lebanese lira (LL), making the decline of the lira inevitable (Najem 2000: p.33).

The normative explanation for the end of open conflict but dramatic rise in inflation are a large retroactive civil servant salary increase and speculative capital movements (including an attack on the LL) that resulted in another crash in the LL vis-à-vis the US$, inflation rose by 120 percent (World Bank 1993: 1). It is not possible to identify who instigated the attacks of the LL that drove inflation to 120 percent but it was clear that the social force of the “economy” was being used to create a new political order (see Image 1). As Nitzan and Bichler (2009) note, inflation has long been a “weapon of mass destruction” and is one of the principal axes of the capitalist mode of power (pp.290-291). “What previously required military conquest can now be done through currency devaluation,” Nitzan and Bichler (2009) conclude (p.153). Inflation and the collapse of the LL placed enormous strain on the Lebanese economy and resulted in the resignation of the staunchly pro-Syrian Prime Minister Omar Karami. In May 1992, waves of general strikes and mass protests erupted and many feared the country would break out into conflict once again. Karami offered his resignation after consultation with Damascus to “save the country” and elections were declared for the summer (Najem 2000: p.34).

There was widespread opposition to holding new elections, but the economy continued to decline. As Najem (2000) concludes poor economic conditions played a major role in causing the fall of the Syrian-aligned government (p.43). A Hariri-led government would attract business confidence and was one that Syria felt compelled to submit to in the face of international and domestic pressure (Najem 2000: p.44). But the Syrian’s were confident they could get their supporters into Parliament. This confidence was based on improved Saudi-Syrian relations following the Soviet Union’s demise and Syria’s participation in the coalition against Iraq in the Gulf War. As a result, the Syrians reversed their initial opposition to Rafik Hariri becoming Prime Minister. He was subsequently elected to lead the fourth post-Ta’if government.  

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80 Hariri would remain Prime Minster until 1998 (heading three consecutive governments) and was re-elected once again in 2000.
Following Hariri’s election, there was a rush followed to sell US$ for LL and the Central Bank increased its foreign exchange holdings by $1.5 billion (around US$2.5 billion in 2017), while the LL increased its value from LL2,850 to the dollar to LL1,850 to the dollar. These shifts were accompanied by a broader inflow of capital (World Bank 1992). The rapid financial stability that arrived in support of Hariri’s election was widely reported to be backed by Saudi Arabia and in turn the United States. As a World Bank report noted at the time, “Saudi Arabia has been playing an active role in efforts to bring back political stability and in support of Lebanon’s economic development… Saudi Arabia has been active in providing the needed emergency assistance for reconstruction and rehabilitation with the aim of helping to consolidate the results already achieved” (World Bank 1993: p.107). In addition, the United States promised Lebanon military aid for the first time since 1984 (Najem 2000: p.48).

Following his election in 1992, Hariri swiftly placed personnel from his business empire into key places within the state apparatus: the Finance Minister had been the CEO of Hariri’s Banque Méditerranée; the Minister of the Economy had likewise been a board member of Banque Méditerranée; the head of the CDR had been the president of the Hariri Foundation and CEO of Oger Liban; the Governor of the Central Bank had been Hariri’s preferred candidate for the presidency in 1988; the Minister of Justice was Hariri’s lawyer and also wrote the legal framework for Solidere. Hariri’s close connections to the Saudi King, Fahd, meant it was

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81 This is not to suggest that Hariri face no friction or easy path for Hariri once he obtained the position of Prime Minister. The financial and reconstruction challenges facing him in the post-Ta’if period were immense. The state
deemed that he had the ability to obtain Saudi and Gulf assistance and private investment more broadly. But Hariri’s grip on power was always tenuous. The World Bank official Abdallah Bouhabib (1992) notes that Syria only had only half-hearted support for Hariri. The Syrians were also waiting to see the outcome of the Middle East peace process and how the newly elected Clinton Administration would deal with it.

Rafik Hariri Studies

Hariri’s spectacular rise as a political force in Lebanon and his equally astonishing accumulation of wealth in Saudi Arabia have been the preoccupations for a number of scholars. This scholarly interest that dramatically increased following his assassination in 2005 (see, for instance, Baumann 2017; Becherer 2005; Bosco 2009; Blanford 2007; Denoeux and Springborg 1998; Iskander 2006; Neal and Tansey 2010; Nizameddin 2006; Perthes 1997; Roberts 1998; Vloeberghs 2015). But even before his assassination, the transformational impact of the Hariri “power network” or “phenomenon”, as it has been variously described by analysts, was recognized. Hariri’s acquisition of power in the highly volatile and violent context of Lebanon is all the more remarkable in the context of his humble beginnings. Before recounting the rise of Hariri, however, it should be stressed that what we know about him is incomplete. Many accounts of his life have been funded directly or indirectly by the Hariri Foundation and/or rely on Hariri’s business associates as sources. Furthermore, there are few scholarly or substantive journalistic accounts that exist of Hariri’s time in Saudi Arabia or his early interventions in Lebanon (between 1965 and 1983). The formative years of Hariri’s life remain largely unknown.

Born in 1944, Rafik Hariri was the son of a fruit seller from the small southern Lebanese city of Saida who moved, like many other Lebanese, from his hometown to Saudi Arabia to work as a schoolteacher in Jeddah. In 1969 he set up in his own small subcontracting firm CICONEST, working at the same time worked as an auditor for a Saudi contracting firm. Just 10 years later, Hariri had accumulated a fortune large enough to buy out the French construction giant Oger International. Hariri soon had business interests in a number of banks as well as telecommunication, insurance and real estate companies. As he told Al-Hayat journalist Ghassan

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was seriously fractured, the police and army divided, thousands of families remained displaced, the country’s infrastructure was largely destroyed, its finances were depleted and the country remained under Syrian occupation.
Charbel, by the age of 33, he was worth $100 million: “That was the boom time [1977], and work was falling down like rain”. No one knows the exact details of how Hariri achieved this remarkable transformation in fortunes.\(^{82}\) What is known, however, is that Hariri’s involvement with infrastructure and construction projects, his formation of corporations and his access to Saudi royal networks and patronages all crucial. That royal patronage was important for the survival of Hariri’s business concerns has been powerfully demonstrated by the Hariri family’s recent fall from grace with the current power brokers within the Saudi royal family, and by the bankruptcy in July 2017 of Saudi Oger.\(^ {83}\)

Despite being made a Saudi citizen in 1978 and establishing a large new international corporation in Riyadh, Hariri perhaps surprisingly did not shift his attention away from Lebanon. Rather, he gradually established a presence in Lebanon, to which the corporate apparatus was central. In 1979, he established the Islamic Foundation for Culture and Higher Education (later commonly known as the “Hariri Foundation”) that gave educational scholarships to Lebanese students at home and aboard. A year later, Hariri opened a Lebanese branch of his Oger company to build the Kfar Fallus Centre near Saida, the city of his birth. Concomitant to the establishment of Oger Liban in 1980, Hariri took advantage of the 1977 Free Banking Law to buy the French shares (a 73 percent stake) of the Mediterranean Investment Group (MIG), which owned Banque Méditerranée in France and Lebanon, and opened the Saudi Lebanese Bank (Hourani 2010).\(^ {84}\)

From 1982, Hariri’s diplomatic role increased and he acted as King Fahd’s (the then Saudi monarch) representative in Lebanon. Hariri’s first major public role, to my knowledge,

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\(^ {82}\) The common story of Hariri’s rise is that in 1977 the Saudi King, Khalid bin Abdualaziz Al Saud, had requested the Saudi construction tycoon Nasser Rashid to build a hotel in the resort city of Ta’if under a nine-month deadline. That was an inconceivably short time and Rashid needed help. Rafik Hariri took on the project in partnership with the French construction company Oger and, reportedly, finished the project a week before the deadline in 1977 (Blanford 2007: p.18; Baumann 2012: p.65). The Saudi king was apparently so impressed with Hariri’s ability to complete the project in Ta’if that he not only rewarded him with several other lucrative contracts but, even more importantly, he granted him Saudi citizenship. In obtaining Saudi citizenship, Hariri could now establish his own corporation in Saudi and so he formed Saudi Oger in 1978. He was soon able to buy the French mother company Oger and established Oger International in 1979 (Baumann 2012: pp.64-65).

\(^ {83}\) Although the media outlets like Bloomberg reported Saudi Oger’s downfall as a result of the heir apparent Crown Prince Mohammed bin Salman’s (MBS) reordering of the business climate to ween the country off of oil, other concerns are also apparent. The son of former King Fahd, Prince Abdul Aziz bin Fahd, who has strong connections with the Hariri family and direct investments in Saudi Oger, had fallen out of favour with MBS and rumours had circulated of threats to his life, as well as his detention by MBS.

\(^ {84}\) The Free Banking Law enabled Gulf-based financial networks and Lebanese associates to purchase the licences of withdrawing Western banks. Najib Hourani argues that “Gulf capital—in the form of high-profile, politically connected businessmen and financial institutions—was drawn to Lebanon as a strategic location from which Gulf States could gain control of and manage a larger percentage of their own petrodollars” (Hourani 2010: pp.290-311).
came at the failed National Dialogue peace talks in Geneva in 1983 and Lausanne in 1984 (Blanford 2006: pp.25-26; Baumann 2012: p.75; Gambill and Abdelnour 2001). He also began coordinating with US officials and became a generous contributor to many US think tanks and universities, in particular Harvard and MIT. He likewise developed a close relationship with the French Prime Minister Jacques Chirac. Hariri would also travel to Damascus to build a new palace as a gift for President Hafez al-Assad, and he kept up a wide range of business and public relations in Damascus (World Bank 1992). Religious, philanthropic, academic, health and media institutions benefited from his generosity (World Bank 1992). By the mid-1980s, Hariri was immersed in the diplomacy of the Civil War and became an increasingly present figure on the Lebanese political and social scene. In 1989 he led and paid for the final official Lebanese peace agreement at Ta’if in Saudi Arabia.

Why Hariri turned his attention back to Lebanon once he was able to access Saudi Arabia’s vast wealth is unknown. Hannes Baumann (2012) has argued that Hariri entering the political scene in Lebanon was crucial to Hariri’s ability to access to circuits of social, political and economic power in Saudi Arabia. Baumann claims that Hariri witnessed the 1973 and 1975 bankruptcies in Saudi Arabia that resulted from the oil crisis, and learned that the only way to avoid the vagaries of business, “was to build up a direct, close and firm relationship with the Saudi King. This was particularly important in 1982, when Hariri’s contracting business in Saudi Arabia was severely hit by the end of the oil boom” (2012: p.70). By articulating to the Saudi King that he was politically useful in Lebanon, he was able to obtain contracts in Saudi Arabia. Meanwhile, Hariri’s close relationship with Saudi King Fahd and the Gulf countries, not to mention his networks in the United States and Europe, meant he was able to gain political power in Lebanon by demonstrating his economic potential to attract private investment. In both Saudi Arabia and Lebanon, Hariri’s network of corporations relied on him maintaining both political and economic networks. The corporation enabled Hariri to tie political, social and economic entities together in a unique and powerful way, to which the built environment was centrally important.

Hariri’s plan for the Second Lebanese Republic did not begin when he was elected as Prime Minister. Rather, from the very start, of his return to Lebanon focused on the reconstruction and reformulation of Lebanon that centered on downtown Beirut. Blanford (2006) notes that, “Hariri’s attachment to his model of central Beirut would bemuse friends and
colleagues … who would come across it variously in the tycoon’s homes in France and Saudi Arabia and even on his private jet” (p.24). But presumably many friends and colleagues of Hariri would not be “bemused” by his models for BCD, as they were likely engaged throughout the 1980s in preparing the legal frameworks, plans, financials and models for the formation of what would become Solidere. The public knew about Solidere in 1991, Nahas stated, but it was “already in the draws in 1987-1988”.85 As I contend below, the creation of Solidere was planned well before its official inauguration in 1994 and its legal framework was established in 1991, a year before Hariri became Prime Minister. The formation of this joint-stock corporation must be understood not only in the geopolitical context of the Ta’if Accord or the desires of Hariri and his Saudi sponsors, but also the numerous reconstruction plans that had been formulated throughout the Civil War.

Part II


The complexity of the Lebanese Civil Wars meant that, during several lulls in open conflict, citizens and even the government thought that the war was over and the reconstruction phase could begin, only for fighting to start again. The reconstruction process that began in 1991, and placed Solidere and the BCD at its center, was the third significant attempt to begin rebuilding. This reconstruction phase that began in 1991 cannot be understood independently from the multiple previous, and at times competing, rebuilding attempts, most notably those that started in 1977 and 1983. The “reconstruction” process, I argue, is sedimented within the complex dynamics of the Civil War and should not be understood as a clean break from its political wrangling and open conflict. The Solidere project did not simply arrive in Lebanon after Ta’if, nor with its inauguration in 1994; it was the result of intensive, complex and at times violent social struggles. I use the term “reconstruction”, therefore with, caution.

