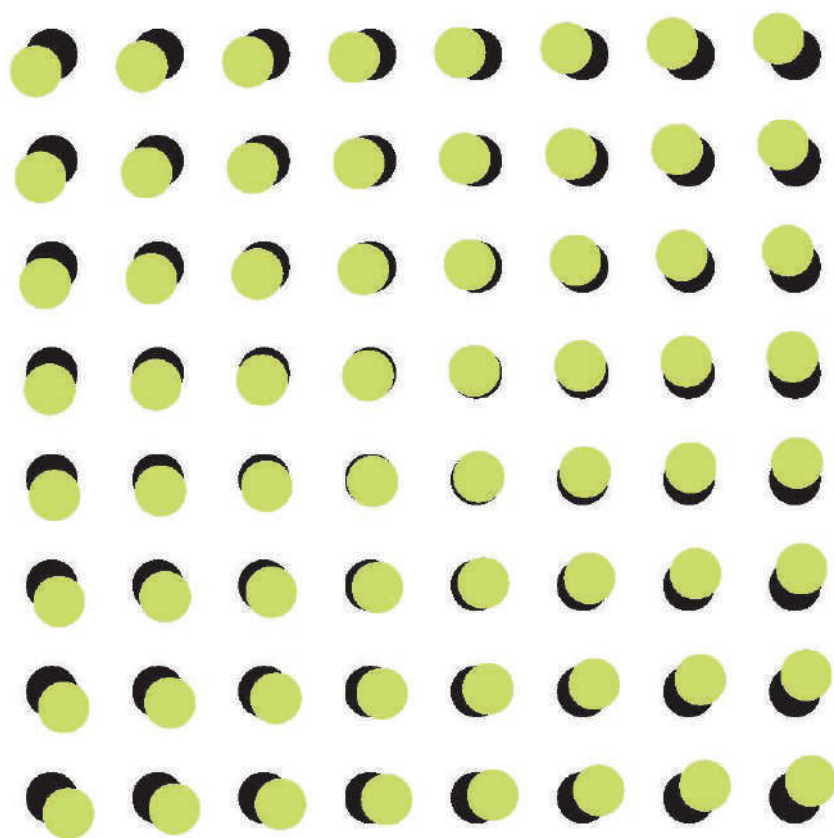


Reconstructing Urban Economics

Towards a Political Economy
of the Built Environment



Franklin Obeng-Odoom

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RECONSTRUCTING URBAN ECONOMICS

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PREFACE

The shift of world populations into cities and the increasing concentration of activities in urban areas have generated new debates about cities as well as rejuvenating old debates, turning them into global concerns. The economics of cities and regions have, therefore, attained a particularly important status in the 21st century.

Yet many writers on urban economic issues have never formally studied the subject. Many are mainstream economists who apply their general (equilibrium) economics to cities; but most of them have very little appreciation of the 'political economy' of cities and much less understanding of the built environment, its history, complexities, and peculiarities. The result is the rise of a highly mathematical, mystical urban economics abstracted from critical political, institutional, and social processes at a time when real-world urban economics is urgently needed.

This book seeks to offer a corrective to this state of affairs, and to generate further interest in critical real-world urban economics. Through the analysis, exposition, and critique of the urban world in which we live, the book shows fundamental contradictions in the 'wisdom' that mainstream urban economists have offered over the years. It offers clear alternatives that show that another urban world is possible.

Without implication, I am grateful to my teacher Prof. Emeritus Frank Stilwell who taught me urban political economy at the Department of Political Economy, University of Sydney, and offered me extensive comments on earlier drafts of this book. Thanks also to Dr Le-Yin Zhang who taught me urban economic development at the Development Planning Unit of The Bartlett, University College London, and offered me feedback on Chapter 3. Dr Graham Tipple of Newcastle University, UK, read and suggested helpful changes to Chapter 7. Prof. Richard Grant, economic geographer at the University of Miami, USA, offered me extensive comments on Chapter 4, while labour scholars

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Thanks to my senior colleagues in the School of the Built Environment at the University of Technology Sydney, especially Prof.

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For Ha-Joon

INTRODUCTION: DISSENT AND RECONSTRUCTION

Introduction

The hegemony of neoclassical economics has been challenged in many sectors, but not in any meaningful way in the sector most crucial to capitalism as a system: the built environment. The orthodoxy there is variously called building economics, construction economics, and built environment economics. The uncritical and neoclassical-endorsing nature of economics in the built environment is handed down from one generation to another, without question, as it is paraded as 'practical' economics and easily accepted in a field where being analytical is often equated with being abstract, and being system-conforming is praised as being practical. The current global economic malaise appears to have created a nudge (Rossi and Rochon, 2012), but in the built environment it is business as usual.

Urban economics is the most widely studied 'economics' subject among the built environment disciplines. Perhaps this is not surprising as the built environment is often regarded as congruent with cities, particularly now when the world's population has become more than 50 per cent urban and is likely to become more and more urbanised. What may be more surprising is that heterodox economists have not provided systematic challenge to this orthodoxy. W.R. Thompson's seminal text, *A Preface to Urban Economics* published in 1972, was intended to plough the ground for more heterodox analysis. However, by 1990 when R.F. Schlack published a review of 'urban economics and economic heterodoxy' in *Journal of Economic Issues*, *Preface* was just that: a preface – because, while Marxist geographers such as David Harvey continued to develop political economic analysis of cities, non-Marxist political economic analysis of cities or eclectic approaches interspersed with Marxism were undeveloped. Five years later, the Australian economist Frank Stilwell published *Understanding Cities and Regions: Spatial Political Economy* (1992). Since the 1990s, however, there has been a growing hiatus between political economy and heterodox economics, on the one hand, and critical urban

studies/urban economic geography on the other. Indeed, in their call for ‘Reestablishing a Relationship Between Heterodox Economics and Critical Urban and Economic Geography’, Gary Dymksi and Marshall Feldman (2015, n.p.) note that:

