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# FROM MANAGERIALISM TO ENTREPRENEURIALISM: THE TRANSFORMATION IN URBAN GOVERNANCE IN LATE CAPITALISM

By  
David Harvey

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**ABSTRACT.** In recent years, urban governance has become increasingly preoccupied with the exploration of new ways in which to foster and encourage local development and employment growth. Such an entrepreneurial stance contrasts with the managerial practices of earlier decades which primarily focussed on the local provision of services, facilities and benefits to urban populations. This paper explores the context of this shift from managerialism to entrepreneurialism in urban governance and seeks to show how mechanisms of inter-urban competition shape outcomes and generate macroeconomic consequences. The relations between urban change and economic development are thereby brought into focus in a period characterised by considerable economic and political instability.

A centerpiece of my academic concerns these last two decades has been to unravel the role of urbanisation in social change, in particular under conditions of capitalist social relations and accumulation (Harvey, 1973; 1982; 1985a; 1985b; 1989a). This project has necessitated deeper enquiry into the manner in which capitalism produces a distinctive historical geography. When the physical and social landscape of urbanisation is shaped according to distinctively capitalist criteria, constraints are put on the future paths of capitalist development. This implies that though urban processes under capitalism are shaped by the logic of capital circulation and accumulation, they in turn shape the conditions and circumstances of capital accumulation at later points in time and space. Put another way, capitalists, like everyone else, may struggle to make their own historical geography but, also like everyone else, they do not do so under historical and geographical circumstances of their own individual choosing even when they have played an important and even determinant collective role in shaping those circumstances. This two way relation of reciprocity and domination (in which capitalists, like workers, find themselves dominated and constrained by their own creations)

can best be captured theoretically in dialectical terms. It is from such a standpoint that I seek more powerful insights into that process of city making that is both product and condition of ongoing social processes of transformation in the most recent phase of capitalist development.

Enquiry into the role of urbanisation in social dynamics is, of course, nothing new. From time to time the issue flourishes as a focus of major debates, though more often than not with regard to particular historical-geographical circumstances in which, for some reason or other, the role of urbanisation and of cities appears particularly salient. The part that city formation played in the rise of civilization has long been discussed, as has the role of the city in classical Greece and Rome. The significance of cities to the transition from feudalism to capitalism is an arena of continuing controversy, having sparked a remarkable and revealing literature over the years. A vast array of evidence can now likewise be brought to bear on the significance of urbanization to nineteenth century industrial, cultural and political development as well as to the subsequent spread of capitalist social relations to lesser developed countries (which now support some of the most dramatically growing cities in the world).

All too frequently, however, the study of urbanization becomes separated from that of social change and economic development, as if it can somehow be regarded either as a side-show or as a passive side-product to more important and fundamental social changes. The successive revolutions in technology, space relations, social relations, consumer habits, lifestyles, and the like that have so characterised capitalist history can, it is sometimes suggested, be understood without any deep enquiry into the roots and nature of urban processes. True, this judgement is by and large made tacitly, by virtue of sins of omission rather than commission. But the antiurban bias in studies

of macro-economic and macro-social change is rather too persistent for comfort. It is for this reason that it seems worthwhile to enquire what role the urban process might be playing in the quite radical restructuring going on in geographical distributions of human activity and in the political-economic dynamics of uneven geographical development in most recent times.

### 1. The shift to entrepreneurialism in urban governance

A colloquium held at Orleans in 1985 brought together academics, businessmen, and policy-makers from eight large cities in seven advanced capitalist countries (Bouinot, 1987). The charge was to explore the lines of action open to urban governments in the face of the widespread erosion of the economic and fiscal base of many large cities in the advanced capitalist world. The colloquium indicated a strong consensus: that urban governments had to be much more innovative and entrepreneurial, willing to explore all kinds of avenues through which to alleviate their distressed condition and thereby secure a better future for their populations. The only realm of disagreement concerned how this best could be done. Should urban governments play some kind of supportive or even direct role in the creation of new enterprises and if so of what sort? Should they struggle to preserve or even take over threatened employment sources and if so which ones? Or should they simply confine themselves to the provision of those infrastructures, sites, tax baits, and cultural and social attractions that would shore up the old and lure in new forms of economic activity?

I quote this case because it is symptomatic of a reorientation in attitudes to urban governance that has taken place these last two decades in the advanced capitalist countries. Put simply, the "managerial" approach so typical of the 1960s has steadily given way to initiatory and "entrepreneurial" forms of action in the 1970s and 1980s. In recent years in particular, there seems to be a general consensus emerging throughout the advanced capitalist world that positive benefits are to be had by cities taking an entrepreneurial stance to economic development. What is remarkable, is that this consensus seems to hold across national boundaries and even across political parties and ideologies.

Both Boddy (1984) and Cochrane (1987) agree, for example, that since the early 1970s local autho-

rities in Britain "have become increasingly involved in economic development activity directly related to production and investment," while Rees and Lambert (1985, p. 179) show how "the growth of local government initiatives in the economic field was positively encouraged by successive central administrations during the 1970s" in order to complement central government attempts to improve the efficiency, competitive powers and profitability of British Industry. David Blunkett, leader of the Labour Council in Sheffield for several years, has recently put the seal of approval on a certain kind of urban entrepreneurialism:

"From the early 1970s, as full employment moved from the top of government priorities, local councils began to take up the challenge. There was support for small firms; closer links between the public and private sectors; promotion of local areas to attract new business. They were adapting the traditional economic role of British local government which offered inducements in the forms of grants, free loans, and publicly subsidised infrastructure, and no request for reciprocal involvement with the community, in order to attract industrial and commercial concerns which were looking for suitable sites for investment and trading . . . Local government today, as in the past, can offer its own brand of entrepreneurship and enterprise in facing the enormous economic and social change which technology and industrial restructuring bring" (Blunkett and Jackson, 1987, pp. 108-142).

In the United States, where civic boosterism and entrepreneurialism had long been a major feature of urban systems (see Elkin, 1987) the reduction in the flow of federal redistributions and local tax revenues after 1972 (the year in which President Nixon declared the urban crisis to be over, signalling that the Federal government no longer had the fiscal resources to contribute to their solution) led to a revival of boosterism to the point where Robert Goodman (1979) was prepared to characterise both state and local governments as "the last entrepreneurs." An extensive literature now exists dealing with how the new urban entrepreneurialism has moved center-stage in urban policy formulation and urban growth strategies in the United States (see Judd and Ready, 1986; Peterson, 1981; Leitner, 1989).