Solidere and the broader reconstruction that emerged following the end of the “War of Liberation” and the signing of the Ta’if Accord should perhaps be understood as much as a rearrangement of socio-spatial life for one group to gain power over another as a reconstruction of what existed before. I detail that rearrangement that in Chapter Five. Reconstruction, in this context, was actually the continuation of conflict and the acquisition of social power through the built environment. Who controlled the reconstruction process and how it was undertaken was of immense sociopolitical and economic importance to factions both within and outside Lebanon. The choices, means and methods by which particular infrastructure, housing, government and financial institution, were reconstituted was of great significance. This is noted by the intense internal wrangling between Lebanese factions over the political and institutional formulation of the reconstruction plans, examined in detail below. Externally there was often a rapid deployment of assistance (especially extensions of credit) by various interested parties.86

86 In 1983, for instance, Ronald Reagan formed the US Businessmen’s Commission on the Reconstruction of Lebanon that issued a report, *The Reconstruction of Lebanon* (1984). This report assessed opportunities for US enterprises in the reconstruction effort. The report’s author, John Law, notes that, in 1983, the US Agency for International Development “was busy helping on a number of infrastructural projects” (p.131). Law further notes that US businesses faced strong competition in their attempts to assist Lebanon in its reconstruction. France’s Compagnie Française d’Assurance pour le Commerce Extérieur (COFACE) had already won a US$63 million
Although these reconstruction plans were aimed at the revitalization of Lebanon as a whole, they consistently focused their energies of the reconstruction effort on the Beirut Central District (BCD). As noted above, the BCD had taken on a contradictory roles during the Civil War. On the one hand, its role as the metropolitan and commercial center for the nation, was reduced due to the decentralization that occurred as various political-sectarian groups created their own respective centers. On the other hand, the BCD was a central site of conflict between rival factions, as the control of the specific spaces there was crucial both tactically and symbolically to warring factions. The importance of the BCD to social power within Lebanon is evidenced by the numerous plans that emerged throughout the different episodes of war to “reconstruct” this area.

A significant literature has been established examining the various master plans that were created during the Civil War era and the immediate post-Ta’if period (Beyhum 1992; Beyhum, Salaam and Tabet 1995; Davie 2003; Gavin 1998, 1999, 2005; Harb 2000; Khalaf and Khoury 1993; Khalaf 2006; Nasr and Verdeil 2008; Salaam 1993, 1994; Rowe and Sarkis 1998; Verdeil 2002). It is of note that much of this scholarship was very much part of the debate that shaped the form and content of the BCD and Solidere. The literature on the master plans of the Civil War period outlines three main series of distinct-but-overlapping master plans for the downtown area. The first series of master plans for downtown Beirut (1977-1986) are centered around the 1977 plan that French organization l’Atelier Parisien d’Urbanisme (APUR) made with the newly established Council for Development and Reconstruction (CDR). The second series of plans (1983-1991) is notable for the entrance of Rafik Hariri’s corporation, Oger Liban, and the realization by Lebanese groups that a larger “reconstruction” was warranted in the downtown area. Finally, the third period (1991-1994) would be one of intense debate as Lebanon entered the so-called “postwar” period and the nation shifted its focus from the war to the “reconstruction”. In this next section, I take each of these plans in turn, emphasizing their significance for the formation of what would result in the Solidere project.

project to rebuild a section of coastal road leading to the CBD (p.133). Italy announced a line of credit for US$130 million, and the UK and Belgium had also extended credit lines for the reconstruction (Law 1983: p.134).

87 Indeed, it was during the two-year war, known as the battle of the hotels (ma’araka al-fanadiq), in downtown Beirut that he infamous Confrontational Lines (khutut at tammas), or the “Green Line”, were created.

88 There is considerable confusion in the literature concerning the different master plans due variously to the negotiated nature of planning in Beirut, the existence of competing plans, the lack of clear dates on the plans and the many different names each plan had.
L’Atelier Parisien d’Urbanisme (APUR) Plan, 1977

The Lebanese government’s first attempt to start the reconstruction process occurred in 1977. In December 1976, then-President Sarkis had brought in a banker friend as Prime Minister, Salim al-Hoss, and established a “colorless cabinet of technocrats” (Harris 2006: p.167). This technocratic government quickly started to formulate plans for the reconstruction, as hopes began to solidify that the fighting had stopped. In doing so they created the Council for Development and Reconstruction (CDR), discussed in detail below, that had profound consequences for how the reconstruction was undertaken and how Solidere was formed in 1991.

The first plan for downtown Beirut that they came up with was the Beirut Central District Plan of 1977-1986. In 1977, a cease-fire was called by the opposing groups and many in Lebanon thought that this marked the transition to a postwar period. A “reconstruction plan” and damage assessment was carried out by the French organization l’Atelier Parisien d’Urbanisme (APUR) in collaboration with the Beirut Municipality. This plan obtained official permission in 1978 through the passage of Law No.1163. The APUR-led plan of 1977 entailed a damage assessment showing that the most severe destruction (wherein more than 80 percent of an average building was razed) was concentrated in the northern tip of the downtown area surrounding the port and the souks. Another ring of destruction surrounded this northern tip, with damage estimated to be at 30-50 percent (APUR 1977 cited in Tannous 2015). Importantly, it shows that much of the downtown area had less than 30 percent damage to it. This meant that, compared to later plans, the 1977 plan would emphasize preservation over reconstruction.

APUR envisaged that property owners would largely be responsible for their own repairs. But for those areas in downtown Beirut that suffered more extensive damage, namely Ghalgoul and Saifi, the government or private firms would be responsible. Significantly, the plan introduced the idea of several small-scale real estate corporations (sociétés foncière) to finance reconstruction in those areas. The shares of the corporations would be distributed according to previously existing legislation from 1964, which stipulated that real estate owners would hold 75 percent of the shares and the government would hold 25 percent. These partnerships between proprietors, legal tenants and interested investors are based on the principle of exchanging property ownership or tenancy rights for shares in a company, the monetary capital of which is
provided by investors for similar shares. Kabbani argues that “the original idea behind the [1964] law is that it acts as a mechanism which relieves the reconstruction and urban renewal process from the expensive and complex land assembly and tenant compensation requirements needed to implement any major reconstruction project. It does so by enforcing a partnership on proprietors and tenants to redevelop their properties” (1992: p.9). The general provisional laws for the financing of real estate companies would provide the basis for the 1991 law that formed Solidere (Kabbani 1992: p.8).

In December 1978, the CDR began to implement the LL 22 billion (approximately US$2.5 billion) national “Reconstruction Project”. This reconstruction began implementing a rehabilitation program for roads and the Port of Beirut, a waste management study, and the reconstruction of housing, industry, hotels and hospitals (World Bank 1983). The 1978 “Reconstruction Project” aimed for: the private sector to be the principal generator of productive activity, for the public sector to provide basic social services, to decentralize the economy away from Beirut and to finance the reconstruction mainly from external sources. The Israeli invasion of southern Lebanon and the escalation in fighting between Christian militias and Syrian forces, stopped these plans for reconstruction. However, the 1977 APUR plan remained partially in use until 1986.

The Oger-Gemeyal Plan, 1983

In 1983, a halt to the fighting meant that once again reconstruction plans, and even their implementation, started once again. Ronald Reagan formed the US Businessmen’s Commission on the Reconstruction of Lebanon that issued a report, The Reconstruction of Lebanon (1984), outlining opportunities for US enterprises in the reconstruction effort. The author of the report, John Law, notes that, in 1983 the US Agency for International Development “was busy helping on a number of infrastructural projects” (p.131). The World Bank approved a US$50 million loan to the Government of Lebanon (GoL) to assist them in the reconstruction of the port; telecommunications; water, sewage and sanitation facilities and urban development (World Bank 1995). But half of this loan was never disbursed, and the project was cancelled in 1985.

The second series of plans documented in the literature was produced around 1983, following the appointment of Amin Gemayel as President, but again these plans were not
implemented. This included plans by Dar al-Handassah (DAR) in 1983 and 1986, commissioned through the corporation Oger Liban and funded by Rafik Hariri. It also included a plan for the redevelopment of the northern littoral between Beirut and Jounieh (the Linor project). This was a region where Gemayel wanted to assert his authority on due to its strategic importance. It had been the site of intense and anarchic development during the war, as Jounieh increased its importance as a Christian metropole (Eddé 1997: p.105).

This period was critical to the formation of Solidere and the expansion of corporate power in Lebanon. At this stage and through the urban fabric, Hariri would enter the Lebanese arena through its urban fabric, via his corporation Oger Liban, which he established in Lebanon in 1980. Although Hariri himself kept a relatively low profile when he first entered the Lebanese theater, the Oger Liban trucks that cleared rubble away from the streets for free bore advertisements that read, “Project of Cleaning Beirut, courtesy of Rafiq Hariri, Oger Liban 1982” (cited in Makarem 2014: p.178).

Charbel Naha, who worked with Oger Liban during this period, relates how Hariri asked him and his students from the newly established Lebanese University to assist in clearing rubble in and around downtown Beirut. “I told Hariri that we cannot do this [clearing in downtown Beirut] because this area is first of all uninhabited, so there is no emergency, and second because this area is subject to very specific regulations, for rehabilitation and reconstruction, we cannot go inside and do the same thing we did elsewhere” Nahas recalls.89 Nahas stated that he convinced Hariri, Amin Gemayel and Gemayel’s Minister of Public Work’s Pierre el-Khoury to launch a new survey of the downtown area based on the 1977 plan. An agreement was subsequently reached between Oger Liban and the government. Oger Liban established a studies department for this area and that involved Nahas, who remembers that “The studies department progressively took a larger dimension and ended up with 200 persons, including architects, urbanists and draftsman”. Their study showed that the buildings in the area had deteriorated significantly, mainly due to neglect rather than the direct impact of fighting.

Prominent figures in Lebanon have accused Oger Liban of destroying many significant buildings in the downtown area (including Souk al-Nouriye, Souk Sursok and parts of Saifi) during its “clear up” operation (Makdisi 1997: 667; Makarem 2014: 180; Salam 1994). It is

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important to note that it was during the “peaceful” years of 1983 and 1992, as Assem Salam (1994) has shown, that the most extensive demolition of the downtown area occurred. However, Hariri’s forceful efforts to reinvent the downtown Beirut area through Oger Liban were soon brought to a halt. The reconstruction of the downtown area was not a priority for President Gemeyal. The Lebanese architect Henri Eddé notes that Gemeyal was more concerned with constructing a vast new underground computer center, a tennis court with clay (*brique pilée*) imported from the US and a new palace in his hometown in Bikfaya (Eddé 1997: p.107).

By the end of 1983, however, the Civil War had flared up once again. Incidents included the infamous bombing of the US Embassy and the US Marine headquarters, as well as the assassination of the President of the American University of Beirut (AUB). Fighting also broke out in the Mountain War (*harb al-jabal*) in 1984. Plans for the reconstruction were once again shelved. But the return of fighting resulted in Hariri entering political life more forcefully in Lebanon. It also marked a turning point in the plans for the downtown area.

The renewed conflict, Charbel Nahas argues, created a different logic in people’s relation to the city. In the opening phases of the war, people sought to return to their downtown properties as soon as possible. By 1984, a different logic had cemented itself. “In 83-84 it was absolutely different, no one was in the mind of coming back; on the contrary, because alternative new centers had developed in the west, east etc.,” Nahas explained. This meant that many in Lebanon perceived that a different scale and program was required for the reconstruction of the downtown area: “It was a much more ambitious approach that needed to be put in place to justify the re-centralization of the city”.90

Working at Oger Liban, Nahas and his colleagues discussed how construction went after World War II, and had significant debates with Hariri about the broad legal set up of the operation: “And we diverged very seriously. He had at the time the idea of having a private development area, while the previous proposals of a series of real estate companies … were not supposed to be operational but were supposed to be challenges for redistributing the land rents… it was not supposed to be a private development in anyway”. It was during this period that the downtown would transform into the upmarket, private development and joint-stock corporation that we are familiar with today.

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The Solidere Édè/Gavin Solidere Plans, 1991

The third set of plans for downtown Beirut, which would result in establishment of the joint-stock corporation Solidere in 1994, would have to wait until the “War of Liberation” ended. As soon as the open conflict halted, however, a rapid political, legal and economic mobilization occurred for the reconstruction effort led by Hariri. Between 1991 and 1994, a heated public debate concentrated on the plans proposed for Beirut and the scheme to turn the entire BCD into a real estate corporation. Following the signing of the Ta’if Accord and the eventual cessation of conflict, Hariri took full charge of the rearrangement of Lebanon through downtown Beirut. The CDR soon appointed DAR to create a new plan for the redevelopment of downtown Beirut.91 In the summer of 1991 a new master plan, paid for by Hariri, was launched by DAR led by the prominent Lebanese architect Henri Eddé. It became known as the Eddé Plan. Alongside the master plan, the CDR agreed to a new US$6.9 million study for Lebanon, funded by the Hariri Foundation, and created by the American engineering firm Bechtel in partnership with DAR.92 This plan culminated in the document Horizon 2000 for the Reconstruction and Development of Lebanon, which envisaged a US$12 billion national reconstruction with what would become Solidere at its center.

The Eddé Plan was based upon the APUR plan, but it also created a spectacular new vision for the downtown area. The Eddé’s master plan envisaged a mixed-use city center including commercial, residential, governmental, tourist and cultural buildings alongside and the implementation of modern infrastructure. The city center was to be rebuilt around three major North-South axes, and the most prominent of which was to be a boulevard 10m wider than the Champ-Élysée. Most buildings would be 10-20 stories high, but the centerpiece was imaged as a 40-story “World Trade Center”. In the Normandy Bay area, that had turned into a dumping site, an artificial island was envisaged with bridges in the style of the Ponte Vecchio in Florence connecting it back to the rest of downtown (see Image 2).