Today heterodox economics and critical urban/economic geography exist in almost complete isolation from one another. For example, the index of a collection claiming to serve ‘as the foundation for understanding the structural and deep-seated nature of current macroeconomic events’ ... has no entries for ‘built environment,’ ‘capital switching,’ ‘circuits of capital,’ ‘cities,’ ‘race,’ ‘rent,’ and most other keywords found in discussions of the crisis by geographers. Similarly ... [a] review of heterodox explanations of the crisis follows Marx by distinguishing between labor and capital, between finance capital and productive capital, and between interest and profit; but despite the fact that house-price inflation fueled the crisis and land, as a non-reproducible asset, is the prime candidate for house-price inflation through ground-rent capitalization, the review does not even mention what Marx considered the third major class of modern capitalism, landlords, and their distinct source of revenue, ground rent.

While this observation is founded, the assumption that urban economics that is sensitive to the ‘built environment’ is a panacea is inattentive to the nature of urban economics education in schools of built environment. Often taught by built environment economists, it emphasises economic processes in terms of buildings, construction, and real estate activities, processes, and outcomes within cities. In doing so, this economics draws mainly on mainstream economics approaches and ideas (Small, 2006; de Valence, 2011). Regardless of whether the economics is treated as the application of mainstream economics to construction, the study of markets and construction firms, or cost-benefit analysis of projects (de Valence, 2011), the tools for analysis, the ontological orientation, and the units of analysis (the individual, the firm, the household) are mostly drawn from mainstream economics frameworks.

In a recent book, *Real Property in Australia: Foundations and Application*, Hefferan (2013a, p. 5) argues that mainstream economics

is both prevalent and desirable in the built environment. Other books that espouse the mainstream and which are used or endorsed in the built environment are *Urban Economics and Real Estate Markets* by Denise DiPasquale and William C. Wheaton (1996), the *Oxford Handbook on Urban Economics and Planning* (Brooks et al., 2012), and Graham Squires' (2012) recent book *Urban and Environmental Economics: An Introduction*. The main axioms of mainstream urban economics are succinctly captured by Arthur O'Sullivan in his well-known book *Urban Economics*, which is a standard text for most urban economics subjects in the built environment. These axioms are: '(1) prices adjust to achieve locational equilibrium; (2) self-reinforcing effects generate extreme outcomes; (3) externalities cause inefficiency; (4) production is subject to economies of scale; (5) competition generates zero economic profit' (O'Sullivan, 2012, pp. 7–11). It is these canons of 'urban economics' that shape the analysis of the economics of urban development by the teachers in the built environment and constrain the perceptions of their students.

The reasons for this emphasis on the mainstream are partly because the teachers and scholars who teach the subject are themselves trained in that orthodoxy, partly because this suits the philosophy of 'property for profit' which is pervasive in the built environment disciplines, and particularly because this orientation is institutionalised. The American Real Estate and Urban Economics Association, for instance, promotes research and practice in neoclassical economics or its variants such as the new institutional economics (together called 'mainstream urban economics' in this book), as can be seen in most of the papers published in its official journal, *Real Estate Economics*.

What changes have occurred in built environment research and teaching have tended in a direction more towards business administration and finance. Systematic studies (e.g., Newell et al., 2002; Armitage, 2011) show a growing orientation towards business education in the built environment. As noted by one observer, 'there is a strong move towards a broader-based undergraduate education which not only features property, but also business type subjects' (Kriesel, 2013, p. 26). The built environment professionals consider this to be 'critical to success in today's workplaces' (Kriesel, 2013, p. 26). With most coming from a tradition where the 'mainstream areas' of 'valuation, general finance or management' dominated, the

professors ‘think of today’s property students based on their own experience of a decade or more ago’ (Hefferan, 2013b, pp. 29–30).

To emphasise this business administration and mainstream economics focus, the main journals in the field, whether in Britain (e.g., *Journal of Property Research*), America (e.g., *Real Estate Economics*), or Australia (e.g., *Pacific Rim and Journal of Property Research*), in the last 10–20 years have published mainly mainstream research. Consistent with this trend, the curriculum of PhD programmes in real estate (Tu et al., 2009) and reading lists for such programmes (Winson-Geideman and Nicholas Evangelopoulos, 2013) have been revised to emphasise mainstream economics, finance, and business administration. The tendency, then, is to ‘regard real estate as principally a subfield within economics or finance’ (Harrison and Manning, 2008, p. 109), or as a field in itself with strong leanings towards neoclassical economics, investment, and business management (Harrison and Manning, 2008).

It is within this context that the nature of urban economics in the built environment discipline should be understood. The consequences of sticking to, promoting, and devising policies from this narrow view of urban economics, however, have been to provide incomplete descriptions and misleading explanations of the current trends in cities and regions. Insufficient attention has been drawn to cities divided and segregated along class and income lines, or colonially created racial lines, environmental pillage, persistent and new forms of poverty, socio-economic and spatial inequalities, and housing disadvantage. Without reconstructing this urban economics as a basis for description and explanation to influence policy, the gulf between the academic orthodoxy and real-world conditions can only get worse.

Aims of the book

This book provides another perspective on the economics of our regions and cities; it challenges the mainstream ‘urban economics’ espoused by the professors and professionals in the built environment and in mainstream economics departments around the world.

It represents a ‘political economy of the built environment’ in four senses. First, it rivals neoclassical economic approaches to analysing cities. By neoclassicism, I mean the mainstream approaches primarily defined by their common embrace of mathematical

modelling, methodological deductivism, and crude abstractivism. The mainstream is represented by the work of an assortment of neoclassical economists and the work of economists such as Edward Glaeser and Paul Krugman (Davidson and Gleeson, 2013).