The shift towards entrepreneurialism has by no means been complete. Many local governments in Britain did not respond to the new pressures and possibilities, at least until relatively recently, while cities like New Orleans in the United States conti-

nue to remain wards of the federal government and rely fundamentally on redistributions for survival. And the history of its outcomes, though yet to be properly recorded, is obviously checkered, pockmarked with as many failures as successes and not a little controversy as to what constitutes “success” anyway (a question to which I shall later return). Yet beneath all this diversity, the shift from urban managerialism to some kind of entrepreneurialism remains a persistent and recurrent theme in the period since the early 1970s. Both the reasons for and the implications of such a shift are deserving of some scrutiny.

There is general agreement, of course, that the shift has something to do with the difficulties that have beset capitalist economies since the recession of 1973. Deindustrialisation, widespread and seemingly ‘structural’ unemployment, fiscal austerity at both the national and local levels, all coupled with a rising tide of neoconservatism and much stronger appeal (though often more in theory than in practice) to market rationality and privatisation, provide a backdrop to understanding why so many urban governments, often of quite different political persuasions and armed with very different legal and political powers, have all taken a broadly similar direction. The greater emphasis on local action to combat these ills also seems to have something to do with the declining powers of the nation state to control multinational money flows, so that investment increasingly takes the form of a negotiation between international finance capital and local powers doing the best they can to maximise the attractiveness of the local site as a lure for capitalist development. By the same token, the rise of urban entrepreneurialism may have had an important role to play in a general transition in the dynamics of capitalism from a Fordist-Keynesian regime of capital accumulation to a regime of “flexible accumulation” (see Gertler, 1988; Harvey, 1989b; Sayer, 1989; Schoenberger, 1988; Scott, 1988; Swyngedouw, 1986, for some elaboration and critical reflection on this controversial concept). The transformation of urban governance these last two decades has had, I shall argue, substantial macro-economic roots and implications. And, if Jane Jacobs (1984) is only half right, that the city is the relevant unit for understanding how the wealth of nations is created, then the shift from urban managerialism to urban entrepreneurialism could have far reaching implications for future growth prospects.

If, for example, urban entrepreneurialism (in

the broadest sense) is embedded in a framework of zero-sum inter-urban competition for resources, jobs, and capital, then even the most resolute and avantgarde municipal socialists will find themselves, in the end, playing the capitalist game and performing as agents of discipline for the very processes they are trying to resist. It is exactly this problem that has dogged the Labour councils in Britain (see the excellent account by Rees and Lambert, 1985). They had on the one hand to develop projects which could “produce outputs which are directly related to working people’s needs, in ways which build on the skills of labour rather than de-skilling them” (Murray, 1983), while on the other hand recognizing that much of that effort would go for naught if the urban region did not secure relative competitive advantages. Given the right circumstances, however, urban entrepreneurialism and even inter-urban competition may open the way to a non zero-sum pattern of development. This kind of activity has certainly played a key role in capitalist development in the past. And it is an open question as to whether or not it could lead towards progressive and socialist transitions in the future.

## 2. Conceptual issues

There are conceptual difficulties to such an enquiry that deserve an initial airing. To begin with, the reification of cities when combined with a language that sees the urban process as an active rather than passive aspect of political-economic development poses acute dangers. It makes it seem as if “cities” can be active agents when they are mere things. Urbanisation should, rather, be regarded as a spatially grounded social process in which a wide range of different actors with quite different objectives and agendas interact through a particular configuration of interlocking spatial practices. In a class-bound society such as capitalism, these spatial practices acquire a definite class content, which is not to say that all spatial practices can be so interpreted. Indeed, as many researchers have shown, spatial practices can and do acquire gender, racial and bureaucratic-administrative contents (to list just a sub-set of important possibilities). But under capitalism, it is the broad range of class practices connected to the circulation of capital, the reproduction of labour power and class relations, and the need to control labour power, that remains hegemonic.

The difficulty is to find a way of proceeding that

can deal specifically with the relation between *process* and *object* without itself falling victim to unnecessary reification. The spatially grounded set of social processes that I call urbanisation produce innumerable artifacts – a built form, produced spaces and resource systems of particular qualities organised into a distinctive spatial configuration. Subsequent social action must take account of these artefacts, since so many social processes (such as commuting) become physically channelled by them. Urbanisation also throws up certain institutional arrangements, legal forms, political and administrative systems, hierarchies of power, and the like. These, too, give a “city” objectified qualities that may dominate daily practices and confine subsequent courses of action. And, finally, the consciousness of urban inhabitants is affected by the environment of experience out of which perceptions, symbolic readings, and aspirations arise. In all of these respects there is a perpetual tension between form and process, between object and subject, between activity and thing. It is as foolish to deny the role and power of objectifications, the capacity of things we create to return to us as so many forms of domination, as it is to attribute to such things the capacity for social action.

Given the dynamism to which capitalism is prone, we find that these “things” are always in the course of transformation, that activities are constantly escaping the bounds of fixed forms, that the objectified qualities of the urban are chronically unstable. So universal is this capitalist condition, that the conception of the urban and of “the city” is likewise rendered unstable, not because of any conceptual definitional failing, but precisely because the concept has itself to reflect changing relations between form and process, between activity and thing, between subjects and objects. When we speak, therefore, of a transition from urban managerialism towards urban entrepreneurialism these last two decades, we have to take cognizance of the reflexive effects of such a shift, through the impacts on urban institutions as well as urban built environments.

The domain of spatial practices has, unfortunately, changed in recent years, making any firm definition of the urban as a distinctive spatial domain even more problematic. On the one hand we witness the greater fragmentation of the urban social space into neighbourhoods, communities, and a multitude of street corner societies, while on the other telecommuting and rapid transport make nonsense of some concept of the city as a tightly-

walled physical unit or even a coherently organised administrative domain. The “megalopolis” of the 1960s has suffered even further fragmentation and dispersal, particularly in the United States, as urban deconcentration gathers pace to produce a “spread city” form. Yet the spatial grounding persists in *some* form with specific meanings and effects. The production of new ecological patterns and structures within a spread city form has significance for how production, exchange, and consumption is organised, how social relationships are established, how power (financial and political) is exercised, and how the spatial integration of social action is achieved. I hasten to add that presentation of the urban problematic in such ecological terms in no way presumes ecological explanations. It simply insists that ecological patternings are important for social organisation and action. The shift towards entrepreneurialism in urban governance has to be examined, then, at a variety of spatial scales – local neighbourhood and community, central city and suburb, metropolitan region, region, nation state, and the like.