91 Officially the Lebanese cabinet requested the CDR to draw up plans for the reconstruction of Beirut and the CDR in turn commissioned DAR (Kabbani 1992: p.5).
92 Nassar Shammaa who would head Solidere joined the Hariri group after working for the Bechtel Group.
The master plan stated that, due to the increased destruction since the APUR plan was drafted, it was inevitable that the zone imagined for real estate corporations in that document be expanded to all rights holders.\(^9^3\) In parallel to and advocated by the Édde proposal, Law 117 of December 7, 1991, was passed under controversial circumstances that provided the legal framework for a real estate company to be involved in the reconstruction of the BCD area. Soon after Law 117/91 was passed, further demolition of the BCD occurred, even though, as Makdisi notes, the reconstruction plan had yet to be approved or defined: “Not only were buildings that could have been repaired brought down with high-explosive demolition charges, but the explosives used in each instance were far in excess of what was needed for the job, thereby causing enough damage to neighboring structures to require their demolition as well” (p.672).

Many people mobilized against the plans for the BCD in Beirut (see Image 2). They included, existing tenants and owners, competing political factions, numerous funding agencies, urban planners and architects, the intelligentsia, political and religious leaders, displaced groups and semi-governmental institutions. The Édde Plan was also heavily criticized by scholars and

\(^{93}\) “Il devenait inévitable d’élargir, à tout le Centre, les zones prévues d’intervention de Sociétés Foncières regroupant tous les ayant-droits » (DAR 1991).
urbanists (Beyhum, Salaam and Tabet 1995; Gavin and Maluf 1996; Kabbani 1992; Khalaf and Khoury 1993; Salaam 1994). Saree Makdisi (1997) notes that the 1991 plan was, “…unanimously denounced as an outrageous rebuilding project to follow the virtually total demolition of whatever structures remained in the city centre”. Much of the scholarship and broader criticism around the plan focused on the proposal for a single real estate corporation and the conflict of interest it introduced between the public and the private sectors (Kabbani 1992: p.15). But there was also significant support for this master plan within Lebanon. Supporters argued that a single private company was the only viable option in a context of a fractured government, popular distrust of the public-sector and inadequate public funds (Kabbani 1992: p.12). Furthermore, supporters viewed the transfer of property rights from owners to the real estate company as the only way to reclaim properties from squatters and to initiate the reconstruction of the downtown area that was estimated to have some 250,000 property-right claimants.

The Eddé Plan, however, caused enough public opposition for the BCD plan to be reformulated. Henri Eddé resigned over what he stated was his own naivety regarding Hariri’s intentions and his intention to protect his client, “qui était l’Etat” [that is the state] (Eddé 1997: p.126). A new master plan was formulated under the auspices of Angus Gavin, formerly of DAR and the London Docklands Development Corporation (LDDC), and the French urbanist Jean-Paul Lebas, who had worked on the La Defense Project, in the context of the Horizon 2000 strategy. Gavin and Lebas’s new master plan for downtown Beirut consciously bolstered “the historical fabric of the city” and drew explicitly from the urban design movement of New Urbanism and Kevin Lynch’s (1960) *The Image of the City* (Gavin and Maluf 1996). Significantly, the new master plan did not address any of the economic concerns that were raised by opponents of the 1991 master plan. Indeed, as Najib Hourani (2011) noted, while the new master plan marked a distinct improvement from Eddé’s, it, “…seems to have deepened, rather than tempered, the commodification of space in the Beirut city center.” The dispute over the 1991 master plan and the formation of a new master plan by Gavin and Lebas, resulted in an extensive academic literature that directly debated the competing plans and analyzed this controversy retrospectively (Gavin 1999, 2005; Hourani 2005, 2011; Khalaf 2006; Makdisi 1997, 1997a; Makarem 2014; Nasr and Verdeil 2008; Rowe and Sarkis 1998; Schmid 2005).
On July 22, 1992, the Council of Ministers approved through Decree 2537 the Article of Incorporation of the Lebanese Company for the Development and Reconstruction of Beirut Central District, S.A.L, Solidere. Oger Liban once again cleared large sections of Beirut, but unlike the demolition it undertook 1983, this event received significant attention in the literature (Makdisi 1997, 1997a; Mango 2004; Salaam 1994; Sawalha 1998). In October 1992, the government approved the new master plan, which was endorsed by the CDR a year later. Solidere was officially incorporated on May 15, 1994 and two months later Solidere was officially inaugurated.

Solidere’s Legal and Institutional Framework

Rafik Hariri established the legal and institutional framework for Solidere with his personal lawyer, Bahij Tabbara, who would also be Hariri’s Minister of Justice in his first cabinet. When I asked Tabbara who was involved in creating the legal framework for Solidere, he replied, “It was done by Hariri and myself.” Tabbara added, “At some point in 1989 and 1990, I was called into the council of ministers to explain the concept to them and to Parliament. I had to explain how [the legal framework for Solidere] worked and what was needed. Hariri talked extensively with Hussein el-Husseini [the then Speaker of Parliament] about the project”.

The most important piece of legislation that would allow for the eventual formation of Solidere in 1994 was General Law No. 117/91, passed on December 7, 1991, under highly controversial circumstances. This law was an amendment to Law Decree no.5 established in January 31, 1977, which created the Council for Development and Reconstruction (CDR), the significance of which is detailed below. Law No. 117/91 was based on the Code de l’Urbanisme of 1962 (amended in 1983), and stipulated that stocks were to be granted as compensation to the original property owners (Leenders 2012: p.107). Solidere’s legal and institutional formation did not suddenly arrive after the open conflict of the Civil War halted. Rather and as I explain, Solidere was formed with historical legal and institutional precedents, and required political agreements at the national, regional and international scales.

Law No. 117/91 was applicable to all and all areas damaged by the war, but was conceived explicitly for the BCD and the formation of what would become Solidere

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(Mahmassani 2004: 6). It gave to the CDR the power, subject to the approval of the Council of Ministers, to establish real estate companies for the task of reconstruction. Law 117/91 and related Decrees, entrusted the whole of the Beirut Central District (BCD), 1.8 million square meters and an additional 608,000 square meters of reclaimed land on the sea front, to a single real estate company. As the General Counsel for Solidere Mahmassani noted, “The new company would become the sole owner of all real estate properties existing within that area through a compulsory and collective transfer of all such properties to the new company” (2004: p.7).

Box One: The Main Legal Framework for Solidere

**Law No. 117/91, dated December 7, 1991**: A General Law that allowed the establishment of a single real estate corporation in BCD. It was applicable to the development of any and all areas damaged by war events and was applied to the BCD immediately after the Civil War.

**Decree 2236, dated February 19, 1992**: Fixed the limits of the BCD project zone and identified the individual real estate properties falling within the BCD zone.

**Decree 2537, dated July 22, 1992**: Provided approval for Solidere’s Articles of Incorporation.

**Decree 2786, dated October 15, 1992**: Approved the master plan for the development and reconstruction of the BCD.

Law No. 117/91 exempted the company from registration and stamp duties, such as notary public fees, and commercial and land-registry taxes. It also exempted the corporation from Lebanese income and capital gains taxes for the first 10 years of its incorporation. The law stipulated that the company was tasked with financing and ensuring the construction of infrastructure on behalf of, and at the expense of, the state, on the basis of a contract between the CDR and the real estate company. The Lebanese state maintained control over the public domain and infrastructure, and would use the corporation as a vehicle to finance the cost of rebuilding.

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95 Decrees 2236 and 2237, issued on the 19th February 1992, fixed the limits of the BCD project zone, identified the individual real estate properties falling within the BCD zone and assigned the task to the state of valuing the real estate properties.
these works. The company would be reimbursed for the cost of construction works “in cash and/or by giving it a part of the said reclaimed lands owned by the state and/or by giving it the right to exploit certain services resulting from the infrastructure in both areas” (Mahmassani 2004: p.16).

In September 1994, Solidere reached an agreement with the CDR and the Council of Ministers to finance and carry out infrastructure works at an estimated cost of US$475 million. The state in turn compensated Solidere in kind by granting the company the right to own and exploit half of the reclaimed land from the 600,000-square-meter Normandy Landfill, plus an additional 79,000 square meters of publicly owned land in the BCD (Leenders 2012: p.60). All works had to be undertaken in compliance with the Master Plan and Detailed Guiding Layout prepared by the state. Within this framework, the company was entrusted to develop and reconstruct the BCD area; to restore and sell existing buildings; to sell real estate properties and the replanned lands to other entities or developers; to construct buildings and to sell, lease, exploit, manage and maintain such buildings (Mahmassani 2004: p.16).

The circumstances under which Law No. 117/91 was signed continues to be contested in Lebanon. Many politicians, lawyers, journalists and analysts have noted that bribes were paid to Lebanese politicians to get the law passed in Parliament. The Lebanese Member of Parliament Najah Wakim notably claims in his book The Black Hands [al-ayādī as-sawwad] notably claimed that 40 deputies voted in favor of Law No. 117/91 after they obtained bribes ranging from US$50,000 to 100,000 in cash, as well as interest-free loans to subscribe to Solidere’s initial public offering in 1994 (1998: pp.130-137). As Leenders has stated, however, it is impossible to verify the authenticity of such accusations (2012: p.58). Solidere dismissed these claims as smears by those who wished to destroy the company (Leenders 2012: p.59). Law No. 117/91 also noted that the company’s Articles of Incorporation would prohibit any shareholder from holding more than 10 percent, “to avoid the formation of monopolies or the control of the company by large financial groups” (Mahmassani 2004: p.10). It is widely suspected, however, that Hariri, through his ownership of various companies and his close network of wealthy

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96 “Thus, it [is] decided that all infrastructure works in the traditional BCD or in the reclaimed lands, such as water, electricity, sewage systems, roads, public places, public gardens, communications systems, and all other public installations would be carried out at the expense of the Company but on behalf and for the account of the State, under an agreement to be signed between the State and the Company” (Mahmassani 2004: p.15)
associates had both direct and indirect ownership of shares far in excess of 10 percent of Solidere.

Alongside what would become Solidere, two other large real estate corporations were launched in the 1990s under the auspices of Law No. 117/91. These projects have largely been forgotten about, however, as they were never initiated due inadequate funding and entanglement in political disputes. The first was the Linord Project, which was planned for the north of Beirut. Its ostensible purpose was to address the environmental problems of the Burj Hammoud garbage dump in the absence of government resources (Attallah 1998: p.203). The Linord Project envisaged an urban development that was of 2.4 million square meters, which would cost US$550 million and would create an infrastructure zone (including a sewage treatment plant and oil and gas tanks), a leisure area and a residential area (Attallah 1998: p.203; Dibeh 2005: p.4).

The second project was Elisar, located in the southern suburbs of Beirut, was a 5.6 million square meter project. The “southern suburbs” (known in Lebanon as the dahīa, literally “suburb”) has a complicated social mosaic of different political and social groups but is strongly associated with Hezbollah (Harb 1998: pp.173-174). The area not only had political importance for Hariri and his allies, but also for the Solidere project since it lay between the BCD and the airport. As Mona Harb (1998) wrote, “Elisar is a public establishment that aims at reorganizing and restructuring the western part of the southern suburb, thus allowing for the spatial expansion of Beirut toward the south and for a more ‘decent’ urban linkage between the airport and the city center” (p.176). The idea of a private real estate company, however, was soon abandoned, however, as Hezbollah and Amal rejected the Elisar project because the state owned large amounts of land within the proposed territory, unlike the BCD.97 Later on, even the idea of a publicly owned Elisar was abandoned as the number of apartments built as part of the project was linked to a policy on affordable housing in Lebanon.98 The failure of the Linord and Elisar projects highlight the significant political obstacles that Hariri faced in his “corporate-building” project for the Second Lebanese Republic.

97 Mona Harb points out Elisar grew into a counter-project to Solidere as it directly took up the social dimension that Solidere so deliberately ignored. Harb notes that, although Elisar had its problems, “I thought at least that [the social dimensions] are included as a goal and issues like social housing are included and this was something we could work with”. Harb, Mona. Professor of Urban Studies and Politics at the American University of Beirut. Recorded interview with author. Beirut, Lebanon. July 21, 2016.
In establishing Solidere, however, Hariri moved more forcefully. On July 22, 1992, the CDR and the Council of Ministers via Decree 2537 the Article of Incorporation of the Lebanese Company for the Development and Reconstruction of Beirut Central District, S.A.L, Solidere. By the end of 1992, the Master Plan for the development and the reconstruction of the BCD was approved by Decree 2786 and the CDR had formed Solidere’s Board of Founders. The Master Plan established the general framework for the development and reconstruction of the BCD, defining its road network, the location its public spaces, an area for land reclamation from the sea, the locations of two major marinas that would be situated in it and the pattern for urban development.

On May 15, 1994, Solidere was incorporated for a duration of 25 years. In 1998, an extraordinary general assembly amended the duration of the Company to 75 years, but ultimately the Council of Ministers only allowed a 10-year extension. In 2029, a liquidator is expected to be appointed to sell off the land and properties owned by the Company, after which profits will be distributed among shareholders based on their percentage ownership. A further extension of the life of the Company can also be requested, however. Solidere was given a broad range of responsibilities in pursuit of “reconstructing and developing” the BCD: acquiring real estate properties and rights there; financing and executing infrastructure works on behalf of, and at the expense of, the state; selling, leasing, utilizing, managing, and maintaining properties; and reclaiming land from the sea for property development. Solidere came to advertise itself as owning a unique “product”, a city center with international standards of construction and infrastructure that was centrally planned. As the Deputy General Manager of Solidere told the Lebanese business magazine Executive, “Solidere is a land bank and we own the jewel in the crown of properties” (Willems P and Hugh J 1999: p.24).