This book, on the other hand, uses non-neoclassical political economic theories and perspectives that emphasise ‘real-world’ economic and social processes that are historically specific and economies that are plural, socially, and ecologically embedded, culturally specific, and constrained temporally and spatially (Lawson, 2013). Second, the book provides a direct confrontation with the capitalist mode of production by taking it seriously but critically. By capitalism is meant ‘the particular type of economy based on private ownership of the means of production and the pursuit of profit’ (Stilwell, 2006, p. viii). Capitalism comes in different shades: ‘The term “monopoly capitalism” may be used where there are large concentrations of ownership and control of capital. “Competitive capitalism” or “free market capitalism” are terms usually implying a wider spread of enterprise throughout the economy’ (Stilwell, 2006, p. viii). Readers interested in a historically oriented overview of capitalism may consult Maurice Dobb’s classic book, *Studies in the Development of Capitalism* (1950). Third, the book draws examples from the non-Western, non-Anglo-Saxon world which tend to be overlooked or treated naively or superficially by mainstream urban economists. Finally, the book explores alternatives to the present capitalist mode and relations of production and assesses their viability to form the nucleus of another socio-economic system.

Reconstructing Urban Economics is, therefore, both a dissent from the mainstream and a compass for alternatives. The book joins a wider wave of challenge for change in mainstream economics. Heterodox economists have recently offered thoroughgoing criticism of mainstream economics, peppering their critiques with such animated phrases as ‘elegance over relevance’, ‘madness in their method’, and ‘autistic assumptions’ (Keen, 2003). Some argue that the mainstream has a tendency to favour the rich (Weeks, 2014); others that it reeks of scholarly imperialism (Mäki and Marchionni, 2011) and ignores plurality; and others that it extolls reductionism through the use of the individual as the unit of analysis, is based on restrictive assumptions such as perfect information, over-emphasises the price mechanism as the best means of allocating resources, and

uses a methodology of modelling and formal statistical analysis incapable of handling the complexities and peculiarities in non-Western societies (Obeng-Odoom, 2013a).

The calls for change have been going on for some time now: coming from heterodox economic associations, dissident individual academics, and students interested in studying economic issues and their relevance to human and environmental needs. Notable institutional critics of the mainstream are the Society of Heterodox Economists, the Union of Radical Political Economists, and Caucus of Black Economists. Students too have been pressing for change for some time, ranging from the struggles that began in the 1970s to establish political economy at the University of Sydney (Butler et al., 2009) to more recent movements for ‘post-autistic economics’ and ‘real-world economics’. Student frustration has been heightened by the onset and persistence of the economic crisis since 2007–8. Students of 42 associations of economics students from 19 different countries signed a petition demanding their mentors and teachers to provide them alternative ideas to the mainstream ranging from Marxism, through institutionalism, to feminism (Krause, 2014; Stilwell, 2014a) and others. Teachers in political economy have tried to respond, for example through the publication of the edited volume, *Teaching Post Keynesian Economics* (Jespersen and Madsen, 2013), but a recent review in *Journal of Economic Issues* by the heterodox economist Aaron Pacitti (2015, pp. 885–886) shows that much more work is needed: ‘It would have been useful to have contributors discuss specific channels into which post-Keynesian economics could be integrated into a principles course, where economists have the greatest ability to interest students in economics. ... [but] Students remain hungry for a realistic explanation of how a modern economy functions’.

The outwardly research-oriented books in this more critical genre such as *Global Political Economy: A Marxist Critique* (Dunn, 2009), *Development of American Finance* (Konings, 2011), and *Economics of the 1%* (Weeks, 2013) have been more successful. However, the focus of these existing books is typically the financial system and capitalist economic institutions more generally, not urban development. Indeed, within urban economics critical analysis and reconstruction are yet to be undertaken (Koechlin, 2014).

Reconstructing Urban Economics: Towards a Political Economy of the Built Environment fills the identified gaps by focusing on the economics

of cities and the political economy of the built environment. It aims to show that the current understanding of built environment economics is too narrow, a mimicry of orthodox economics. It demonstrates the need to go beyond this way of doing economics because that orthodoxy neither sufficiently captures the complexities of the built environment nor comprehends how capital works its way through cities and the built environment. Consequently, it produces misleading foundations for urban policy which hurts urban society, economy, and the environment. The mandate of the book does not end here. It extends through discussing specific alternatives drawn from institutional, Marxist, and Georgist political economics to concretely demonstrating how these alternative lenses help to better understand and transform cities.

Structure and roadmap of the book

The book is divided into nine chapters that develop three themes: (a) establishing the principles of urban progress, (b) exploring the nature and effects on cities of changing material conditions, and (c) creating an ecologically sustainable and more socially sensitive future.

Following this Introduction that sets the scene and seeks to provide the roadmap for the book, Chapter 1 offers the overarching framework that guides the steps the book takes. It stresses a distinctive political economy approach based on a synthesis of three traditions: institutional political economy, Marxist urban political economy, and Georgist political economy. This alternative framework sets a strong platform for critical analysis of material conditions and sustainable urban futures from Chapters 2 to 9.

Chapter 2 revisits the so-called ‘urban challenge’, looking at what it entails in time and in space. It dismantles the ‘urban challenge’ into some of its key constituent parts. Its claim is that it is futile to seek to correct a challenge without an appreciation of its internal and external mechanisms related to the formation and transformation of cities. It argues that market forces remain crucially important in the formation, expansion, and form of cities to date. However, they play different roles in the development of cities over time. In addition, they work closely with other important forces such as colonialism and, at different times, neocolonialism which tend to set up a chain reaction to pattern urban development years after they have formally

ended. Indeed, the urban system called forth by past colonial urban development processes both reflects and moulds the present system, although the contemporary urban form is also shaped by current national and international policies, and by the ruling and changing mode of production, consumption, and distribution.