It is likewise important to specify who is being entrepreneurial and about what. I want here to insist that urban “governance” means much more than urban “government”. It is unfortunate that much of the literature (particularly in Britain) concentrates so much on the latter when the real power to reorganise urban life so often lies elsewhere or at least within a broader coalition of forces within which urban government and administration have only a facilitative and coordinating role to play. The power to organise space derives from a whole complex of forces mobilised by diverse social agents. It is a conflictual process, the more so in the ecological spaces of highly variegated social density. Within a metropolitan region as a whole, we have to look to the formation of coalition politics, to class alliance formation as the basis for any kind of urban entrepreneurialism at all. Civic boosterism has, of course, often been the prerogative of the local chamber of commerce, some cabal of local financiers, industrialists and merchants, or some “roundtable” of business leaders and real estate and property developers. The latter frequently coalesce to form the guiding power in “growth machine” politics (Molotch, 1976). Educational and religious institutions, different arms of government (varying from the military to research or administrative establishments), local labour organisations (the building and construction trades in particular) as well as political parties, so-

cial movements, and the local state apparatuses (which are multiple and often quite heterogeneous), can also play the game of local boosterism though often with quite different goals.

Coalition and alliance formation is so delicate and difficult a task that the way is open here for a person of vision, tenacity, and skill (such as a charismatic mayor, a clever city administrator, or a wealthy business leader) to put a particular stamp upon the nature and direction of urban entrepreneurialism, perhaps to shape it, even, to particular political ends. Whereas it was a public figure like Mayor Schaeffer who played the central role in Baltimore, in cities like Halifax or Gateshead it has been private entrepreneurs who have taken the lead. In other instances it has been a more intricate mix of personalities and institutions that have put a particular project together.

I raise these problems not because they are insurmountable or intractable – they are resolved daily within the practices of capitalist urbanisation – but because we have to attend to their manner of practical resolution with a requisite care and seriousness. I shall, however, venture three broad assertions which I know to be true for a city like Baltimore (the case study which underpins much of the argument I offer here) and which may be more generally applicable.

First, the new entrepreneurialism has, as its centerpiece, the notion of a “public-private partnership” in which a traditional local boosterism is integrated with the use of local governmental powers to try and attract external sources of funding, new direct investments, or new employment sources. The Orleans colloquium (Bouinot, 1987) was full of references to the importance of this public-private partnership and it was, after all, precisely the aim of local government reforms in Britain in the 1970s to facilitate their formation (or in the end to by-pass local resistance by setting up the urban development corporations). In the United States the tradition of federally backed and locally implemented public-private partnership faded during the 1960s as urban governments struggled to regain social control of restive populations through redistributions of real income (better housing, education, health care, etc. all targeted towards the poor) in the wake of urban unrest. The role of the local state as facilitator for the strategic interests of capitalist development (as opposed to stabilizer of capitalist society) declined. The same dismissiveness towards capitalist development has been noted in Britain:

“The early 1970s was a period of resistance to change: motorway protest groups, community action against slum clearance, opponents of town centre redevelopment. Strategic and entrepreneurial interests were sacrificed to local community pressures. Conceivably, however, we are moving into a different period in which the entrepreneurial role becomes dominant.” (Davies, 1980, p. 23; quoted in Ball, 1983, pp. 270–1).

In Baltimore the transition-point can be dated exactly. A referendum narrowly passed in 1978, after a vigorous and contentious political campaign, sanctioned the use of city land for the private development that became the highly spectacular and successful Harborplace. Thereafter, the policy of public-private partnership had a popular mandate as well as an effective subterranean presence in almost everything that urban governance was about (see Berkowitz, 1984; Levine, 1987; Lyall, 1982; Stoker, 1986).

Secondly, the activity of that public-private partnership is entrepreneurial precisely because it is speculative in execution and design and therefore dogged by all the difficulties and dangers which attach to speculative as opposed to rationally planned and coordinated development. In many instances this has meant that the public sector assumes the risk and the private sector takes the benefits, though there are enough examples where this is not the case (think, for example, of the private risk taken in Gateshead’s Metrocenter development) to make any absolute generalization dangerous. But I suspect it is this feature of risk-absorption by the local (rather than the national or federal) public sector which distinguishes the present phase of urban entrepreneurialism from earlier phases of civic boosterism in which private capital seemed generally much less risk averse.

Thirdly, the entrepreneurialism focuses much more closely on the political economy of place rather than of territory. By the latter, I mean the kinds of economic projects (housing, education, etc.) that are designed primarily to improve conditions of living or working within a particular jurisdiction. The construction of place (a new civic center, an industrial park) or the enhancement of conditions within a place (intervention, for example, in local labour markets by re-training schemes or downward pressure on local wages), on the other hand, can have impacts either smaller or greater than the specific territory within which such projects happen to be located. The up-grading of the image of a cities like Baltimore, Liverpool, Glas-

gow or Halifax, through the construction of cultural, retail, entertainment and office centers can cast a seemingly beneficial shadow over the whole metropolitan region. Such projects can acquire meaning at the metropolitan scale of public-private action and allow for the formation of coalitions which leap over the kinds of city-suburb rivalries that dogged metropolitan regions in the managerial phase. On the other hand, a rather similar development in New York City – Southstreet Seaport – constructs a new place that has only local impacts, falling far short of any metropolitan-wide influence, and generating a coalition of forces that is basically local property developers and financiers.

The construction of such places may, of course, be viewed as a means to procure benefits for populations within a particular jurisdiction, and indeed this is a primary claim made in the public discourse developed to support them. But for the most part, their form is such as to make all benefits indirect and potentially either wider or smaller in scope than the jurisdiction within which they lie. Place-specific projects of this sort also have the habit of becoming such a focus of public and political attention that they divert concern and even resources from the broader problems that may beset the region or territory as a whole.