Solidere’s legal status is as a Société Anonyme Libanaise (SAL; a joint-stock company). The French Civil Code remains the foundations for the forms that Lebanese companies can take. As Fox and Hawa argue, “the French laws pertaining to business operations brought over from France were so deeply rooted in Lebanon, that usage of the Civil Code of France was continued even after the Republic was established” (Fox and Hawa 1968: p.430). There are two main types of business entities in Lebanon: joint-stock companies and limited liability companies. Commercial companies in Lebanon are governed by the provisions of the Lebanese Code of Commerce (LCC) and by the rule of the Code of Obligations and Contracts (COC) (Yaacoub et
Businesses with a legal status of SAL, governed by Decree Law No. 304 of January 1942, are based on the principle of the interests of the shareholder who are entitled to a dividend, membership in the company, a right to participate in management and a right to vote. All SAL companies are considered to have Lebanese nationality regardless of the individual shareholders, who are only legally liable in proportion to their shares in the company (share capital) (Yaacoub et alia 2011: p.7). SAL is a company in which the purchase company may be subject to public offering, includes at least three shareholders and has minimum capital of LL 30 million LL. There are restrictions on foreign participation in joint-stock corporations in real estate, the media and other “specially regulated industries”. Indeed, the ownership of real estate and land is a contentious issue in Lebanon. Foreign ownership is governed by Decree Number 11614 of January 1969 and its amendments in Law no. 296/2001. A foreign person or a Lebanese entity deemed as foreign can own up to 3,000 square meters of land in aggregate (including built property) anything more requires a permit or authorization approved by the Council of Ministers. Furthermore, real estate properties owned by foreigners cannot exceed 3 percent of the Lebanese territory or a particular Caza (a municipal district) or 10 percent of Beirut’s total surface.

The Council for Development and Reconstruction (CDR)

Since its formation, the Council for Development and Reconstruction (CDR) has been at the forefront of reconstruction efforts in Lebanon. In January 1977, Decree No. 5 was passed and formed the CDR as a “super ministry”. It was established by President Sarkis and Prime Minister al-Hoss to replace the Ministry of Planning and, importantly, to bypass all routine regulations and bureaucratic constraints that “encumbered” other governmental agencies that reported directly to the Prime Minister. Decree No. 5 gave the CDR “corporate status” (bi-ashkhasiya al-munuwiya), with financial and administrative independence, directly attached to the Council of Ministers.

While the CDR was supposed to report to the Council of Ministers an ambiguous and complicated institutional arrangement resulted in the CDR itself emerging as a dominant power. The CDR was vested with sweeping powers for planning, financing, implementing and monitoring the reconstruction program (World Bank 1990). Notably, the CDR was conferred
with powers that are normally associated with the Finance Ministry (borrowing), line ministries (project executions) and development banking (credit programs) (World Bank 1983). As Mahmassani said, “any project the government wants to [execute] quickly goes to the CDR”. The CDR created the plan and legal framework for the formation of a private real estate company that resulted in the establishment of Solidere and its ability to acquire ownership of the entire BCD area.

At the end of 1990, the GoL recommended four possible alternatives to the CDR to establish an adequate structure for reconstruction programming and implementation. The World Bank supported the recommendation that a National Planning and Development Council (NPDC) replace the CDR and a Council for Implementation of Reconstruction Projects (CRIP) be responsible for project implementation (World Bank 1990). The World Bank stressed that the CDR should not be an implementing agency or be allowed to contract external debt. But instead of an alternative being created, the CDR “super ministry” was revived along its original lines laid out in 1977. In January 1991, Hariri began to assert his political authority in the country and pushed through Decree No. 790 that approved the restructuring of the CDR and a new set of personnel within it. The new structure placed Fadel Shalaq, the founder of Oger Liban and chairman of the Hariri Foundation, as the new head of the CDR. The CDR was established as the main interlocutor of the reconstruction. As Shalaq wrote to the President of the World Bank, in August 1991, the GoL had designated the CDR “as the agency responsible for planning, securing finance for, and executing national recovery programmes”.

In July 1991, the United Nations Assessment of the Development and Reconstruction of Lebanon (UNARDOL) conducted an initial assessment of priority needs and programmes of technical assistance for the reconstruction to form the basis of an appeal to the international community (Rasmussen 1991: p.1). Karen Rasmussen, a World Bank financial analyst, who participated in the UNARDOL mission noted that the team was received by the President Elias Hrawi, and the only other Lebanese official present during the meeting was the newly appointed President of the CDR, Shalaq (1991: p.1). The GoL laid out a National Emergency Reconstruction Programme (NERP) that was presented at the first major aid meeting, the Lebanese

100 Shalaq maintained a private office in Oger Liban while heading the CDR and the CDR moved into a new headquarters that was a $5 million gift by Hariri (Mango 2004: p.50). Notably, in correspondence with the World Bank, Shalaq sent material as the President of the CDR with the letterhead of Oger Liban.
Aid Coordination Meeting in Paris in December 1991. The Lebanese delegation to Paris consisted of CDR representatives, headed by Chalaq, their consultants from Bechtel and DAR and one official from the Finance Ministry. The NERP identified projects with a preliminary cost of US$2.7 billion over a period of three to five years.

By the end of 1991, Hariri further cemented the CDR’s in the reconstruction but also its lead place in the planning and reconstruction of the Beirut Central District (BCD). Under highly contentious circumstances, as detailed below, Law No. 117/91 passed in December 1991. This law entrusted the entire BCD to a joint-stock corporation and it also inserted a far-reaching amendment to the Legislative Decree No.5 that created the CDR. The CDR played a central governmental role in relation to Solidere, but at the same time operated outside parliamentary accountability. Due to its institutional structure, the CDR could bypass Parliament and the Council of Ministers to interact directly with the Prime Minister. Once Hariri was elected Prime Minister, he often failed to discuss the CDR’s plans and activities with his cabinet, often completely bypassed Parliament and unilaterally ordered individual projects to be carried out (Leenders 2012: p.103; Najem 2000: pp.145-46). As a senior Solidere employee said, the company tried to avoid other ministries as much as possible and in its early days would “just get a nod and a tick from Hariri”.

In October 1993, the CDR completed the Detailed Plan for the corporation that provided plans on a sector by sector basis, on critical issues for the BCD, such as minimum permitted plot size, maximum land utilization and height, the preservation of certain buildings and the special mandatory buildings norms for construction to supersede those in the building code (Mahmassani 2004: p.19). The CDR was responsible for the formation of the Board of Founders of Solidere (on which it had a seat) and determined the cash component (equal to US$650 million) to be raised through the sale of 6.5 million (B) Shares (Mahmassani 2004: p.18).

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101 In June 1991, the CDR had signed a $7 million contract with the American corporation Bechtel and the Lebanese firm DAR. Bechtel and DAR were tasked with producing the study “Recovery Planning for the Reconstruction and Development of Lebanon”, which would formulate the framework for a national reconstruction program and also an Emergency Recovery and Rehabilitation Program (EERP) (Rasmussen 1991: p.5).

Conclusion: Solidere

In September 1994, at the Beirut Festival, the Lebanese elite gathered in Martyrs’ Square in the heart of the Beirut Central District (BCD) for the inauguration of the government sponsored joint-stock corporation, the Lebanese Company for the Development and Reconstruction of the Beirut Central District s.a.l (Solidere). Tens of thousands of Lebanese had gathered there to signal the beginning of the reconstruction but also to hear the national icon Fayrouz sing for the first time since the start of the Civil War in 1975. As the elaborately produced Solidere report City Scenes (2011) documented, “The dream [of Solidere] took off on Martyrs’ Square, an important site to the people of Beirut and Lebanon. A concert for the country’s national phenomenon Fayrouz drew an audience of more than 30,000. Beirut City Center started to breathe new life. Reconstruction began” (p.4).

At the time of its inauguration, Solidere was one of the largest inner-city and waterfront renewal projects in the world. It turned the whole of the BCD, 1.8 million square meters and an additional 608,000 square meters of reclaimed land on the sea front, into a corporation. It was also one of the largest single joint-stock real estate corporations not only in Lebanon but the entire Arab region. At the Beirut Festival, the President and speakers drawn from the country’s religious and political elite took it in turn to endorse and sing the praises of Solidere’s foremost supporter and majority shareholder, Prime Minister Rafik Hariri. In the context of a country recovering from a brutal series of Civil Wars, such a broad consensus of agreement by the Lebanese political and social elite was rare. But not all were unified behind the Solidere project. The announcement that Fayrouz would participate in the festival celebrating Solidere’s inauguration led to an uproar within the country. Her singing at this concert, it was claimed by dissenters, would be understood as an endorsement of the corporation. Pamphlets and a petition circulated calling for Fayrouz to withdraw from the concert and numerous op-eds in the country’s main newspapers engaged in the controversy. Solidere divided opinion in the country at its formation and this division continues to the present day.

103 Other joint-stock real estate corporations in the Middle East have been founded after the formation of Solidere, such as Emmar (est. 1997), Aldar (est. 2001), DAMAC properties (est. 2002) and Abdali PSC (est. 2004).
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Chapter Five: A Paradise in a Box

On a punishingly hot Sunday in July 2016, I waited on a narrow strip of pavement alongside the George Haddad Highway in front of the French bakery corporation, Paul. The George Haddad road links to the Fouad Chehab Ring Road, forming part of an open-trench road that encircles the Beirut Central District (BCD). Since 1994 it has delineated the territory of the urban development corporation Solidere. Constructing this infrastructural trench around the BCD was one of the first tasks that Solidere undertook. Paul was the meeting point for the tour “‘Beauty under Stress’, practicing public space in Beirut Central District”, organized and guided by Rania Sassine, an architectural consultant, lecturer and former employee of Solidere International, under the auspices of The Arab Center for Architecture.\(^{104}\) The tour was LL 30,000 ($20) per person and the mostly female, middle-class Lebanese participants slowly grew in number until we are about 15 people in all. At 10 AM sharp, we began the tour by effortlessly crossing the George Haddad highway made possible because of the sparse Sunday traffic. Crossing the George Haddad highway on a weekday is a dangerous proposition and entering Solidere by foot is no easy task. Rania Sassine later told me that, “I started, if you noticed, by crossing the highway… to highlight one of the wrong design decisions of Solidere, to cut out the rest of the city”.\(^{105}\) Sassine added, “I always call Solidere, Paradise in a Box”.

Sassine begins her tour with the group crossing the highway not only to stress how Solidere is cut off from the rest of the city, but also to show how this separation creates a distinct feeling. Solidere not only has its own security and infrastructure system; it also has what Sassine described as its own sensation. “I call it a sensation tour,” Sassine said and further explained that in the BCD:

> You note the difference in smell and acoustics, in texture of being on this unfriendly highway and then getting onto this very narrow street [in Safi, located inside the BCD], with flowers on the side and no noise and there is shade [from the planted trees]; it is like in a quarter of second life has changed radically and the quality of life has changed.

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\(^{104}\) Sassine is an architect and the former head of the Master Planning Unit at Solidere International. She currently works as a Senior Lecturer at ALBA and a consultant on Jeddah economic city, in which the center piece is Jeddah Tower, planned to be the tallest building in the world on completion at 1km tall. This was the third tour that Rania was doing of downtown Beirut that was undertaken through her own initiative.

radically. I think one of the main drawbacks of Beirut is the urban quality of life. Where can you really go without being completely offended visually, acoustically or by smell… suddenly when you are in the middle of this square in Saifi, it is like a village atmosphere… that has all the ingredients for success in terms of sensation, materials and quality of life.

*Image 6: Rania Sassine (center) in the Safi village area of Solidere, leading the tour “’Beauty under Stress’, practicing public space in Beirut Central District”. Source: Photography by author, July 2016.*
Solidere is increasingly viewed by many Lebanese as a kind of royal garden, a “Paradise in a Box”, a place of extreme luxury shut off from the rest of the city. For instance, Lebanese poet Youssef Bazzi writing for the Solidere-sponsored journal Portal 9, stated, “When I take the Fouad Chehab Ring Road from Hamra to Achrafieh, I realize that people cross back and forth from East to West Beirut and bypass that island, the city center, isolated from traffic and the arteries of daily business, society, and economy. It is an island, or in the tradition of the Commonwealth, a fenced plot and an exclusive social club, for the recreation and leisure of the elite” (2012: pp.12-13). Even Bahij Tabbara, who designed Solidere’s legal framework with Rafik Hariri, noted that the area is “just for rich people; it is not a part of Beirut that is for living. It is not for life.”106

There is a deep connection between the idea of paradise and an enclosed area. Historically, rather than a downtown urban area, paradise has been associated with an enclosed garden or park. In the monotheistic religions, the idea of paradise and the garden are interchangeable.107 Ancient mythologies, writings cite a place beyond time and space known as the Hesperides Gardens, Arcadia, Elysium or the Golden Age (Ahrland 2011: p.72). In ancient Persia, the royal and imperial gardens were called pairidaeza meaning “enclosure” or “fenced area” (Ahrland 2011: p.70).108 According to Ahrland (2011), the royal gardens and parks of ancient Asian empires were walled, mysterious and opaque; these places incorporated elaborate infrastructure like lakes, irrigation systems and canals, and featured expansive green spaces and an abundance of water (p.70). These earthly paradises were closely connected to the both the expression and conduct of social power.