Chapter 3 is the ‘centre of gravity’ for the ‘urban economic’ analysis in the book. It is a detailed exposition of mainstream urban economics framing of the ‘urban economy’ – what it is, how it works, and in what ways it can be studied. The chapter shows that, for mainstream urban economists, the urban economy is only the interrelated parts of urban society where goods and services are produced and exchanged, or where incomes are earned, saved, or invested. The primary focus for the orthodox economist is on the distinctive advantages commonly called agglomeration economies and how autonomous choices lead to the establishment of general equilibrium. In this sense, the ‘urban economy’ is treated as the interaction of markets in a process during which individuals and households exercise their ‘freedom of choice’. The chapter argues that focusing on these choices is important but doing so to the exclusion of the paramount factors and processes that structure, mould, or alter these choices makes the mainstream approach to the study of urban economies incomplete, particularly when the underlying structures of choice making are complex and dynamic as they are in cities. The chapter then considers alternative ways of studying the urban economy, such as the export base approach that is commonly used among economic geographers and sociologists and the analysis of processes of accumulation and permanent dispossession that Marxist political economists emphasise. Finding both inadequate, the chapter puts a strong case for a framework for studying urban economies that recognises the power of institutions, interests, and collective and multiple actions, all changing over time, in a Marxist, institutionalist, and Georgist sense.

Within that framework, Chapter 4 looks at arguments about cities and trade, including views on how, through various ‘stages of growth’, cities bring about a convergence in incomes and an expansion in broader outcomes of development. The chapter examines the ‘stages of growth’ and convergence treatise in more depth, focusing on its key building blocks and the experience of three sets of global cities: New York, London, and Tokyo (tier 1); Sydney (tier 2), and

Accra (tier 3). It shows that, while cities provide the impetus for economic growth, there is no one path to growth. In many cases, in the United States at least, manufacturing cities continue to make major contributions to national economic growth even in a so-called 'post-industrial' urban economy.

Chapter 4 argues that the rise of global cities is not so much about how market forces have crossed and eroded national borders to bring prosperity to cities and nations. Rather, global cities have arisen because national borders moved away by a coalition of institutions have enabled and sustained market forces that have unleashed a pattern of urban development which systematically marginalises the majority of urban residents. Reference is made to inferior and dependent urban industrialisation, especially in tier three global cities. The chapter shows that there is a lack of congruence between what the mainstream urban economists promise and what is actually experienced in cities. Moreover, it also shows how pursuing the advice of the mainstream has led to widening the rich–poor gap in terms of income distribution, access to, and control of urban resources in ways that are different from and differentiated among and within the three tiers of global cities. The political economic lesson is that if the state and other institutions remain effective, then labour can still channel its grievances through the state but also through other institutions in its struggle with capital.

In Chapter 5, the focus switches to informal economies. Mainstream theories emphasise formal urban economies as a whole and do not say anything substantial about informal economies. Or, when they do, they misunderstand the nature of the informal economy. This chapter offers a critical conception, explains existing trends, and discusses competing analytical perspectives on the causes and problems of informal economies. Then, it appraises the evidence on informal economies globally. Informal economies are substantial and make major contributions to the overall economy – contrary to the claims of mainstream urban economists. Yet the conditions of work are precarious and often harmful to the participants who are often the victims of misguided state policies. The chapter contends that neither free trade, pro-business legislation, nor urban economic growth has thwarted the persistence and pervasiveness of the informal economies around the world – in sharp contrast to the claim that economic growth, for example, will drive out informal economies.

A decline in the size of the informal economy has occurred in a few cases but these ‘success’ stories have usually been driven by the provision of social protection and other inclusive policies such as a deliberate employment policy. So, the permanence of the informal economy can be mitigated through inclusive growth that generates jobs, deliberate employment policy that guarantees comprehensive social protection, and the promotion of non-capitalist forms of economic organisations. One path to this social change is to increase social investment in the social and solidarity economy by organising, supporting, and protecting social enterprises in the informal economy and converting ‘atomistic’ informal work into cooperatives with stronger solidarity, reciprocal relationships, and voice sustained by strong institutions.

Chapter 6 throws the spotlight on urban poverty. This issue is closely linked, but different to, the analysis of informal economies in Chapter 6. Critical attention then is given to the reductionist posited solutions of ‘big push’, and slum renewal and sanitation. This chapter examines the claims about the causes and posited solutions to urban poverty. It shows that the mainstream economics perspective has been highly influential, providing the inspiration for most international policies on poverty reduction. Economists have taken into account criticisms about the ‘multidimensional’ nature of poverty by complementing their analyses with a ‘voices of the poor’ approach which is rooted in anthropology. However, there remain five crucial issues that the mainstream has not been able to address, namely (1) jobless growth with little, neutral, or negative effects on poverty reduction, (2) confusing the *manifestations* of poverty with the *causes* of poverty, (3) emphasising a ‘culture of poverty’ without examining the institutions that mould and are moulded by that culture, (4) placing limited or no emphasis on the roles of colonialism, neocolonialism, and neoliberalism in producing and reproducing socio-spatial inequality and urban poverty, and (5) ignoring the institutions of capitalism that generate and sustain urban poverty.

These concerns lead to an alternative perspective on urban poverty: seeing poverty as an issue because it is unjust, not just because of economic reasons. Accordingly, the posited policies to address urban poverty are more holistic, ranging from promoting demand-side economic growth, offering universal basic income to everybody in the city, extending comprehensive social protection to

all workers, starting with the disabled, retirees, and children, and making urban land common property, to ensuring that the process of making a budget for cities is participatory. The main contribution of the chapter is *linking* the general literature on poverty to the specifically *urban* literature on deprivation.

