

# The Taller They Are...

BY JENNIE S. BEV



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Often overlooked, there appears to be a rough correlation between skyscrapers and financial bubbles. Skyscrapers and other magnificent architectures may be useful indicators of speculative economic bubble conditions. The Burj Khalifa, the world's tallest building at 830 meters, had to halt construction after the 2008 global financial crisis started.

Take a look at some other skyscrapers. The Taipei 101 at 509 meters marked the tech bubble. Petronas Tower in Kuala Lumpur at 452 meters marked the Asian financial crisis. Sears Tower in Chicago at 527 meters and World Trade Center in New York at 526 meters marked 1970s stagflation. The Empire State building at 443 meters,

Chrysler building at 319 meters and 40 Wall Street building at 283 meters in New York marked the Great Depression. The Metropolitan Life building at 247 meters and the Singer building at 187 meters in New York marked the Panic of 1907.

China itself is susceptible to bubble conditions, if we go by building heights. By 2015, China will house the world's number 2, 3, 5, 9, and 10 tallest buildings. According to Vikram Mansharamani, author of "Boombustology: Spotting Financial Bubbles Before They Burst," this indicator is consistent. Why? Because magnificent architecture is built during times when investors have access to excess liquidity, as very tall buildings require large amounts of financing.

"A period of easy money leads to rapid expansion of the economy and a boom in the stock market... and this is when the world's tallest buildings are begun," notes economist Mark Thornton, who proposed a skyscrap-

er index financial model to track this correlation in 2005. Some economists have proposed this idea even earlier, back in the late 1990s, although others have cast doubt how serious this indicator is to predict a financial bubble.

What about Indonesia? Many are now fascinated with the idea of building one of the longest bridges in the world: the Jembatan Selat Sunda (or the Sunda Strait Bridge). Though not breaking a world record, this 30-kilometer bridge would connect Sumatra with Java and cost Rp 100 trillion. Construction is expected to start in 2015 and take a decade to complete, under current plans.

Given the recent turmoil in the markets, and the rise in interest rates, perhaps there is some correlation between the plans for the Jembatan Selat Sunda and a possible end of easy money in Indonesia. To be sure, many expect the Fed to make good on its tapering promise sometime in 2014. The 6% growth rate of the last few years may not be true of the future, as forecasts are getting trimmed back to 5% or even less for 2014.

While it is often hard to tell when markets are in a bubble and about to burst, it's much easier to see the construction of major skyscrapers. The world, after all, is a gigantic real estate market. Next time you visit the Petronas Tower or the Empire State Building, remember the background of these magnificent buildings and how they were funded in the first place. 



FROM LEFT: Sky City (838 m) in China expects to top out in April 2014; Still the current world's tallest building, Burj Khalifa (830 m) in Dubai and second tallest building Abraj Al-Bait Towers (601 m) in Saudi Arabia.