The making of parks was associated with social status. These carefully guarded spaces created an exclusive social area for the elite, who alone had the right to visit or hunt there. Moreover, setting aside large tracts of land and devoting major resources to them played a significant part in displays of elite power, as well as the organization of a large amount of a polities, labour and capital (Ahrland 2011: p.83). Grand gardens functioned as a basis for conquest; they were places that facilitated the exercise of power, military and cultural

107 In the Christian tradition the Garden of Eden is derived from the Hebrew Gan (garden) and Edan (sweetness) (Ahrland 2011: p.72). In Arabic the word for paradise is Jannah, which literally means garden.
108 The word paradise is traced to Xenophon’s use of the Paradeisos to describe the gardens of Cyrus the Great.
domination. As Walcher (1998) notes, there has been a notable correlation between the construction of grand gardens and territorial expansion: “Timur began to build the gardens at Samarkand as he increased his territorial control. The Mughal Shah Akbar (1556-1605) constructed large gardens at the height of his rule, and Abbas the Great began to design and build his capital after ten years of continuous military confrontation with the Ottomans” (p.340).

Conduct is closely monitored within Solidere and, although there are no legal restrictions on who can walk around the area, there is a certain atmosphere that makes itself felt. I asked Sassine how participants in her walking tours have reacted. She replied, “In the beginning people always come with the idea that someone will stop them… they expect that people will tell them that you cannot walk there and that this private”. Sassine told me that even people who work within Solidere join the tour because “They don’t dare to go around; they don’t feel welcome or maybe they are not curious enough”. Solidere is well known for its private security guards, who are located on almost every cross street throughout the entire territory, some in blue uniform and others in plainclothes. While noting that it was true that Solidere was not a welcoming place, Sassine insisted that security restrictions only occur when Parliament is in session; then “everyone goes crazy” and in these cases “you can’t park; you can’t do anything”.

But during our walking tour, on a quiet Sunday with our mainly middle-class female participants, we soon experienced the presence and dictates of the private security apparatus. The guided tour group walked through an external passageway that runs through the center of the Fransabank building. As some of us exited the corridor, taking pictures of the regined architecture, three private security guards told a participant to delete the photographs from her camera. She refused and demanded to know on whose authority they could request this; they were not the police and we were outside on an ostensibly public street. A long argument ensued that was finally resolved when one of the private security guards requested and was granted permission from his radio to allow her to keep the pictures. Solidere features particular rules and codes of behavior in its spaces that are different from the rest of the city (see Image 7).

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Solidere was not merely undertaking a reconstruction of the built environment, nor was it simply a business enterprise. It established new and distinct relationships between Beirut’s inhabitants and their broader urban and national fabrics; it also formed new ways of relating to the state and the market. This joint-stock corporation was constructing infrastructures of social relationships as much as it was building roads and telecommunication networks. Built into the luxury apartments and shopping malls of Herzog & De Meuron, Norman Forster and Jean Nouvel were edifices of politics and ideology. Solidere’s formation utilized the full tool kit that the apparatus of a joint-stock corporation provides. This included, as I will detail in this chapter, the ability to centralize capital and property from hundreds of thousands of entities into a single corporate unit through shareholding; monopoly power; absentee ownership and continuity of existence beyond individual owners and managers; a managerial structure, with its professional class and board of directors; annual and quarterly reports, audits and detailed reports on each building, chair, light and tree, its operating expenses, cost of repairs and work done; government subsidies and support; and a new spatial order. Perhaps most importantly, through Solidere and its corporate socio-spatial apparatus, a certain future was built into the present.
“To the average Lebanese,” the World Bank official Abdallah Bouhabib wrote in 1992 in his Back-to-Office report, “HOPE is currently spelled H,A,R,I,R,I” (1992: p.1). For Hariri to personify hope, an emotion in which a certain idea of the future is drawn into the present, was a remarkable feat in a country devastated by war. Hope was a stabilizing effect that Hariri achieved through the vision of a prosperous postwar Lebanon. In one of Solidere’s early promotional videos a young woman states “Beirut these days is like a prison. They say the new city will be like a dream. I don’t believe anything can be so dreamy but I think people will perhaps relax” (1994). Bouhabib reported to his colleagues in Washington that Hariri had created high hopes among the Lebanese public to bring back the country’s “old glory”. His government was expected to reestablish 24-hour electricity; provide clean water and a sewage system for all; clean the streets; provide funds for housing to the poor and displaced; rebuild public schools and the national university, and modernize the educational system; build infrastructure; revive agriculture and curb inflation. “The expectations are high and the prime minister is doing nothing to moderate them or identify the road blocks,” Bouhabib wrote (1992” p.1).

Rafik Hariri returned repeatedly to the future that he envisaged for Lebanon. This was achieved through a variety of means. A vast advertising campaign was undertaken in news media and directly by the newly established corporation Solidere directly. In 1993 Hariri founded Future TV that was later joined in 1999 by a newspaper also known as Future [al-mustaqbal]. One of Solidere’s first corporate films from 1994 emphasized the corporation’s new motto, “Beirut: Ancient City of the Future” [beirut: madina ‘riqa li-mustaqbal]. The architect Abdel-Halim Jabr notes that in Arabic this expression is more nuanced than in English. The word ‘riqa not only means “ancient” but also carries the meaning of being refined, a city “with pedigree, a city with lineage-which is a very Beriuti concept, someone who comes from a good family”, as Jabr said. “They were paying lip service to Beriuti memory and history, saying we are preserving the old glamour of Beirut but we are a modern state and [Solidere] is going to be the shining beacon of the Middle East, so they anchored the future in the fine lineage of the past”. Architectural models, maps, official plans, books, advisements around the country and

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111 Following Rafik Hariri’s assassination in 2005, the Future Movement political party was founded in 2007.
the world in magazines, city billboards and TV announced the plans of the proposed reconstruction.

Technical reports accompanied these visions of the future. *Horizon 2000 for the Reconstruction and Development of Lebanon*, for instance, which was paid for by Hariri and created by the Bechtel Corporation and DAR, envisaged a US$12 billion national reconstruction that placed what would become Solidere at its center. Hariri’s material vision of the future was one that was inscribed by bulldozers reforming the physical space of downtown Beirut. But it was also a vision that was also paid for with hard cash distributed to various political, religious and family factions to ensure that they enrolled in his vision of the future. The architect Mona Hallaq described how she heard from friends and family about Hariri’s remarkable transformation of the downtown area in 1993: “When I came back in 1994 [to Lebanon] the first thing I did was to go to downtown and it was really the most surreal thing I had ever seen… All the area was zero, there was zero references… there were two bulldozers going back and forth making it [Martyrs Square] flat, there was nothing”.113 Shortly after the inauguration of the Solidere project, city residents, investors and tourists were given tours of the future Beirut. Aseel Sawalha described how Solidere organized events in the destroyed downtown area: “The tour began with a visit to a large air-conditioned white tent nearby to view an architectural model of the area. Using a laser pointer, the guide showed the group the model’s miniature streets, governmental offices, residential areas, and sites of worship” (2010: p.25).


Wissam Ariss, whose family owned property in the BCD before it was transferred to Solidere, notes in a case study prepared for a class discussion at Harvard Business School, “The vision is of a reconstructed, ultra-modern Beirut Central District whose image as a tourist magnet and competitive financial center will restore Lebanon’s cosmopolitan appeal” (1997: p.9). The state, it was claimed by Solidere’s proponents, neither had the funds or human resources to carry out the required task and the lack of trust in the state meant that the opportunities for public borrowing were minimal (Kabbani 1992: p.18). The reconstruction was to be privatized and Solidere would lead this process. “No public funding required” was a central slogan under which Solidere operated (Solidere 2010: p.6).

Solidere officials argued that 15 years of war had created an institutional vacuum has been created and no public agency was capable of taking on such a complex and large-scale urban restructuring (2012: p.66). Ariss argued, along with a number of other enthusiasts of the Solidere project that, if the corporation could rebuild the BCD with high-quality infrastructure this will attract the necessary foreign direct investment the country desperately needed:

[A] refurbished Central District specifically designed as a prestigious financial and business center should bring an influx of banking firms, multinational giants, and industrial magnate[s] requiring an estimated hundreds of thousand[s] of workers. This influx, in turn, will trigger dramatic growth in the area’s retail and service sector as new employees seek residential housing, shopping centers, and leisure time-activities… In all, it is projected that this Solidere-built city will both spawn considerable growth and redistribute income on a more proportionate level (1997: p.8).

If Hariri could fix “the economy” through the economic institution of the joint-stock corporation Solidere, it was argued, then many of Lebanon’s problems would disappear. As Ariss concluded, “With Mr. Hariri in power, investors’ confidence will be retained, Solidere’s reconstruction is likely to be eminently successful and a resurrected Lebanon as the inevitable result” (9). Solidere’s enthusiasts argued that, through the corporation’s institutional framework, it would transform the organization of economic and political life in Lebanon, ensuring greater development and prosperity for the entire country. At the same time, however, Ariss asked his class, was this description wishful thinking or could Solidere become a reality?

Reality and wishful thinking could not be so easily separated, however. It was the wishful (or perhaps speculative) thinking that allowed Hariri and his network to be able to achieve, at
least in part, the remarkable act of transferring the ownership of hundreds of thousands of
property rights in the BCD to a single corporation. The vision that Hariri pursued through TV
commercials and official plans, accompanied by the bulldozers flattening downtown Beirut and
by guided tours around architectural models, was not only creating a certain reality but building a
certain future—both in people’s minds and in their material everyday lives—into the present.

Hariri was building a system, a power network, that left little room for other visions, one
that displaced and incorporated other existing arrangements of power. “You have to understand
that in the early 1990s there was no other project,” Bernard explained, “so what are we weighing
it against? There was no other project… so you have to accept that and they have done it. They
built the damn thing, they stuck to their agenda, against all odds”. To object to Hariri’s plan
would mean constructing an alternative socio-technical arrangement, another project, an
alternative, to displace it. But what possible alternatives could be suggested when many of the
downtown properties were already bulldozed? How could other proposals be submitted when
Hariri dominated the airwaves and blocked other plans from circulating? This left the impression
for many that, as Margaret Thatcher articulated at the time, there is no alternative. Other futures
had been foreclosed through the extension of Solidere’s future in the urbanization of space.

The Joint-Stock Real Estate Corporation Solidere

Through the joint-stock corporation Solidere, Hariri bound together entities that could not
be otherwise brought together. Political parties, family structures, religious institutions and even
the state, could not bring together people, things and space, like the apparatus of the joint-stock
corporation. A new socio-spatial order was being assembled and the apparatus of the corporation
was central to this new structure. But this new socio-spatial order led by the Solidere project and
the reconstruction was not uncontested. Law No. 117/91 and Decree No. 2537 (July 1992), were
passed under highly controversial circumstances. In addition to reports of bribes, detailed in
Chapter Four, Law No. 117/91 was passed in a context in which it was unclear to legislators if a
single corporation would be granted ownership of the entire Beirut Central District or if it would
be many companies.

In the parliamentary debate at the time, the deputy Mikhael Daher stated that rather than a single company, “We would have certainly preferred, Mr. Speaker, to see multiple companies compete in light of explicit terms laying down the tasks, goals and acts and detailing the prices and costs included in the process, far from any monopoly” (Monthly 2013). However, the Speaker of the House, Mr Hussein al-Husseini, insisted that Law No. 117/91 did not prevent several companies from forming and that this was still under discussion. But Daher responded that the text meant “a certain company is monopolizing a certain region, which is at glaring odds with the constitution” (Ibid). Seventeen parliamentary sessions had been dedicated to the passing of Law No. 117/91, with only six deputies ultimately voting against it. Some politicians, like Daher, raised concerns about a single corporation monopolizing the entire BCD, the tax advantages it would obtain, foreign ownership of the center, the rights of existing property owners and the constitutionality of the project. Daher stated that the proposed corporation was given “as much of the sea as it can lay its hands on” and cited the collusion among the CDR, the state and the company. Furthermore, Daher noted, the company was exempted from all taxes, including stamp duties and income taxes and was empowered to construct infrastructure, such as roads, electricity, water and sewage networks: “All these projects shall be executed at the expense of the government and we ought to pay the company in cash” (Ibid).

In the same report that World Bank official Abdallah Bouhabib, described Hariri as a synonym for hope, he also remarked on Hariri’s conflict of interest as Prime Minister of Lebanon and the main propagator of Solidere. He noted that “One daily asked Hariri to choose between being the P.M. of Lebanon or the P.M. for the Real Estate Corporation” (1992: p.4). There was no legal requirement for Hariri to put his business interests into a blind trust, Bouhabib explained, but the former’s voluminous business interests, the ties of those businesses to the state, and the number of his former employees who were then in the government positions, in addition to his control of Solidere, “could create a substantial conflict of interest in the near future” (Ibid). This conflict of interest, Bouhabib remarked, was a “potentially explosive issue” (Ibid).

Protests and campaigns did emerge against Solidere. Hadi Makarem (2015) notes that opposition to Solidere’s reconstruction plans came from several individuals and interest groups within Lebanese society: former landowners and tenants, most notably the Association of Owners’ Rights in the BCD headed by Omar Daouk; those displaced by war, who had been
squatting in abandoned buildings and intellectuals and professionals in architecture and engineering who opposed the reconstruction (pp.506-507). The owners’ association was particularly effective in organizing meetings, demonstrations, leaflet campaigns, discussions with political and religious leaders and press conferences (see Image 10). But, as I detail below, this group soon fragmented.