Chapter 7 looks at housing, both as a right and as a commodity. It argues that a new paradigm which relates housing cost, housing valuation, and labour market exploitation to the ‘urban process under capitalism’ (Harvey, 1978) is a fruitful line of enquiry in urban economics. The methodology is informed by three pillars in political economy: institutional political economy, Marxist political economy, and Georgist political economy, but distinguishing it from existing research approaches within institutionalist, Georgist, and Marxist genres. It is this paradigm that the chapter uses to evaluate key housing alternatives. It argues that the breadth of the post-crisis policies is wider than is often perceived, yet more constrained than their advocates usually care to admit. The existing proposals qualify previous housing market solutions but they risk aggravating the housing challenge by either increasing speculation or rent or, at best, leaving the housing problems unaddressed. Crucially, the posited solutions are too heavy on the supply side or too indirect on the demand side. In turn, the conventional policies are unlikely to directly address the social conditions of labour moulded by the capitalist institutions which precipitated the housing problems in the first place. In turn, they only scratch the surface of deeply rooted social problems that are particularly pronounced in cities, but do not end there.

Chapter 8 focuses on the political economy of transport. It looks at the case for ‘automobility’, focusing on its status as the hegemon of urban transportation and narratives of why automobility dominates current urban transportation modes. These analyses are followed by an assessment, and a critical evaluation of, new posited ideas for urban transport. The chapter argues that the present transport form is a killer of nature and humans but it is only naturalised, not natural, and hence can be transformed. The case for alternative transport is based on the social, economic, and ecological consequences of driving, and the substantial development of alternative non-motorised urban transport.

Chapter 9 looks at the notion of urban sustainable development and how it is driven by the urban green growth imperative. It argues

that urban sustainable development is worsening or will worsen emission and consumption levels in cities, giving an urban face to the ‘Jevons Paradox’. In this sense, the development of green buildings intended to use less energy is actually leading to, or will lead to, the use of more energy as developers and corporate interest rush to profit from a new market. Indeed, the prospect of appealing to green consumers is attracting new ‘green’ developers, new green construction technologies, and new ‘green’ building materials – all of which use energy. But beyond environmental emissions and debilitating forms of consumption, urban sustainable development is also caught in a gentrification spiral which has led to evictions and dispossession ostensibly for green urban development. An alternative path to becoming sustainable is built on policies for redistribution of income and assets, social protection of labour, enhanced and comprehensive support to the poor, and recognition and support for urban farmers whose access to the commons has tended to be slashed for the benefit of ‘green’ real estate developers who, in turn, restrict farmers’ access to water for their crops in regions such as Africa where, because of privatisation, contaminated water is sometimes used by urban farmers for agricultural purposes.

The final comments in this book in the Conclusion summarise the arguments, highlight their lessons, and emphasise possible courses of remedial policy action to create more efficient, equitable, and sustainable cities. In this way, dissent from current practices and policies – and from education and pedagogy in conventional urban economics – leads us towards a more ‘grounded’ and more useful political economy of the built environment.

PART ONE

**ESTABLISHING PRINCIPLES FOR
URBAN PROGRESS**

1 | SCAFFOLDING THE PRINCIPLES AND VALUES OF RECONSTRUCTION

Introduction

At the end of the Second World War, C.D. Harris and E.L. Ullman wrote an important article in *The Annals of the American Academy of Political and Social Sciences* seeking to understand ‘the nature of cities’ generally but also in the context of post-war transformation (Harris and Ullman, 1945). If seven decades ago this was an important theme, it has become even more so now in a more urbanised world enmeshed in periodic economic crisis and climate change. Thus, in a recent contribution to the *International Journal of Urban and Regional Research*, Allen Scott and Michael Storper (2015, p. 1) note that there ‘has been a growing debate in recent decades about the range and substance of urban theory’. Such a debate is evident in the major urban studies journals. For instance, in *Regional Studies*, Jamie Peck’s (2015) annual lecture, ‘cities beyond compare’, drew a lengthy response by Jan Nijman (2015) in the same journal. The common features of all this debate are pluralism, interdisciplinarity, indeed transdisciplinarity, and the need to appreciate the peculiarities and similarities of diverse cities across the world.

A similar debate is not so evident in mainstream urban economics, however, as research by Davidson and Gleeson (2013) shows. Is it the case that mainstream urban economics, especially as understood, taught, and researched in the built environment, is so watertight and adequate that no major reconstruction is needed? If not, what should the reconstruction be? After what values, where and how, and in what ways can the reconstruction be applied? The aim of this chapter is to try to respond to these questions or point to how these questions can be answered. The chapter argues that it is necessary to blast open the closed theoretical tunnel from which cities are understood in the built environment and build in its place a transdisciplinary watchtower based on institutional political economy, Marxist urban political economy, and Georgist political economy foundations.

This theoretical composite or analytical framework, the chapter shows, can usefully be based on a pluralist set of values including postcolonialism. The justification for this reconstruction is based on (a) the inability of the mainstream urban economics framework to grasp the complexity of the built environment; (b) the many internal contradictions of the mainstream urban economics approach; and (c) the combined force of institutionalism, Marxism, Georgism, and postcolonialism as an alternative.

The rest of the chapter is divided into three sections. The first looks at the nature of the built environment and urban economics, stressing the complexities of the former and its oversimplification by the latter. The next section begins the search for alternatives. It is centred on an exposition of institutionalism, Marxism, Georgism, and postcolonialism, while the final section offers an alternative *framework* or the scaffolds of a reconstruction towards a political economy of the built environment.