The new urban entrepreneurialism typically rests, then, on a public-private partnership focusing on investment and economic development with the speculative construction of place rather than amelioration of conditions within a particular territory as its immediate (though by no means exclusive) political and economic goal.

### 3. Alternative strategies for urban governance

There are, I have argued elsewhere (Harvey, 1989a, chapter 1), four basic options for urban entrepreneurialism. Each warrants some separate consideration, even though it is the combination of them that provides the clue to the recent rapid shifts in the uneven development of urban systems in the advanced capitalist world.

1. Competition within the international division of labour means the creation of exploitation of particular advantages for the production of goods and services. Some advantages derive from the resource base (the oil that allowed Texas to bloom in the 1970s) or location (e.g. favoured access to the vigour of Pacific Rim trading in the case of Californian cities). But others are

created through public and private investments in the kinds of physical and social infrastructures that strengthen the economic base of the metropolitan region as an exporter of goods and services. Direct interventions to stimulate the application of new technologies, the creation of new products, or the provision of venture capital to new enterprises (which may even be cooperatively owned and managed) may also be significant, while local costs may be reduced by subsidies (tax breaks, cheap credit, procurement of sites). Hardly any large scale development now occurs without local government (or the broader coalition of forces constituting local governance) offering a substantial package of aids and assistance as inducements. International competitiveness also depends upon the qualities, quantities, and costs of local labour supply. Local costs can most easily be controlled when local replaces national collective bargaining and when local governments and other large institutions, like hospitals and universities, lead the way with reductions in real wages and benefits (a series of struggles over wage rates and benefits in the public and institutional sector in Baltimore in the 1970s was typical). Labour power of the right quality, even though expensive, can be a powerful magnet for new economic development so that investment in highly trained and skilled work forces suited to new labour processes and their managerial requirements can be well rewarded. There is, finally, the problem of agglomeration economies in metropolitan regions. The production of goods and services is often dependent not on single decisions of economic units (such as the large multinationals to bring a branch plant to town, often with very limited local spillover effects), but upon the way in which economies can be generated by bringing together diverse activities within a restricted space of interaction so as to facilitate highly efficient and interactive production systems (see Scott, 1988). From this standpoint, large metropolitan regions like New York, Los Angeles, London, and Chicago possess some distinctive advantages that congestion costs have by no means yet offset. But, as the case of Bologna (see Gundle, 1986) and the surge of new industrial development in Emilia Romagna illustrates, careful attention to the industrial and marketing mix backed by strong local state action (communist-led in this instance), can promote

powerful growth of new industrial districts and configurations, based on agglomeration economies and efficient organisation.

2. The urban region can also seek to improve its competitive position with respect to the spatial division of consumption. There is more to this than trying to bring money into an urban region through tourism and retirement attractions. The consumerist style of urbanisation after 1950 promoted an ever-broader basis for participation in mass consumption. While recession, unemployment, and the high cost of credit have rolled back that possibility for important layers in the population, there is still a lot of consumer power around (much of it credit-fuelled). Competition for that becomes more frenetic while consumers who do have the money have the opportunity to be much more discriminating. Investments to attract the consumer dollar have paradoxically grown a-pace as a response to generalised recession. They increasingly focus on the quality of life. Gentrification, cultural innovation, and physical up-grading of the urban environment (including the turn to post-modernist styles of architecture and urban design)), consumer attractions (sports stadia, convention and shopping centres, marinas, exotic eating places) and entertainment (the organisation of urban spectacles on a temporary or permanent basis), have all become much more prominent facets of strategies for urban regeneration. Above all, the city has to appear as an innovative, exciting, creative, and safe place to live or to visit, to play and consume in. Baltimore, with its dismal reputation as “the armpit of the east coast” in the early 1970s has, for example, expanded its employment in the tourist trade from under one to over fifteen thousand in less than two decades of massive urban redevelopment. More recently thirteen ailing industrial cities in Britain (including Leeds, Bradford, Manchester, Liverpool, Newcastle and Stoke-on-Trent) put together a joint promotional effort to capture more of Britain’s tourist trade. Here is how *The Guardian* (May 9th, 1987) reports this quite successful venture:

“Apart from generating income and creating jobs in areas of seemingly terminal unemployment, tourism also has a significant spin-off effect in its broader enhancement of the environment. Facelifts and facilities designed to attract more tourists also improve the quality of life for those who live there, even enticing new in-

dustries. Although the specific assets of the individual cities are obviously varied, each is able to offer a host of structural reminders of just what made them great in the first place. They share, in other words, a marketable ingredient called industrial and/or maritime heritage.” Festivals and cultural events likewise become the focus of investment activities. “The arts create a climate of optimism – the ‘can do’ culture essential to developing the enterprise culture,” says the introduction to a recent Arts Council of Great Britain report, adding that cultural activities and the arts can help break the downward spiral of economic stagnation in inner cities and help people “believe in themselves and their community” (see Bianchini, forthcoming). Spectacle and display become symbols of the dynamic community, as much in communist controlled Rome and Bologna as in Baltimore, Glasgow and Liverpool. This way, an urban region can hope to cohere and survive as a locus of community solidarity while exploring the option of exploiting conspicuous consumption in a sea of spreading recession.

3. Urban entrepreneurialism has also been strongly coloured by a fierce struggle over the acquisition of key control and command functions in high finance, government, or information gathering and processing (including the media). Functions of this sort need particular and often expensive infrastructural provision. Efficiency and centrality within a worldwide communications net is vital in sectors where personal interactions of key decision makers is required. This means heavy investments in transport and communications (airports and teleports, for example) and the provision of adequate office space equipped with the necessary internal and external linkages to minimise transactions times and costs. Assembling the wide range of supportive services, particularly those that can gather and process information rapidly or allow quick consultation with ‘experts’, calls for other kinds of investments, while the specific skills required by such activities put a premium on metropolitan regions with certain kinds of education provision (business and law-schools, hightech production sectors, media skills, and the like). Inter-urban competition in this realm is very expensive and peculiarly tough because this is an area where agglomeration economies remain supreme and the monopoly power of established centres, like New York, Chicago, London,



and Los Angeles, is particularly hard to break. But since command functions have been a strong growth sector these last two decades (employment in finance and insurance has doubled in Britain in less than a decade), so pursuit of them has more and more appealed as the golden path to urban survival. The effect, of course, is to make it appear as if the city of the future is going to be a city of pure command and control functions, an informational city, a post-industrial city in which the export of services (financial, informational, knowledge-producing) becomes the economic basis for urban survival.