Opposition to Solidere was patchy and Hariri was easily able to co-opt it. Notably, the structure and form of the joint-stock corporation as I examine was significant to this co-option. The Lebanese scholar-activist Mona Fawaz recalls that her first protest was in 1991, against what would become the Solidere project: “I was a first year architecture student and there were a few protests organized at the time … but the group was very, very small protesting; there was a mish mash of people who cared about heritage and others who were property owners”.115 The population was no doubt exhausted after the brutal conflict of the war and an intensely fought general election. The architect George Arbid also recalled that the national discussion around reconstruction was scarce: “It was led by a few people, Assem Salam, Jad Tabet, Pierre Khoury… and Raef Fayad”.116 This group was able to overturn Henri Édde and DAR’s designs for the downtown, but the economic and political concerns were largely left unaddressed. Furthermore, this opposition was both motivated and ensnared by cross cutting confessional and class rivalries. Solidere employee Amira Solh, a Solidere employee and herself a member of a notable Sunni family, explained that Salam’s opposition was also derived in part from a “Sunni elitism”, and frustration with the rise of this accountant-contractor Rafik Hariri, “who came in and kind of high-jacked the leadership”.117 Indeed, even with Hariri’s vision there were pressures from all sides that could halt the system Solidere was part of building, these were, inter alia, geopolitical, sectarian, economic, political, technical, geographical, social and historical. Importantly, it was the apparatus of the corporation that enabled its propagators to circumvent those that attempted to mobilize against it.

Corporate Ownership

Despite the assertions from Solidere’s supporters that it was a private company and that no public funding would be required, it and the Lebanese Second Republic state, as I argued in Chapter Four, were coproductions. Solidere’s very existence was rooted in the state, because of the corporation’s reliance on government not only to create its legal framework, but also to obtain its “land bank” consisting of the BCD and reclaimed areas. The corporation and the state had to work in concert to achieve the corporatization of the BCD. To transfer ownership from property owners to Solidere, and to remove squatters, required the sovereign powers of the state. Hariri was both the state and the corporation; as a result he was effectively negotiating with himself as to the price at which property rights for all of downtown Beirut would be transferred, and the legal framework through which this would be done. Hariri would have to pay very little for the property rights, as, for the most part, owners were not paid in cash for their property rights, but with shares in Solidere. Owners would be dispossessed of their property, but they would be given the opportunity to participate in the accumulation of future wealth that resulted from this dispossession, through shares in the very corporate entity that had taken their assets.

A central reason invoked in favor of transforming BCD into a joint-stock corporation was the ability to collectivize the extremely fragmented property rights to the BCD. The argument had gained currency that ownership and tenants’ rights in the area were so fragmented that, without a centralized initiative, rebuilding would become hostage to the seemingly insoluble problem of collective action (Leeders 2012: p.106). For example, Bahij Tabbara, Hariri’s personal lawyer and the chief architect of Solidere’s legal framework, illustrated the problem through his recollection that one plot of land he examined had 6,000 claims to it. A joint-stock corporation would be able to incorporate these fragmented property rights into a single entity by exchanging them for shares in the corporation. Mahmassani wrote, “In the wake of the war, questions of inheritance also emerged, as in some cases, there were also the owners’ heirs and other beneficiaries…. The idea was to place all right holders—owners, tenants, and other public rights—into one large company” (Solidere 2012: p.64).

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118 It is frequently noted in the scholarship, in interviews that I conducted and in other documents related to the BCD that between 100,000 and 150,000 people had claims on landownership or were “rights holders” in the CBD but it is unclear where this estimate comes from or how it was calculated.

Proponents of Solidere argued that the extent of the destruction suffered by BCD’s properties and infrastructure meant that the whole area had to be entrusted to a single real estate company and not (as had previously been suggested) divided into several areas, to be delegated to several different real estate companies. This idea of transferring ownership of the BCD to a corporation was bolstered by the presence of squatters there, who had been displaced by the Civil War. A report by the General Security Forces estimated that the number of families illegally occupying properties in the BCD, mainly in the Wadi Abu Jamil district, was 2,200 (Cited in Leenders 2012: p.65). Solidere’s proponents argued that a single real estate company would ensure absolute equality of treatment for all property holders inside the BCD. They further argued that it would allow the company unhindered access and free power to process and operate in all areas of the BCD, without being handicapped by public domain disputes, which applied to about 30 percent of the BCD area (Mahassani 2004: p.14).

Importantly, the legal framework for Solidere did not officially either expropriate all private property on behalf of the state or uphold the private ownership of land; rather, it transferred property to the corporation. Bahij Tabbara said, “The concept was to force tenants and land owners to form a stock exchange company against the value of their share; it was a kind of expropriation but not a real expropriation”.

Previous right holders were allowed to complete the rehabilitation of their properties, but they had to do so in line with Solidere’s requirements and within a two-year period; failure to do so would result in the cancellation and recovery of the recuperated property. Not only did inhabitants that wanted to rehabilitate their properties have a problem in mobilizing the required resources in such a short time frame or dealing with the broader issues of a country holding together a fragile “peace”; the Land Registry was also slow in delivering the required documents (Leenders 2012: p.108).

Maintaining that Law No. 117/91 was not an “real” expropriation was important because the Law on Expropriation (Law No. 58, ratified May 29, 1991) and Article 15 of the Lebanese Constitution stipulate that expropriation cannot be undertaken unless it is for public utility and fair compensation is provided. Lebanese officials justifying the transfer of land to Solidere frequently denied any expropriation had taken place, but they would also note that said transfers served the public interest (Leenders 2012: p.110). Indeed, Tabbara said, “I was very worried

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about [whether] this was constitutional. To force people to give up their land is not an easy thing and so I went to Paris to consult with a constitutional expert who told me if you put it straight into the stock market then it was the same as a cash payment and is constitutional”.

Shareholdings not only enabled the corporation to centralize capital; they also provided the constitutional and political apparatus through which ownership could be concentrated.

Solidere “upheld” the private ownership of the land by becoming the sole owner of all real estate properties existing within its area, via a compulsory and collective transfer of said properties, where previous owners would become shareholders and possessors of equity shares in the company for the “equivalent value of their transferred rights” (Mahmassani 2004: p.4). Many in Lebanon, from all sides of the political and confessional spectrum, deemed the “transfer” of land to be an expropriation, unconstitutional and a violation of free-market principles and the sanctity of property ownership. Supporters of the project, however, argued that the private company was the only way a national economic recovery could be achieved, and was the only “realistic” solution to jump-start the economy (Kabbani 1992: p.12). The inauguration of Solidere meant that all real estate properties in the BCD and all leases and other rights to such properties were compulsorily extinguished by the state and deemed by operation of law to be contribution in kind to Solidere (Mahassani 2004: p.20).

At the heart of much of the disquiet around the transfer of property rights for shares was the question of how properties’ values were calculated and granted. The idea of “fair compensation” for BCD properties has been subject to highly contentious debate in Lebanon. I have met many people who owned property in the BCD and expressed their anger at how the valuation process was undertaken. This has also been extensively documented in other scholarly and media accounts; both Mango (2004) and Tarraf (2014) offer good narrative accounts of BCD property owners compensation and dispossession. Decree 2237, passed in February 1992, established seven “Appraisal Committees” and one “Higher Appraisal Committee” to evaluate real estate properties. The former would do the initial valuations and the latter would be the sole authority to review complaints; property owners were not granted the opportunity to object to the


122 Kamal Hamdan, an economist and noted opponent of Solidere, told me in an interview that his father owned a property in the BCD. “From Solidere we received, I don’t know around $20,000. I can assure you that… the value of their rights that Solidere paid represented about 2-5 percent of their actual value”. Hamdan, Kamal. Economist. Recorded interview with author. Beirut, Lebanon. June 22, 2016.
“expropriations” through normal judicial channels (Mango 2004: p.110). Furthermore, the Committees’ appraisal methods were not divulged to the public (Ibid). Protests did manage to persuade the Lebanese High Court Justice to partially halt Decree 2237 in July 1992 but once Hariri assumed the Prime Ministership, the vast majority of decisions made by the Lebanese judicial system’s decisions went in favour of Solidere (Mango 2004: p.60). Ownership of Solidere consisted of two types of shares: “A” shares reserved for property owners and distributed as compensation for the “expropriation” of the BCD properties; “B” shares that were open to purchase by investors. In February 1993, the committee concluded that the total worth of the BCD properties was just over US$1.17 billion; and just over 11.7 million A shares valued at $100 each were issued (Najem 2000: p.166). By 1995, 2.6 million shares had been allocated. B shares offered cash subscriptions for 6.5 million shares at $100 each.

Leenders has argued that the regulatory framework for property transfers was not congruent with the constitution or Lebanese property laws, which meant that the decision makers enjoyed high levels of discretionary power (2012: p.107). Property owners had to accept the price these committees set for their properties, even if they deemed them too low (Leenders 2012: p.109). Some deputies in Parliament frequently objected to the final and irrevocable decisions of the appraisal committees, but their objections did not have any impact (Monthly 2013). In addition to the anger at transferring property to a single corporation with monopolistic power over the entire BCD, and the price at which it was transferred, there was also significant concern over the actual ownership structure of Solidere.

The corporate structure, organized around the shareholder, was supposed to ensure that ownership was at once centralized in the singular entity of the corporation and dispersed through its thousands of shareholders. A limit was placed on the number of shares a shareholder could obtain. Decree 2537 that approved the Article of Incorporation of the Lebanese Company for the Development and Reconstruction of Beirut Central District, S.A.L. outlines that, “No shareholder, whether he be a natural person or body corporate, may directly or indirectly own more than 10% (ten percent) of the Company’s capital. The spouse and minor descendants of the shareholder are considered as one person”. But in practice a different picture emerged.

Various opponents of Solidere highlighted that the ownership structure was far from clear. What looked like a highly fragmented and dispersed ownership of the BCD by Solidere “shareholders” in the corporation was in fact simplified and concentrated ownership dominated
by Hariri and his associates. Tom Najem (2000) notes numerous reports that, although an estimated 19,000 people held shares in Solidere, most were in effect owned by Hariri and a small circle of his associates (p.167). Critics also pointed to the substantial role of Gulf-based Lebanese citizens, substantial role in purchasing B shares, many of whom remained anonymous and were suspected of being Hariri’s associates or of selling their shares to him or his associates (Ibid). The B shares also took on extra importance as legal disputes meant that many A shares remained up for grabs in the courts (Ibid). Solidere’s General Counsel Ghaleb Mahmassani, said that the Hariri family, through his various companies and associates did own far more than 10%. But he stressed there was nothing wrong with Hariri’s associates and companies owning shares: “an independent company can also own up to 10 percent… The [Hariri’s] have influence and friends who are also shareholders that is why they have this indirect influence [of owning more than 10% of shares]”. Mahmassani noted that there is a list of shareholders exists, but it is only at the disposal of the shareholders themselves (Figure 5 is from the Lebanese newspaper Al-Akhbar, and the only information on the identity of Solidere shareholders that I was able to obtain).

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**Figure 5**: Information obtained and compiled from Lebanese newspaper Al-Akhbar, [https://english.al-akhbar.com/node/10650](https://english.al-akhbar.com/node/10650), accessed July 2018.

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The joint-stock corporation had not only centralized capital and ownership in a single corporate entity; it had also concentrated ownership of the entire BCD into the hands of Hariri and his associates. Through Solidere, Hariri had gained control of the most prominent piece of territory in Lebanon without firing a bullet and all in the name of business. It was quite the deal. Furthermore, he had obtained significant ownership and control of the entire BCD territory at a substantially lower monetary price than what the many of the pre-Solidere owners believed their properties were worth. Solidere also enabled Hariri to organize a new political and social project. As Prime Minister, Hariri organized the infrastructure of Beirut and a significant amount of Lebanon’s entire social wealth around the territory of the BCD. This included the building of highways, tunnels, a new airport and electricity and telecommunication networks. Hariri formed an entirely new socio-spatial system for Lebanon organized around the joint-stock corporation Solidere. Of course this relied on the state and Solidere working in concert but other forces were constantly threatening this coproduction.

Executive Magazine journalist Peter Willems notes that “when Hariri’s stint as premier from 1992 to 1998 ended, Solidere’s business was stopped dead” (2000: p.30). As one developer told Willems (2000) after Hariri resigned as Prime Minister, “Solidere used to be the government, it had power and it had a free hand in doing what it wanted to do. There used to be pressure on the municipality. Now those at the municipality are fed up with Solidere and are taking revenge” (p.39). Without Hariri as Prime Minister, building permits that had once flowed freely from the municipality of Beirut were now getting held up. As one analysts told Executive Magazine after Hariri’s resignation in 1998, “When you buy stock, you’re buying into the future and I don’t see what is happening today as what is needed to support the future of Solidere” (1999: p.40). Building the future into the present, no matter how durable the structures, continued to be a precarious endeavour. Indeed, it remains an ongoing struggle that at times has resulted in the kind of battles that was detailed in the introduction of this thesis, e.g., the Abu Rakhousa protests. The existence of Solidere relies on a certain broader political, social and economic control.