The built environment and urban economics

There are competing notions of built environment. One regards the built environment as anything that is different from the raw environment or the interface between nature and culture and how this changes over space and time (Moffat and Kohler, 2008). Yet the existence of nature in cities, cities in nature, and the talk of the ruralisation of the urban (Kos, 2008) would suggest that the built and natural environments are interconnected and interlocking. Social relations and the social production of built forms constitute yet another way of viewing the built environment as are the anthropological conceptions of built forms in cultural, societal, and social relationships. There are also those who view the built environment in terms of design, architectural, archaeological, and ethnoarchaeological forms or simply as forms of social organisation (Lawrence and Low, 1990). From these perspectives, the built environment is sometimes considered as a social, planned, architectural, and design symbol.

From a political economy perspective, however, the built environment is a complex *social* system. It is created for various uses and purposes and under varying conditions and modes of production. While aspects of the built environment will have aesthetic value, use value, and sentimental value, under the capitalist mode of production there

is a *tendency* for even non-market forms of the built environment (e.g., mosques, churches, and cemeteries) to assume the features of commodities (Harvey, 2006, pp. 232–238). Thus, the built environment under the present mode of economic organisation plays a role in production, exchange, and consumption (see also Lefebvre, 1974/1991). For productive purposes, the built environment is either a stimulant or direct player in the process. In turn, the built environment for production is a highly heterogeneous social system. Likewise, there is a heterogeneous *built environment for exchange* such as urban land transport, and a variety of built environments for *consumption* such as houses and eateries, sidewalks, and shops (Harvey, 1978). The transport network, to Harvey, is a built environment with many faces. Aside from its exchange role, the transport built environment can serve both consumption and production functions. In between these poles, the built environment is key to the circulation and exchange of capital. The built environment is not one ‘thing’: it can be roads, bridges, houses, and offices, but it can also be the rail network, sewers, hospitals, churches, and schools. They are all different and are differently produced, of course, but they do work together to give a particular built form (Harvey, 1978; 2006, pp. 232–238).

The relatively immovable nature of the built environment, the centrality of the built environment to the functioning of economies, and the commodification of the built environment give rise to, or emphasise, certain unique qualities of the built environment. For instance, investment in the built environment can be hard to untangle, and hard, if not impossible, to move around too. In turn, *location* and hence *land* constitute a crucial aspect of the built environment. Similarly, together and separately, the location and relationship of neighbouring facilities work collectively to create certain values. In turn, the urge to appropriate, expropriate, and reappropriate is generated within the built environment as is the generation and distribution of rent (Harvey, 1978; 2006, pp. 232–238). In short, *property* is a major fulcrum for analysis in the built environment where the forces of change and inertia, and economic and social drivers, intermingle with political tension at national, regional, and international levels.

However conceptualised, the academic disciplines that usually deal with the built environment are planning, architecture, (real) property economics, land management, and construction studies. Geography

deals with the built environment too, of course, but it is usually seen as a member of the ‘social science’ disciplines (or physical science, in the case of physical geography) rather than as a field of study in the built environment. The Centre for Education in the Built Environment lists the core areas of the built environment as architecture and landscape education, planning, housing and transport education, construction, surveying, and real estate education.¹

So, in this book, when I refer to built environment ‘education’, I mean those traditional disciplines concerned with building technology, architecture, construction management, planning, and most notably property economics, real estate studies, or land economics. Together, these disciplines provide most of the ideas, practices, and materials, some of which are sold and hence valued in monetary terms but many of which are not on sale or for sale and hence valued in broader terms such as aesthetics or sentimental forms. Taking this broad view of the built environment is consistent with the critical political economic framework of this book because even when the built environment is regarded as ‘a geographically ordered, complex, composite commodity’ (Harvey, 2006, p. 233), there are aspects that remain peripheral to commodity relations. A political economy which studies the economics of cities in its wider social, political, and ecological contexts offers a powerful approach to studying this complexity.

Within the built environment disciplines, however, it is only one that is strongly devoted to ‘economics’. This discipline is variously called land economy, land economics, property economics, real estate economics or such like. It is also this discipline to which most other disciplines in the built environment contribute. So, in a property economics programme, there are usually planners and architects, for example, teaching various aspects of this field of study. Further, property economics attracts other students from the built environment, for example construction management and planning, and it offers to its students different subjects in the other built environment disciplines. Accordingly, this book attributes the moniker ‘built environment economics’ to this field of study, unless otherwise stated.

1 <http://www.cardiff.ac.uk/cplan/research/funded-projects/centre-education-built-environment> (accessed 22 March 2016).

Focusing on ‘urban economics’ is appropriate because built environment scholars and practitioners see the importance of urban economics in understanding different fields, whether planning or construction, even if it is in the area of real property studies variously regarded as land economy, land economics, property economics, real estate management, and real estate finance where the study of urban economics is stressed the most (Achour-Fischer, 1999; Armitage, 2011) and also attracts much interest from students in the other built environment disciplines. The built environment is heavily evident in urban centres, so it is important that how it contributes to, and is shaped by, the urban, national, regional, and international economic forces is understood at least, and if possible, to use that understanding to transform the built environment from within.

Urban economics: a brief history It is important to stress the origins and development of urban economics in the 1960s. It was also during this era that the post-WW2 Fordist economy, buoyed by Keynesian state-led development policies, was generating substantial economic growth and the rapid expansion of cities. In turn, economists and geographers were faced with pressing urban and regional challenges, including concerns and questions about transport, and issues of location of land uses. The first textbook to be written to address this young field was *Preface to Urban Economics* (1965). According to Wilbur Thompson, the author of the book, ‘A decade would surely be needed to prepare a true “principles of urban economics”. ... This preface to urban economics is, then, a first step’ (p. v). ‘Preface’, as it is fondly called (e.g., Schlack, 1990), made an attempt to provide an institutionalist scaffold on which future developments in urban economics would be patterned.