4. Competitive edge with respect to redistributions of surpluses through central (or in the United States, state) governments is still of tremendous importance since it is somewhat of a myth that central governments do not redistribute to the degree they used to do. The channels have shifted so that in both Britain (take the case of Bristol) and in the United States (take the case of Long Beach-San Diego) it is military and defense contracts that provide the sustenance for urban prosperity, in part because of the sheer amount of money involved but also because of the type of employment and the spin-offs it may have into so-called "high-tech" industries (Markusen, 1986). And even though every effort may have been made to cut the flow of central government support to many urban regions, there are many sectors of the economy (health and education, for example) and even whole metropolitan economies (see Smith and Keller's 1983, study of New Orleans) where such a cut off was simply impossible. Urban ruling class alliances have had plenty of opportunity, therefore, to exploit redistributive mechanisms as a means to urban survival.

These four strategies are not mutually exclusive and the uneven fortunes of metropolitan regions have depended upon the nature of the coalitions that have formed, the mix and timing of entrepreneurial strategies, the particular resources (natural, human, locational) with which the metropolitan region can work, and the strength of the competition. But uneven growth has also resulted from the synergism that leads one kind of strategy to be facilitative for another. For example, the growth of the Los Angeles-San Diego-Long Beach-Orange County megalopolis appears to have been fuelled by interaction effects between strong governmental redistributions to the defense indu-

stries and rapid accrual of command and control functions that have further stimulated consumption-oriented activities to the point where there has been a considerable revival of certain types of manufacturing. On the other hand, there is little evidence that the strong growth of consumption-oriented activity in Baltimore has done very much at all for the growth of other functions save, perhaps, the relatively mild proliferation of banking and financial services. But there is also evidence that the network of cities and urban regions in, say, the Sunbelt or Southern England has generated a stronger collective synergism than would be the case for their respective northern counterparts. Noyelle and Stanback (1984) also suggest that position and function within the urban hierarchy have had an important role to play in the patterning of urban fortunes and misfortunes. Transmission effects between cities and within the urban hierarchy must also be factored in to account for the pattern of urban fortunes and misfortunes during the transition from managerialism to entrepreneurialism in urban governance.

Urban entrepreneurialism implies, however, some level of inter-urban competition. We here approach a force that puts clear limitations upon the power of specific projects to transform the lot of particular cities. Indeed, to the degree that inter-urban competition becomes more potent, it will almost certainly operate as an "external coercive power" over individual cities to bring them closer into line with the discipline and logic of capitalist development. It may even force repetitive and serial reproduction of certain patterns of development (such as the serial reproduction of "world trade centers" or of new cultural and entertainment centers, of waterfront development, of post-modern shopping malls, and the like). The evidence for serial reproduction of similar forms of urban redevelopment is quite strong and the reasons behind it are worthy of note.

With the diminution in transport costs and the consequent reduction in spatial barriers to movement of goods, people, money and information, the significance of the qualities of place has been enhanced and the vigour of inter-urban competition for capitalist development (investment, jobs, tourism, etc.) has strengthened considerably. Consider the matter, first of all, from the standpoint of highly mobile multinational capital. With the reduction of spatial barriers, distance from the market or from raw materials has become less relevant to locational decisions. The monopolistic elements

in spatial competition, so essential to the workings of Löschian theory, disappear. Heavy, low value items (like beer and mineral water), which used to be locally produced are now traded over such long distances that concepts such as the “range of a good” make little sense. On the other hand, the ability of capital to exercise greater choice over location, highlights the importance of the particular production conditions prevailing at a particular place. Small differences in labour supply (quantities and qualities), in infrastructures and resources, in government regulation and taxation, assume much greater significance than was the case when high transport costs created “natural” monopolies for local production in local markets. By the same token, multinational capital now has the power to organise its responses to highly localised variations in market taste through small batch and specialised production designed to satisfy local market niches. In a world of heightened competition – such as that which has prevailed since the post-war boom came crashing to a halt in 1973 – coercive pressures force multinational capital to be much more discriminating and sensitive to small variations between places with respect to both production and consumption possibilities.

Consider matters, in the second instance, from the standpoint of the places that stand to improve or lose their economic vitality if they do not offer enterprises the requisite conditions to come to or remain in town. The reduction of spatial barriers has, in fact, made competition between localities, states, and urban regions for development capital even more acute. Urban governance has thus become much more oriented to the provision of a “good business climate” and to the construction of all sorts of lures to bring capital into town. Increased entrepreneurialism has been a partial result of this process, of course. But we here see that increasing entrepreneurialism in a different light precisely because the search to procure investment capital confines innovation to a very narrow path built around a favourable package for capitalist development and all that entails. The task of urban governance is, in short, to lure highly mobile and flexible production, financial, and consumption flows into its space. The speculative qualities of urban investments simply derive from the inability to predict exactly which package will succeed and which will not, in a world of considerable economic instability and volatility.

It is easy to envisage, therefore, all manner of upward and downward spirals of urban growth and

decline under conditions where urban entrepreneurialism and inter-urban competition are strong. The innovative and competitive responses of many urban ruling class alliances have engendered more rather than less uncertainty and in the end made the urban system more rather than less vulnerable to the uncertainties of rapid change.

#### **4. The macro-economic implications of inter-urban competition**

The macro-economic as well as local implications of urban entrepreneurialism and stronger inter-urban competition deserve some scrutiny. It is particularly useful to put these phenomena into relation with some of the more general shifts and trends that have been observed in the way capitalist economies have been working since the first major post-war recession of 1973 sparked a variety of seemingly profound adjustments in the paths of capitalist development.

To begin with, the fact of inter-urban competition and urban entrepreneurialism has opened up the urban spaces of the advanced capitalist countries to all kinds of new patterns of development, even when the net effect has been the serial reproduction of science parks, gentrification, world trading centers, cultural and entertainment centers, large scale interior shopping malls with postmodern accoutrements, and the like. The emphasis on the production of a good local business climate has emphasised the importance of the locality as a site of regulation of infrastructural provision, labour relations, environmental controls, and even tax policy vis-a-vis international capital (see Swyngedouw, this issue). The absorption of risk by the public sector and in particular the stress on public sector involvement in infrastructural provision, has meant that the cost of locational change has diminished from the standpoint of multinational capital, making the latter more rather than less geographically mobile. If anything, the new urban entrepreneurialism adds to rather than detracts from the geographical flexibility with which multinational firms can approach their locational strategies. To the degree that the locality becomes the site of regulation of labour relations, so it also contributes to increased flexibility in managerial strategies in geographically segmented labour markets. Local, rather than national collective bargaining has long been a feature of labour relations in the United States, but the trend towards local

agreements is marked in many advanced capitalist countries over the past two decades.