Overall, Hariri and Solidere managed to suppress opposition to the project to at least get most of it materialized physically. Enough people supported the transformation of the BCD to Solidere for it to hold together. Wissam Arris, for example, was part of a family-owned
multinational corporation, Ariss Lighting, that owned property in the BCD. As per the Law 117/91, the company “sold” its prime-location property in BCD to Solidere in exchange for about $2 million type A shares (1996: p.5). “Unlike many landowners in the BCD”, Ariss noted, his family was not displeased with the valuation of their real estate and they saw the prospects for a prosperous Lebanese economy depended on the success of the Solidere project (5). Indeed, even today Solidere maintains supports even today. For instance, Yasser Akkaoui, the managing editor of *Executive Magazine*, said that he thought that the idea of Solidere was a very good one: “Putting it on the stock exchange allowed every [share holder] to be part of the nation building exercise… And I wish every state-owned enterprise was a joint-stock company and listed on the stock exchange because there is a certain level of transparency and accountability that will be there and if the float is big enough for shareholder democracy”.¹²⁴

For advocates of Solidere, the “compensation” to the original property owners was fair because their shares in the corporation would enable them to participate in the reconstruction and benefit from future revenues—a future designed around the sociopolitical and economic success of Solidere. Therefore, Solidere needed to ensure political control for it to continue generating revenues through the durable structures that it was creating.

**Capitalizing Lebanon**

The formation of Solidere meant the capitalization of the entire BCD and the creation of one the largest capitalized entities based in the Arab world at the time. The corporation and its shares formed the centrepiece for the reopening of the Beirut Stock Exchange (BSE), in collaboration with the Bourse de Paris in September 1995. Solidere was an engine in the process of capitalizing of Beirut and even Lebanon more broadly. In 1994, Solidere was incorporated with a capital of US$ 1.8 billion, divided into 117,100,129 class A shares and 65 million class B shares with a par value of US$ 10 each. In 1996, 100 million Class A and 65 million Class B shares began trading on the BSE. A Global Depository Receipts (GDR) was offered, issued against A shares and broadening the investor base to allow non-Lebanese and non-Arab entities

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to buy into Solidere. It was listed on the London Stock Exchange (LSE). In 2005 the Company’s A and B shares were also listed on the Kuwait Stock exchange.

By September 1996, Solidere’s shares were listed on the BSE and valued at US$ 2.4 billion; trading in Solidere shares represented more than half of the total trading on the BSE (Mazboudi 2000: 21). Alongside Solidere in the BSE were six banks, which included Bank Audi (100 percent of the bank’s total capital was listed); BLC (33.25 percent of total common shares were listed); Bank of Beirut (33.37 percent of common share were listed); Byblos Bank (100 percent of the bank’s total capital was listed); BEMO (82.9 percent of the total number of common shares were listed) and BLOM (100 percent of the bank’s total capital was listed). One trading company, the Rasamny Younis Motor Company (40 percent of the total capital were listed) and two cement companies, Holcim Liban (100 percent was listed) and Ciments Blancs (100 percent of the total capital was listed).125 This stock market was, and remains, heavily focused on the real estate, not only directly, through entities like Solidere and the cement companies, but also through the joint-stock banks. A full 90 percent of the banking system’s loans to the private sector are either directly (i.e. housing loans to end users, loans to developers, contractors and to other real estate professionals) or indirectly (through all the other loans to corporates mostly collateralized by real estate) (World Bank 2016).

The capitalization that Solidere spearheaded, however, was not uncontested or entirely successful. Not only were, as noted in Chapter Four, the other real estate corporations that Hariri planned alongside Solidere defeated but Hariri’s attempts to privatize other state entities, such as the electricity company (Electricité du Liban), and list them on the stock exchange were also stymied. Furthermore, the number of companies on the BSE did not grow, but in fact declined. Bou Khalil Markets, Eternit and Ciment Libanais delisted in 2002 and Uniceramic delisted in 2009. Indeed, when I asked Charbel Nahas about the stock market, he laughed. He said, “The stock exchange in Beirut has absolutely no meaning… in this sense Solidere is not a shareholder company; it is clearly dominated by a clique, it is so obvious… how to explain a real estate company whose assets have multiplied ten or twenty times, but the value of the shares is the same as twenty-five years ago?”.126 In 2007, Solidere de-listed its shares in the Kuwait Stock

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Exchange and in 2017 from the LSE. In both cases Solidere cited low volumes of trading of its shares for the delisting. Solidere shares, as of 2018, continue to be traded on the BSE and to be the dominant publicly traded corporation.

The market capitalization of the companies on the BSE and Solidere specifically, do show interesting trends. As an analyst told *Executive Magazine*, “Solidere is very politicized. It’s the company that is the most correlated or indexed to politics” (1999: p.41). But upon close analysis, Solidere’s actual investment and financial profits diverge from the socio-political context of Beirut and Lebanon more broadly in interesting ways. Rather than Solidere being an engine for the country as a whole, as it began operations, it appeared to enclose and protect itself from the turmoil outside its trench. In Solidere’s annual reports there is a constant message from the Chairman Nasser Chammaa that, despite the national and regional turmoil, Solidere has persevered and adapted to these challenging circumstances. In his 2012 message to shareholders, for instance, Chammaa explains that regional turmoil had “exacted a marked and heavy toll on the real estate, tourism, and hospitality sectors” (p.2). Chammaa concludes that “A flexible approach to business planning is the key to insulating the Company to the greatest extent possible from the negative consequences of local and regional instability” (Ibid).

But rather than the BSE and Solidere suffering from local and regional instability it is clear that when Lebanon experienced its most intense political turmoil the market capitalization of both rose significantly. The dramatic rise in the market capitalization of Solidere and BSE began shortly before the assassination of Hariri in 2005 and continued to rise through the war between Israel and Hezbollah in July 2006, the political assassinations in 2007 and demonstrations and sit-ins by Hezbollah in downtown Beirut, reaching a peak in 2008 with Hezbollah’s violent takeover of West Beirut as it battled the Sunni fighters of Hariri’s Future Movement (see Figure 6). Indeed, although the Doha Accord agreed in May 2008 did deescalate the political crisis and end Hezbollah’s downtown sit-in, Solidere’s annual report that year was remarkably upbeat, considering that the country even at the end of 2008 remained at the precipice of all-out sectarian conflict.

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In an interview with me, the Managing Editor of the Lebanese business monthly *Executive Magazine* Yasser Akkaoui noted Solidere was de-listed from the Kuwaiti Stock Exchange due to its inability to submit and disclose the relevant financial information.
Perhaps because Hezbollah’s 2007 downtown sit-in, Solidere had announced the launch of Solidere International (SI; in which Solidere had a 38 percent stake in). SI soon announced that it was engaged in large projects in the United Arab Emirates (the Al Zorah Project in Ajman) and in Cairo that were much larger than the original Solidere undertaking. As Chammaa noted,

Solidere International Limited (SI) has a very positive impact on Solidere’s financial position. The company, registered in DIFC [Dubai International Financial Centre] in June 2007, was capitalized at US$700 million, raised through a private placement offering. Solidere’s in-kind contribution to SI is valued at US$70 million, representing the premium paid by new shareholders for the value of signed projects… Solidere had built a portfolio of projects for Solidere International prior to its incorporation. Some projects that were in the pipeline in 2007 have materialized in 2008, and companies were established to pursue the projects in their respective countries. The projects include Al Zorah Project in Ajman, UAE, and two projects, Westown and Eastown, in Cairo, Egypt” (Solidere 2007 Annual Report: p.10)

It is unclear how or why Solidere engaged in the planning of projects outside its strictly defined territory in BCD before the creation of SI. But SI appeared to be a remarkably profitable venture in what was record time. The Al Zorah Project (12 million sq m of land partly reclaimed from the sea, with a total built up area of 22.1 million sq m) had achieved pre-sales of $2.7 billion to the Al Zorah Development Company by May 2008. Furthermore, the annual report for 2007 noted that in addition to the UAE and Egypt, SI had also signed an MOU on a 8 million square mile project in Bodrum, Turkey and secured equity for, and a partnership, with Vinci (France) for the Monaco Urban Expansion and Development at Sea, as well as other possible projects in Saudi Arabia where it had the ability to acquire property.

In 2007 and 2008, despite the extremely hostile local context Solidere showed healthy turnovers. In 2007, notwithstanding a sit-in of the area led by Hezbollah, the corporation registered profits of $US156 million or $224 million counting profits from the newly established SI. In 2008, Solidere also announced healthy profits of $272 million, which included $257 million in land sales. In 2007 and 2008, Solidere’s share price achieved new heights, hovering just over $20 at first and, following the Doha Agreement, reaching US$35 per share.
The market capitalization of the BSE and Solidere, in particular, show that the flow of financial capital cannot be isolated from politics but is rather a type of politics itself. Capitalization is an attempt to achieve a certain form of social organization—a certain organization of time and space. Considering Solidere in the context of Rafik Hariri’s assassination in 2005 and the subsequent withdrawal of Syrian troops from Lebanon, the Israeli war on Lebanon in July 2006, Hezbollah’s sit-in of downtown Beirut and its subsequent takeover in 2008, all illustrate how the growth of market capitalization is one force among many comprising this certain social organization. The vast growth in the market capitalization of the BSE has occurred when power was seemingly up for grabs among competing factions. Capitalization is then, perhaps, not power itself or even a symbolic representation of it, but rather an attempt to impose a type of power (i.e., the extension of time through the compression of space), that competes with other forms of social power, in a certain socio-spatial context.

Moreover, Solidere’s shift from an urban development corporation, attached to a defined area of the downtown area of Beirut, to one that operates more globally, also echoes the shift that the corporation underwent from the medieval European model to the trading companies of the 16th century. Although I can only speculate, it seems that Solidere’s shift from a corporation that operates solely in the area of the BCD to on that does so around the Middle East owes as much to a political strategy, as a business one.
Figure 6: Lebanon and Solidere’s market capitalization. Sources: Solidere Annual reports (1998-2012), Beirut Stock Exchange.
Corporate Structures

Figure 7: Solidere's Corporate Structure. Source: Solidere Annual report 2012.
Solidere took on a vast array of tasks that were organized around the extension of time (the future) through the compression of space (urbanization), and that required a corporate managerial structure to achieve that organization. Solidere’s corporate managerial organization originates from the very first organizational charts of the railways noted in Chapter One. The railways required a corporate organizational structure because of their extensive geography and the need for complex forms of coordination to ensure the flow of carriages and goods. As Mitchell (2016) argues, the administrative structures formed around the durable structures of the railways, including their railway lines, trusses, viaducts and terminals, produced a new temporal relationship: the future as a durable revenue structure. The joint-stock urban development corporation Solidere required a corporate structure not because of a vast geography over which goods had to be transported, but because of the complex tasks that involved in creating a “prestigious financial and business centre” and the creation of “value added activities” (Solidere 2012).

At the top of Solidere’s organizational chart was not a nation, citizen, political or religious figure, nor a faction, but the shareholder. Like all joint-stock companies, Solidere’s corporate structure separated the ownership of the corporation from its management. Solidere was directed at creating “shareholder value by investing in its land bank, increasing recurrent income, diversifying into complementary business lines” (Solidere 2012: p.18). The shape, form and goals of Solidere was decided by a durable managerial hierarchy that ostensibly set long-term policy and short-term operating activities to ensure the production of “value” for its shareholders. Income, or shareholder value, would be built into the present through the formation of technical and professional managerial hierarchies organized around the built structures and infrastructures of the BCD. Solidere’s chart created a new form of spatial and administrative organization and coordination which in turn created new practices of calculation and organization of social life. The corporation established itself as a supervisory body and lead developer. It could increase real estate prices of land by trying to ensure that the future income of a BCD transformed into a regional trading hub was built into the present value of the land.

Land was not sold to developers at the price of a country recovering from a brutal civil war, and at a juncture of violent power struggles between the world’s major powers. It was sold on the assumption that Beirut would once again retain its title as a “Merchant Republic”. Solidere inscribed a future into the present through the creation of a formidable new urban
structure in which everything was calculated and calculable. This required an immense new administrative structure to create, record and design every detail. Solidere controlled the pace, components and quality of each and every development in the BCD, from inception to completion. Every project was provided with a Development Brief that provided a standardized documentation of technical guidelines for the development and calculation of floor space for each parcel in the BCD (Solidere 2012: p.60). As Chammaa described it, “such standards range from quality control and proper maintenance, to aesthetic considerations in the design and implementation of all elements including street furniture and signage. That is an integral part of our agenda in ‘developing the finest city center in the Middle East’” (Solidere 2004: p.9). It produced a physical artifact, both directly and indirectly, through the implementation of a highly detailed set of legislations, regulations and guidelines to “govern the conversation and control the townscape” (Solidere 2004: 9). Solidere was, as the prominent Lebanese architect Nabil Gholam told me, ruthless in terms of quality, with “Hariri… determined to have a quality object”. The planning, infrastructure, landscaping, architecture, materials, maintenance, management, hotels, restaurants, zoning, lighting and the very experience of Solidere was undertaken “in accordance with internationally approved standards” (Solidere 2012).