However, mainstream economists hijacked the field, injecting as much neoclassical economic theory into it as they could. The founding of the *Journal of Urban Economics* in 1974 clearly signalled this orientation. Its editor was Princeton University economist Edwin Mills who also went on to write the widely used textbook called *Urban Economics*. Through these means, urban economics came, in effect, to be defined as applied neoclassical economics. The work of the economist Walter Isard, who pioneered ‘regional science’, also influenced urban economics (Boyce, 2004). For example, his work on location and land use was used for analysis by both regional

and urban economists and in the 1970s, the journal *Regional Science and Urban Economics* was founded with Isard as co-editor. However, urban economics also had other major influences.

Much later in 1991, a number of lectures in Leuven, Belgium were given by Paul Krugman to father a new direction in the field called geographical economics or new economic geography (Krugman, 2011) which engaged with but extended the frontiers of urban economics. The award of the 2008 Nobel Prize to Paul Krugman gave the field another endorsement. A year after, the World Bank devoted its *World Development Report 2009* to urban economics or what is at best regarded as ‘geographical economics’ – an exercise at *Reshaping Economic Geography* (World Bank, 2009). Krugman announced in 2011 that geographical economics was mature; no longer the infant it used to be (Krugman, 2011). In that same year, the predominance of this approach to the study of urban economics was given a further boost with the publication of Edward Glaeser’s book, *Triumph of the City* (2011), which applies a neoclassical urban economics framework to the study of cities. It remains in contention, however, with some recent critics alluding to it as ‘an urban revolution that isn’t’ (Davidson and Gleeson, 2013). It suffers fundamental problems, notably ‘spatial separatism’ (Gore, 2012) and ‘methodological individualism’ (Charusheela, 2005).

Cities are contributors to and reflections of their wider social environment, but the conventional and mainstream approaches to studying cities do not systematically acknowledge these dynamics. Instead, they separate spatial problems from their wider social context by focusing mainly on the ‘urban’ to *explain* urban phenomena, leading to the criticism that they suffer a ‘spatial separatism’ problem. Methodological individualism refers to a related, but quite distinct, feature particularly of mainstream urban economics. It assumes that cities are made of free-standing individuals, households, or firms without any social bonds. In turn, it is inattentive to the complexities of urban society, including history, the role of institutions, and the evolutionary nature of society. From a methodological individualistic standpoint, disadvantages in cities persist only for a while until they are cancelled out by other positives or they transform (read ‘catch up’ with) into the positives. In the end, cities are sites of ‘spatial equilibrium’ or ‘convergence’. None of these claims is ‘real’ of

course: they are merely statistical artefacts or imaginary, pointing to an equilibrium where nobody in the city ever reaches.

There are many internal and inherent contradictions of the mainstream urban economics approach (details of which we will show as we go along) which make an alternative necessary. The roots of such an alternative framework go much deeper than Thompson's analysis of cities. They can be seen in the early work of Richard Theodore Ely, the 19th and early 20th-century American institutionalist widely regarded as the founding father of modern land economics (Weimer, 1984; Malpezzi, 2009), and the scholar who first regarded 'landed property as a field of research' (Salter, 1942). Ely's position as a pioneer of built environment urban economics makes his work a relevant point of departure for re-embracing institutional political economy (originally called 'institutional economics' – a name that continued to be widely used) as a useful analytical framework. However, there are other analytical frameworks that can usefully complement institutional political economy. Marxist and Georgist political economy are two of such frameworks. Although these two are based on the original ideas and approaches of Karl Marx and Henry George respectively, they have recently been developed and applied to modern cities by many political economists such as David Harvey, Manuel Castells, Jamie Peck, and Frank Stilwell. These scholars have written about economics or political economy more broadly, but with important spatial and temporal angles and from different disciplinary backgrounds such as economics (Stilwell and Daly), geography (Harvey, Peck, Brenner), planning (Soja and Miraftab), and sociology (Castells and Wilson). Herman Daly has developed other lines of analysis in political economy that can also be adapted to strengthen the alternative framework within which we can understand cities. A real danger is constructing such lines of enquiry along orientalist experiences (Said, 1978; Nijman, 2015), so it is important to make this journey towards a political economy of the built environment postcolonial. Each of these lines of reconstruction – (a) institutionalism, (b) Marxism, (c) Georgism, and (d) postcolonialism – requires more careful exposition in the next section.

Institutional political economy

Institutional political economy (in this book also known as institutional economics or institutionalism) refers to the branch of

political economy which flourished in the United States of America particularly in the 19th and 20th centuries, and continued through the centuries to date albeit not as prominently as when it was first introduced. Envisioning a ‘synthesis of historical and theoretical analysis that social sciences in the preceding century had contributed’ (Yagi et al., 2015, p. 1), it is based on a methodology which, unlike mainstream economics which sees the economy as mechanistically tending towards stable equilibrium, is evolutionary. Sometimes called ‘evolutionary economic geography’, institutionalism seeks to describe and explain the internal processes in capitalism that drive change and create uneven urban and regional development (Kogler, 2015). ‘Institutions’ constitute the primary unit of analysis, unlike the individual, household, and firm-based analysis of mainstream economics.

Institutional political economy addresses the fundamental problems of conventional and mainstream urban economics. It regards the ‘urban’ as part of, not apart from, wider socio-economic and political processes. It is attentive to socio-political and economic processes at different scales within and between nations and continents, historical, and relational in its understanding of space. In turn, it is able to escape the orientalist and Western-centric bias in theorising about cities evident in conventional urban studies and mainstream urban economics. In doing so, it is sensitive to context not in the simplistic sense of finding differences but rather in looking at the world system and its many diverse parts that contribute to and are moulded by the whole. So, institutionalism is both postcolonial and political economic. Unlike the dominant ways of understanding cities, institutional political economy is attentive to institutions, including the market, the state, community, church, family, and trade unions and how they mediate and are transformed by diverse social relations over time. Cities, from this vantage point, are the product and outcome of many interacting institutional processes.