There is, in short, nothing about urban entrepreneurialism which is antithetical to the thesis of some macro-economic shift in the form and style of capitalist development since the early 1970s. Indeed, a strong case can be made (cf. Harvey, 1989a, chapter 8), that the shift in urban politics and the turn to entrepreneurialism has had an important facilitative role in a transition from locationally rather rigid Fordist production systems backed by Keynesian state welfarism to a much more geographically open and market based form of flexible accumulation. A further case can be made (cf. Harvey, 1989a and 1989b) that the trend away from urban based modernism in design, cultural forms and life style towards postmodernism is also connected to the rise of urban entrepreneurialism. In what follows I shall illustrate how and why such connections might arise.

Consider, first, the general distributive consequences of urban entrepreneurialism. Much of the vaunted "public-private partnership" in the United States, for example, amounts to a subsidy for affluent consumers, corporations, and powerful command functions to stay in town at the expense of local collective consumption for the working class and poor. The general increase in problems of impoverishment and disempowerment, including the production of a distinctive "underclass" (to use the language of Wilson, 1987) has been documented beyond dispute for many of the large cities in the United States. Levine, for example, provides abundant details for Baltimore in a setting where major claims are made for the benefits to be had from public-private partnership. Boddy (1984) likewise reports that what he calls "mainstream" (as opposed to socialist) approaches to local development in Britain have been "property-led, business and market oriented and competitive, with economic development rather than employment the primary focus, and with an emphasis on small firms". Since the main aim has been "to stimulate or attract in private enterprise by creating the preconditions for profitable investment", local government "has in effect ended up underpinning private enterprise, and taking on part of the burden of production costs". Since capital tends to be more rather than less mobile these days, it follows that local subsidies to capital will likely increase while local provision for the underprivileged will diminish, producing greater polarisation in the social distribution of real income.

The kinds of jobs created in many instances likewise militate against any progressive shift in income distributions since the emphasis upon small businesses and sub-contracting can even spill over into direct encouragement of the "informal sector" as a basis for urban survival. The rise of informal production activities in many cities, particularly in the United States (Sassen-Koob, 1988), has been a marked feature in the last two decades and is increasingly seen as either a necessary evil or as a dynamic growth sector capable of reimporting some level of manufacturing activity back into otherwise declining urban centers. By the same token, the kinds of service activities and managerial functions which get consolidated in urban regions tend to be either low-paying jobs (often held exclusively by women) or very high paying positions at the top end of the managerial spectrum. Urban entrepreneurialism consequently contributes to increasing disparities in wealth and income as well as to that increase in urban impoverishment which has been noted even in those cities (like New York) that have exhibited strong growth. It has, of course, been exactly this result that Labour councils in Britain (as well as some of the more progressive urban administrations in the United States) have been struggling to resist. But it is by no means clear that even the most progressive urban government can resist such an outcome when embedded in the logic of capitalist spatial development in which competition seems to operate not as a beneficial hidden hand, but as an external coercive law forcing the lowest common denominator of social responsibility and welfare provision within a competitively organised urban system.

Many of the innovations and investments designed to make particular cities more attractive as cultural and consumer centres have quickly been imitated elsewhere, thus rendering any competitive advantage within a system of cities ephemeral. How many successful convention centres, sports stadia, disney-worlds, harbour places and spectacular shopping malls can there be? Success is often short-lived or rendered moot by parallel or alternative innovations arising elsewhere. Local coalitions have no option, given the coercive laws of competition, except to keep ahead of the game thus engendering leap-frogging innovations in life styles, cultural forms, products and service mixes, even institutional and political forms if they are to survive. The result is a stimulating if often destructive maelstrom of urban-based cultural, political, production and consumption innovations. It is at

this point that we can identify an albeit subterranean but nonetheless vital connection between the rise of urban entrepreneurialism and the post-modern penchant for design of urban fragments rather than comprehensive urban planning, for ephemerality and eclecticism of fashion and style rather than the search for enduring values, for quotation and fiction rather than invention and function, and, finally, for medium over message and image over substance.

In the United States, where urban entrepreneurialism has been particularly vigorous, the result has been instability within the urban system. Houston, Dallas and Denver, boom towns in the 1970s, suddenly dissolved after 1980 into morasses of excess capital investment bringing a host of financial institutions to the brink of, if not in actual bankruptcy. Silicon Valley, once the high-tech wonder of new products and new employment, suddenly lost its luster but New York, on the edge of bankruptcy in 1975, rebounded in the 1980s with the immense vitality of its financial services and command functions, only to find its future threatened once more with the wave of lay-offs and mergers which rationalised the financial services sector in the wake of the stock market crash of October, 1987. San Francisco, the darling of Pacific Rim trading, suddenly finds itself with excess office space in the early 1980s only to recover almost immediately. New Orleans, already struggling as a ward of federal government redistributions, sponsors a disastrous World Fair that drives it deeper into the mire, while Vancouver, already booming, hosts a remarkably successful World Exposition. The shifts in urban fortunes and misfortunes since the early 1970s have been truly remarkable and the strengthening of urban entrepreneurialism and inter-urban competition has had a lot to do with it.