An anonymous Solidere employee told me in an interview that the company offered its clients and residents a “…controlled area; we monitor and maintain, for example, the street furniture and the air conditioning, and we offer a 24-hour service.” The employee added that, “Elsewhere the municipality plays the role that we do. Here Solidere takes the role of the municipality and people pay for this service”. Approaches to the building envelope, land use, materials, the calculation of land exploitation (areas, alignments and facades), the buildings themselves and urban laws are all unique to Solidere. In the Conservation Area and its periphery, restrictions were imposed on the use of materials and on other considerations such as wall-to-window proportions, although high-rise buildings had more flexible controls and guidelines focused on the basic façade proportions (Saliba and Solidere 2004: p.136). A natural stone finish was mandatory, except for the building’s crown. Solidere also required the use of a distinct stone

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128 I requested a Development Brief from Solidere but this request was declined. However, I interviewed architects who have undertaken work for Solidere to describe how building in the BCD is distinct from the rest of the city and I also drew from Beirut City Center Recovery, which provides details on the specifications that Solidere requires.  
to be used in contrast to Arsal sandstone that is used in most of Lebanon.\textsuperscript{131} Solidere conducts its own review before a developer could submit the application to the state (specifically, the Beirut municipality). Bernard Khoury noted, if your project is not approved by Solidere’s town planning department then you cannot even file for a building permit, “So you have to pass their test first to make sure what you are doing is fine by them and then you go the municipality. That is absolute authority by the way”.\textsuperscript{132} Solidere was a sovereign entity and at the center of this sovereignty was Solidere’s managerial corporate hierarchy that focused on the creation, management, maintenance and design of the BCD.

To implement these complex tasks the corporate organizational structure was utilized, and a managerial workforce employed. Professionals, armed with degrees mainly from Europe and America, as well as the American University of Beirut and the Lebanese American University, filled the branches that formed Solidere’s corporate structure. The broke up their General Management for Development section (see Figure 8), is broke up into sections of urban design and master planning that included site assessment, mast plan vision and concept, master plan development. A central branch of this managerial structure was the General Manager for Development that split into four further sections (urban design and master planning; architecture and interior design; landscaping and public space design; and real estate development). In tandem with the corporate structure, Solidere split the city center into ten sectors, developing highly detailed plans and regulations for each sector. The historical core of the city center consisted of eight sectors: the Conservation Area (Foch-Allenby and the Etoile), Beirut Souks, Wadi Abou Jamail, Saifi, the Hotel District, the Serail Corridor, Ghalghoul and Murr Tower and Martyrs’ Square Axis. The last two districts consisted of the Waterfront that was divided into sectors A and D.

The decision was made to find skilled stone masons from Mount Lebanon and Aleppo and to use mainly limestone (hajar furni). But problems with colour variance due to the small quarries in Lebanon meant that tala beige from Tunisia was used.\(^\text{133}\) Strict procedures were outlined to test the stone samples for strength, absorption and porosity and also to ensure that quarries could supply quantities necessary to the work.\(^\text{134}\) Solidere not only specified the type of stone that could be used but also requested that developers use a thicker depth (4 cm) to allow for mistakes and compensate for poor workmanship. Tarek Sinno, who worked on projects within Solidere with the Lebanese architectural firm Nabil Gholam, noted that it was very important to Solidere that the façade was mostly stone, “The buildings had to have that solid aspect”.\(^\text{135}\) It was not only the quality and type of stone that Solidere monitored. They issued a signage manual, as well, detailing guidelines for private signage in the BCD that complemented the Lebanese building code. These included specifications for size, color, lighting, positioning, scale and proportions to ensure signs were adapted to the shape of architectural openings and street


elevations (Saliba and Solidere 2004: p.138). Public and way-finding signage, for which municipality would otherwise be responsible for, was also designed specifically for the BCD, “in line with international conventions and standards”. For the rooftops, no structures (such as, access stairs or satellite dishes) were allowed and the rooftop was considered as a fifth façade (lift machinery and water tanks, for example, had to be concealed) and roof gardens and terraces were encouraged (Saliba and Solidere 2004: p.136).

Hardscaping was carefully selected to compliment the rich stonework on building elevations and materials selected distinguished between vehicular traffic and pedestrian roads, “visually articulating the hierarchy of the traffic network” (Solidere 2004: p.141). Street lighting was unique for each district; in the Foch-Allenby and Etoile areas the original manufacture in France, Fonderie de l’Est, replicated the lanterns that had been used in the area in the 1920s and 1930s (Solidere 2004: p.144). All of the bollards, trashcans, culvert ventilations towers, newsstands, police kiosks, telephone booths, benches and shielded trash containers were designed for the BCD. Saliba details, for instance, in the Etoile area ficus nitida was selected for the base of the tower, ficus austalis for the periphery of the square and laurus nobilis for the radiating streets (2012: p.141). The landscaping in Solidere was meticulous. Nabil Gholam recalled how Nasser Chamma had knowledge of almost every tree and plant that has been introduced into the BCD and regularly monitored their health personally.136

Significantly, the vast array of rules, regulations and requirements were unevenly applied. Sinno notes a lot of the rules translated into what is possible, “Sometimes the boundary of whether it was an actual requirement or not depended on the type of connection that you developed with them, there is a minimum standard but if you are going to use noble materials there is a trust that is there”.137 Sami Hamawi, the Design Review Department Manager at Solidere, confirmed that the level of control was not the same for everyone. He said that for lesser known architects and developers “we do impose tighter monitoring and control”.138 But considerations of the level of monitoring and control was not only in relation to technical

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expertise. The ability to impose your own standards and utilize your own materials in the Solidere area was also an expression of power.

Conclusion

The corporate organizational structure, with its separation of ownership and management, meant that Hariri could at once own a majority share and control of the BCD and have almost nothing to do with running the corporation. As a senior Solidere official told me, once the corporation was founded, Hariri had little direct involvement in the company.¹³⁹ Rather than directing the corporation, Hariri filled it with associates and sponsors, as well as those who might otherwise oppose the Solidere project/ He also ensured that Lebanon’s delicate sectarian political factions were incorporated in the project. For instance, the Chairman of Solidere was Nasser Chammaa who had previously worked for Hariri at Saudi Oger. The twelve members of the Board of Directors, who are also major shareholders, includes figures like Maher Daouk, a member of a family that owns significant swaths of property in downtown Beirut.¹⁴⁰ That the directors all had to be Lebanese meant that Solidere could also incorporate in the project representatives of Lebanon’s sectarian communities, ensuring a required confessional balance. A Board of Founders, which also included twelve members, elected the first Board of Directors and Company of Auditors. It was through this board that Hariri was able to place many of his Saudi backers directly into the corporate structure.¹⁴¹ The Board of Founders could also purchase B shares.

In addition to the corporate structure itself, the vast number of contracts that Solidere generated made it possible to incorporate yet more actors into its project. Profligacy would be strongly associated with the Solidere project; money, it appeared, was not an obstacle. Leon Telvizian, an architect and former employee of Solidere, recalled how when he first interviewed to work at Solidere and met with Nasser Chammaa: “[At] some point I asked him what my

¹⁴⁰ Maher was the cousin of the late Omar Daouk who headed the Association of Owners Rights in the BCD and Maher’s inclusion on the board greatly impeded the ability of the Association to generate opposition against Solidere (noted above).
¹⁴¹ These included notable Saudi’s, such as Mohamad Saad Yamani of the Dallah Albaraka Holding Company, Yahia Bin Laden of the Bin Laden Group and Abdullah Bahamdan of the National Commercial Bank. Yahia Bin Laden was also appointed as part of the general assembly of shareholders for the company.
remuneration would be and he said bluntly, ‘The Director of the Bank next door gets as much as my driver’. He said, ‘We have American standards of salaries’’.\textsuperscript{142} Kamal Hamdan noted that, in the early phases of the opposition to the project that he participated in, Hariri gradually enrolled each opposition figure into the project. In Hamdan’s words, “They needed work and I cannot criticise them for it”.\textsuperscript{143} The infrastructure contracts associated with the marine defenses of the BCD that were awarded to Bouygues and Bouygues Offshore for $230 million, for example, caused particular consternation, with French companies and contractors associated with various Lebanese groups facing accusations of taking bribes (Najem 2000: p.169).


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Conclusion: Paradise in a Box?

The 30-year anniversary of the end of Civil War is approaching and the futuristic visions of the reconstruction are now a thing of the past. The optimism of the early 1990s that the Solidere-led reconstruction generated among the Lebanese has been crushed by the necessities of everyday survival. The Beirut Central District has been constructed and features a number of fine architectural structures designed by some of the world’s most famous architects. But as a social and even economic edifice, it has not achieved what the vast number of advertisements declared. Solidere today may resemble the architectural models that showed the future construction but it has not acted as an engine for the broader national economy or a return of Beirut as a notable trading hub in the Eastern Mediterranean nor did it bring national reconciliation. Prime Minister Rafik Hariri’s guarantees that Solidere would be part of a broader reconstruction that would re-establish 24-hour electricity, clean water, a sewage system for all, clean streets, affordable housing and decent infrastructure may now seem to many Lebanese like a cruel joke.

Today, garbage piles up on Beirut’s streets because political factions cannot agree on where to locate a new landfill. Power cuts occur for three hours a day in Beirut and sometime up to 12 hours in areas outside of the capital. Those residents who can afford it pay between US$50-100 per household per month for a 10-amperes generator and around US$70 for government-generated electricity. Meanwhile, the availability of affordable housing is at crisis levels. I am not arguing that Solidere and the corporate-led reconstruction process is responsible for all of the failures of contemporary urban Lebanon. The continued regional tension between Israel, Saudi Arabia and the US, on the one hand, and Iran, Syria and Hezbollah, on the other, has of course played a critical role. This is not to mention, of course, the collapse of Syria and the large influx of Syrian refugees starting in 2011. Furthermore, a rotten political sectarian elite, which exists (relatively) independently of the corporation, has also played its part in Lebanon achieving some of the most acute social inequalities in the world. Solidere, however, has absorbed a profound level of social resources within the country and was central to the formation of the Second Lebanese Republic.

Lebanon continues to be burdened with the socio-spatial organization that Solidere embedded within its urban fabric. Solidere inscribed certain futures into the present built environment, foreclosing other possibilities for social life. Its empty promises may have turned out to be fictions, but they were fictions with very material impacts on the organization of contemporary life in Lebanon. The public subsidy of the enormous expenditures on road infrastructure, a new airport and Solidere’s the broader concentration of resources into real estate continue to plague the country today. The urban crisis in contemporary Lebanon was not inevitable and other futures were possible, even within the dire geopolitical context that the country found, and continues to find, itself.

This examination of the joint-stock corporation Solidere and the entrance of the corporation into the Eastern Mediterranean, however, was also aimed at broader questions regarding the corporation itself. This thesis’s focus on the corporation was also motivated by what I deemed to be the relative absence of a sustained analysis of the corporation in critical scholarship on neoliberalization and specifically on neoliberal urbanization. As outlined in the introduction both big “N” and small “n” neoliberalism have noted the expansion of corporate power as a result of neoliberalization, but each has largely neglected (although not ignored) the corporation itself. Critical accounts of neoliberalization assert the increased power of corporations to result from this process but do not consider these entities themselves in any depth. Corporations are simply understood as the end result of the expansion of market power and privatization that is deemed to accompany neoliberalization to some extent. But as I have shown in this thesis, corporations are far more complex entities and indeed, the modern joint-stock corporation can be understood as a way to circumvent the price mechanism (and thus the market) rather than expand it. In this thesis I contended that a sustained focus on the corporation is increasingly urgent in light of a broader global expansion of the corporate form. And this is particularly true in a Middle East that has witnessed a profound intensification of corporate power in its urban fabrics over the past 20 years.

Grounded in the context of the Eastern Mediterranean, I have sought in this thesis to provide an account of the corporation. In the case of Solidere, scholars have emphasized this corporation as a prime example of “actually existing neoliberalism” and of neoliberal urbanization, but have not engaged with its constitution as a corporation. Academics have not examined in any depth the reasons as to why Solidere was organized as a joint-stock corporation,
what its corporate structure does or the historical legacies of corporations in the Eastern Mediterranean.

In considering what a corporation is and what it does, I traced the longue durée of the corporation. In noting the gradual emergence of the joint-stock corporations, I outlined its core characteristics of, for example, the separation of ownership and management, limited liability and the extension of credit, as well as the great transformations of what constitutes a corporation. I argued that the corporation was a key mechanism of power in medieval Europe in the form of corporate cities and also in its shift to the colonizing trading companies of the 16th century. Indeed, the joint-stock corporation was key to the very establishment of the settler-colonial state of the United States, which would in turn be pivotal to the rise of the modern business corporations in the 19th century. In the context of these vast historical and geographical transformations of the corporation, I also contended that one central trait of the corporation has remained constant; its ability to bind people, things and space together for one group to gain power over another.

The mechanisms through which joint-stock corporations have bound people, things and space together has changed over time. In the modern joint-stock business corporation I contend that capitalization is central. Capitalization is a means of bringing the future into the present and a processes that has relied on the durable structures of urbanization. I argued that capitalization has focused its efforts on the extension of time (a future) through the concentration of space (urbanization), and is the building of a future into the urban present. This process has facilitated colonial domination and the vast urbanization of our contemporary planet, and in particular in the Middle East. But of course how durable these structures are is not fixed and constantly contested. The inhabitants of the Middle East, and no more so than in Lebanon, have not been apathetic to those that have tried to steal their future through the construction of vast urban edifices. Most notably the region erupted in protest at the end of 2010 in what would become known as the Arab Spring or what I prefer to term them, the Arab uprisings. Eight years later, as I write this conclusion, protests continue unabated throughout the region. Moreover, these protests are focused on questions of corporate power and the built environment like never before. Protestors are calling for basic urban services, public space and transport and affordable housing. They are challenging those that would otherwise steal their future and make their survival in the present increasingly unbearable.
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