But there has been another rather more subtle effect that deserves consideration. Urban entrepreneurialism encourages the development of those kinds of activities and endeavours that have the strongest *localised* capacity to enhance property values, the tax base, the local circulation of revenues, and (most often as a hoped-for consequence of the preceding list) employment growth. Since increasing geographical mobility and rapidly changing technologies have rendered many forms of production of goods highly suspect, so the production of those kinds of services that are (a) highly localised and (b) characterised by rapid if not instantaneous turnover time appear as the most

stable basis for urban entrepreneurial endeavour. The emphasis upon tourism, the production and consumption of spectacles, the promotion of ephemeral events within a given locale, bear all the signs of being favoured remedies for ailing urban economies. Urban investments of this sort may yield quick though ephemeral fixes to urban problems. But they are often highly speculative. Gearing up to bid for the Olympic Games is an expensive exercise, for example, which may or may not pay off. Many cities in the United States (Buffalo, for example) have invested in vast stadium facilities in the hope of landing a major league baseball team and Baltimore is similarly planning a new stadium to try and recapture a football team that went to a superior stadium in Indianapolis some years ago (this is the contemporary United States version of that ancient cargo cult practice in Papua, New Guinea, of building an airstrip in the hope of luring a jet liner to earth). Speculative projects of this sort are part and parcel of a more general macro-economic problem. Put simply, credit-financed shopping malls, sports stadia, and other facets of conspicuous high consumption are high risk projects that can easily fall on bad times and thus exacerbate, as the "overmallings of America" only too dramatically illustrates (Green, 1988), the problems of overaccumulation and overinvestment to which capitalism as a whole is so easily prone. The instability that pervades the U.S. financial system (forcing something of the order of \$ 100 billion in public moneys to stabilise the savings and loan industry) is partly due to bad loans in energy, agriculture, and urban real estate development. Many of the "festival market places" that looked like an "Alladin's lamp for cities fallen on hard times", just a decade ago, ran a recent report in the Baltimore Sun (August 20, 1987), have now themselves fallen on hard times. "Projects in Richmond, Va., Flint, Mich. and Toledo, Ohio, managed by Rouse's Enterprise Development Co., are losing millions of dollars", and even the "South Street Seaport in New York and Riverwalk in New Orleans" have encountered severe financial difficulties. Ruinous inter-urban competition on all such dimensions bids fair to become a quagmire of indebtedness.

Even in the face of poor economic performance, however, investments in these last kinds of projects appear to have both a social and political attraction. To begin with, the selling of the city as a location for activity depends heavily upon the creation of an attractive urban imagery. City leaders

can look upon the spectacular development as a "loss leader" to pull in other forms of development. Part of what we have seen these last two decades is the attempt to build a physical and social imagery of cities suited for that competitive purpose. The production of an urban image of this sort also has internal political and social consequences. It helps counteract the sense of alienation and anomie that Simmel long ago identified as such a problematic feature of modern city life. It particularly does so when an urban terrain is opened for display, fashion and the "presentation of self" in a surrounding of spectacle and play. If everyone, from punks and rap artists to the "yuppies" and the haute bourgeoisie can participate in the production of an urban image through their production of social space, then all can at least feel some sense of belonging to that place. The orchestrated production of an urban image can, if successful, also help create a sense of social solidarity, civic pride and loyalty to place and even allow the urban image to provide a mental refuge in a world that capital treats as more and more place-less. Urban entrepreneurialism (as opposed to the much more faceless bureaucratic managerialism) here meshes with a search for local identity and, as such, opens up a range of mechanisms for social control. Bread and circuses was the famous Roman formula that now stands to be reinvented and revived, while the ideology of locality, place and community becomes central to the political rhetoric of urban governance which concentrates on the idea of togetherness in defense against a hostile and threatening world of international trade and heightened competition.

The radical reconstruction of the image of Baltimore through the new waterfront and inner-harbour development is a good case in point. The redevelopment put Baltimore on the map in a new way, earned the city the title of "renaissance city" and put it on the front cover of Time Magazine, shedding its image of dreariness and impoverishment. It appeared as a dynamic go-getting city, ready to accommodate outside capital and to encourage the movement in of capital and of the "right" people. No matter that the reality is one of increased impoverishment and overall urban deterioration, that a thorough local enquiry based on interviews with community, civic and business leaders identified plenty of "rot beneath the glitter" (Szanton, 1986), that a Congressional Report of 1984 described the city as one of the "neediest" in the United States, and that a thorough study of the

renaissance by Levine (1987) showed again and again how partial and limited the benefits were and how the city as a whole was accelerating rather than reversing its decline. The image of prosperity conceals all that, masks the underlying difficulties and projects an imagery of success that spreads internationally so that the London Sunday Times (November 29th, 1987) can report, without a hint of criticism, that "Baltimore, despite soaring unemployment, boldly turned its derelict harbor into a playground. Tourists meant shopping, catering and transport, this in turn meant construction, distribution, manufacturing – leading to more jobs more residents, more activity. The decay of old Baltimore slowed, halted, then turned back. The harbor area is now among America's top tourist draws and urban unemployment is falling fast". Yet it is also apparent that putting Baltimore on the map in this way, giving it a stronger sense of place and of local identity, has been successful politically in consolidating the power of influence of the local public-private partnership that brought the project into being. It has brought development money into Baltimore (though it is hard to tell if it has brought more in than it has taken out given the absorption of risk by the public sector). It also has given the population at large some sense of place-bound identity. The circus succeeds even if the bread is lacking. The triumph of image over substance is complete.

##### **5. Critical perspectives on the entrepreneurial turn in urban governance under conditions of inter-urban competition**

There has been a good deal of debate in recent years over the "relative autonomy" of the local state in relation to the dynamics of capital accumulation. The turn to entrepreneurialism in urban governance seems to suggest considerable autonomy of local action. The notion of urban entrepreneurialism as I have here presented it, does not in any way presume that the local state or the broader class alliance that constitutes urban governance is automatically (or even in the famous "last instance") captive of solely capitalist class interests or that its decisions are prefigured directly in terms reflective of the requirements of capital accumulation. On the surface, at least, this seems to render my account inconsistent with that Marxist version of local state theory put forward by, say, Cockburn (1977), and strongly dissented from by a range of other non-Marxist or neo-Marxist writers such as

Mollenkopf (1983), Logan and Molotch (1987), Gurr and King (1987) and Smith (1988). Consideration of inter-urban competition, however, indicates a way in which a seemingly autonomous urban entrepreneurialism can be reconciled with the albeit contradictory requirements of continuous capital accumulation while guaranteeing the reproduction of capitalist social relations on ever wider scales and at deeper levels.

Marx advanced the powerful proposition that competition is inevitably the “bearer” of capitalist social relations in any society where the circulation of capital is a hegemonic force. The coercive laws of competition force individual or collective agents (capitalist firms, financial institutions, states, cities) into certain configurations of activities which are themselves constitutive of the capitalist dynamic. But the “forcing” occurs after the action rather than before. Capitalist development is always speculative – indeed, the whole history of capitalism can best be read as a whole series of minuscule and sometimes grandiose speculative thrusts piled historically and geographically one upon another. There is, for example, no exact prefiguring of how firms will adapt and behave in the face of market competition. Each will seek its own path to survival without any prior understanding of what will or will not succeed. Only after the event does the “hidden hand” (Adam Smith’s phrase) of the market assert itself as “an a posteriori, nature-imposed necessity, controlling the lawless caprice of the producers” (Marx, 1967, p. 336).

Urban governance is similarly and liable to be equally if not even more lawless and capricious. But there is also every reason to expect that such “lawless caprice” will be regulated after the fact by inter-urban competition. Competition for investments and jobs, particularly under conditions of generalised unemployment, industrial restructuring and in a phase of rapid shifts towards more flexible and geographically mobile patterns of capital accumulation, will presumably generate all kinds of ferments concerning how best to capture and stimulate development under particular local conditions. Each coalition will seek out its distinctive version of what Jessop (1983) calls “accumulation strategies and hegemonic projects”. From the standpoint of long-run capital accumulation, it is essential that different paths and different packages of political, social, and entrepreneurial endeavours get explored. Only in this way is it possible for a dynamic and revolutionary social system, such as capitalism, to discover new forms and

modes of social and political regulation suited to new forms and paths of capital accumulation. If this is what is meant by the “relative autonomy” of the local state then there is nothing about it which makes urban entrepreneurialism in principle in any way different from the “relative autonomy” which all capitalist firms, institutions and enterprises possess in exploring different paths to capital accumulation. Relative autonomy understood in this way is perfectly consistent with, and indeed is constitutive of, the general theory of capital accumulation to which I would subscribe (Harvey, 1982). The theoretical difficulty arises, however, as in so many issues of this type, because Marxian as well as non-Marxian theory treats of the relative autonomy argument as if it can be considered outside of the controlling power of space relations and as if inter-urban and spatial competition are either non-existent or irrelevant.

In the light of this argument, it would seem that it is the managerial stance under conditions of weak inter-urban competition that would render urban governance less consistent with the rules of capital accumulation. Consideration of that argument requires, however, an extended analysis of the relations of the welfare state and of national Keynesianism (in which local state action was embedded) to capital accumulation during the 1950s and 1960s. This is not the place to attempt such an analysis, but it is important to recognize that it was in terms of the welfare state and Keynesian compromise that much of the argument over the relative autonomy of the local state emerged. Recognizing that as a particular interlude, however, helps understand why civic boosterism and urban entrepreneurialism are such old and well-tried traditions in the historical geography of capitalism (starting, of course, with the Hanseatic League and the Italian City States). The recovery and reinforcement of that tradition and the revival of inter-urban competition these last two decades, suggests that urban governance has moved more rather than less into line with the naked requirements of capital accumulation. Such a shift required a radical reconstruction of central to local state relations and the cutting free of local state activities from the welfare state and the Keynesian compromise (both of which have been under strong attack these last two decades). And, needless to say, there is strong evidence of turmoil in this quarter in many of the advanced capitalist countries in recent years.

It is from this perspective that it becomes pos-

sible to construct a critical perspective on the contemporary version of urban entrepreneurialism. To begin with, enquiry should focus on the contrast between the surface vigour of many of the projects for regeneration of flagging urban economies and the underlying trends in the urban condition. It should recognize that behind the mask of many successful projects there lie some serious social and economic problems and that in many cities these are taking geographical shape in the form of a dual city of inner city regeneration and a surrounding sea of increasing impoverishment. A critical perspective should also focus on some of the dangerous macroeconomic consequences, many of which seem inescapable given the coercion exercised through inter-urban competition. The latter include regressive impacts on the distribution of income, volatility within the urban network and the ephemerality of the benefits which many projects bring. Concentration on spectacle and image rather than on the substance of economic and social problems can also prove deleterious in the long-run, even though political benefits can all too easily be had.

Yet there is something positive also going on here that deserves close attention. The idea of the city as a collective corporation, within which democratic decision-making can operate has a long history in the pantheon of progressive doctrines and practices (the Paris Commune being, of course, the paradigm case in socialist history). There have been some recent attempts to revive such a corporatist vision both in theory (see Frug, 1980) as well as in practice (see Blunkett and Jackson, 1987). While it is possible, therefore, to characterize certain kinds of urban entrepreneurialism as purely capitalistic in both method, intent and result, it is also useful to recognize that many of the problems of collective corporatist action originate not with the fact of some kind of civic boosterism, or even by virtue of who, in particular, dominates the urban class alliances that form or what projects they devise. For it is the generality of inter-urban competition within an overall framework of uneven capitalist geographical development which seems so to constrain the options that "bad" projects drive out "good" and well-intended and benevolent coalitions of class forces find themselves obliged to be "realistic" and "pragmatic" to a degree which has them playing to the rules of capitalist accumulation rather than to the goals of meeting local needs or maximizing social welfare. Yet even here, it is not clear that the mere fact of inter-

urban competition is the primary contradiction to be addressed. It should be regarded, rather, as a condition which acts as a "bearer" (to use Marx's phrase) of the more general social relations of any mode of production within which that competition is embedded. Socialism within one city is not, of course, a feasible project even under the best of circumstances. Yet cities are important power bases from which to work. The problem is to devise a geopolitical strategy of inter-urban linkage that mitigates inter-urban competition and shifts political horizons away from the locality and into a more generalisable challenge to capitalist uneven development. Working class movements, for example, have proven historically to be quite capable of commanding the politics of place, but they have always remained vulnerable to the discipline of space relations and the more powerful command over space (militarily as well as economically) exercised by an increasingly internationalised bourgeoisie. Under such conditions, the trajectory taken through the rise of urban entrepreneurialism these last few years serves to sustain and deepen capitalist relations of uneven geographical development and thereby affects the overall path of capitalist development in intriguing ways. But a critical perspective on urban entrepreneurialism indicates not only its negative impacts but its potentiality for transformation into a progressive urban corporatism, armed with a keen geopolitical sense of how to build alliances and linkages across space in such a way as to mitigate if not challenge the hegemonic dynamic of capitalist accumulation to dominate the historical geography of social life.

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