By using a normative framework that stresses equity and ecology, although efficiency, especially social efficiency, is important too, institutional political economy offers a much better framework for studying modern cities. If making ‘cities and human settlements inclusive, safe, resilient and sustainable’ is the goal, then the efficiency-centric and hence market-heavy analytical framework of neoclassical economics will not do.

Indeed, if cities are to be judged by their resilience and contribution to sustainability as sustainability campaigns suggest, their relationships with other settlements at different scales will have to be understood. Again, institutional political economy is better attuned to doing so because it directs attention to multiple scales of analysis. Institutional analysis may emphasise the local, but it does not neglect national, regional, and international avenues of enquiry. In this sense, the institutionalist framework is able to comprehend, for example, that informal economies in cities are not simply local or national spaces but also regional and international spaces.

Being historical, an institutional political economy framework can help us to better understand not only what the informal economy is now but how and why it came to be and in what ways it has been transforming. Unlike the economists who calculate causation, the institutionalists consider context and embrace competing explanations using contextual tests of probability, when appropriate, to determine causation or multiple causations (Morck and Yeung, 2011). The historical emphasis in institutionalism is short, medium, and *longue durée*. More so, institutionalism is evolutionary and the methodology is one of continuous evolution. While the economic approach to cities emphasises a tendency to stable general equilibrium, institutionalism shows the tendency to crisis and evolution. Institutionalism, then, provides an antithesis of mainstream mechanistic, general equilibrium economics, and other spatial separatist approaches.

Unlike the monodisciplinary conventional and mainstream approaches, institutionalism is transdisciplinary. It draws from both within and without formal disciplines. The social sciences generally serve as a key repository of ideas, while real-world insights from non-disciplinary sources such as trade unions constitute an organic part of its repertoire of ideas. One such idea is the notion of circular and cumulative causation developed by the prominent institutionalist, Gunnar Myrdal (see, for example, Myrdal, 1974), which is developed further in Chapters 2 and 3, and applied in the rest of the book.

Institutionalists offer clear alternatives to the dominant neoliberal agenda both in its formative and fully developed forms. So, in his book *The Coming City* (1902), Richard Theodore Ely provided a sustained and comprehensive alternative to the fin de siècle urban

elite whose main demands were first to bring about ‘A municipal administration on purely business principles’, as ‘business men are the natural and inevitable directors of local affairs’. Ely offered a strong and clear alternative, famously arguing that:

The sentiments, the feelings, the way of looking at things required in municipal administration, which is a public affair, are different from those of which must necessarily prevail in private business. The prominent man of business has very likely been engaged in urban transportation, and however upright he may be, he has acquired the habit of looking at public questions from the private point of view. (pp. 43–44)

He proposed that citizens and non-office-holders (p. 48) should work with ‘a class of office-holders’ (p. 46) to have ‘control over municipal affairs’ (p. 48). In our time too, the principles of democratisation of municipal management advocated by Ely can be embraced, indeed extended to municipal production and workplace democracy of one worker one vote. Doing so will be consistent with broader goals of sustainability and socio-economic progress and an effective counter position to the growing embrace of entrepreneurial urban governance not only as a policy ideal but also as a research agenda.

The approach of the institutionalists is rooted in the *inductive method*. Its foundations can be located in the German historical school whose early practitioners, according to Ely (1938 [2011]), called the approach the ‘look and see method’. Today, it is common to hear expressions about ‘look and see’, but they are used as mere slogans when in fact the ‘look and see’ approach implies analyses using real-world concerns and examples, a confrontation with mechanistic mainstream economics, and an exposition of an alternative, transdisciplinary historico-evolutionary approach to analysis.

The importance of institutionalism to the understanding of urban and regional economics has become particularly pressing in recent times. A special issue in *Regional Studies* (vol. 49, no. 5), announced the need to turn to what it called ‘evolutionary economic geography’ (EEG) or ‘institutional economic geography’ to investigate micro, meso, and macroeconomic processes in cities (Kogler, 2015, pp. 705–706). Complexity, evolution, and path dependency analyses are currently being used for research but, as the special issue shows,

‘Despite the increasing number of studies that apply an EEG framework ... there is a strong and legitimate push for engaged pluralism that will actually expand the theoretical foundations of EEG with insights from related fields’ (Kogler, 2015, p. 706). One such important field is Marxist urban political economy.

Marxist urban political economy The ideas, values, and methodology of Karl Marx and Frederick Engels are at the base of what is called ‘Marxist urban political economy’. The work of Engels and Marx requires more careful analysis for the interest they have generated. Engels was instrumental in stressing the conditions of the urban working class, especially their urban housing conditions. These were set out respectively in *The Conditions of the Working Class* (Engels, 1845) and *The Housing Question* (Engels, 1887). In both, Engels stressed the centrality of capitalism in moulding particular structural urban challenges related to the exploitation of labour with outward expressions in the form of poor housing and material conditions. Marx, for his part, pointed out that capitalism reproduces itself via capital accumulation. This process of building up capital takes place in two ways, via primitive accumulation (‘previous’ or ‘original’ accumulation) and expanded reproduction (the second stage of further build-up of capital). Primitive accumulation leads to capital accumulation, but its roots are not anchored in the capitalist mode of production. Capital can expropriate resources not themselves produced by capitalist methods. Expanded reproduction, on the other hand, is glued to the capitalist mode of production (Marx, 1990, p. 873). To Marx, both primitive accumulation and expanded reproduction are organically linked and there is no suggestion that either is defunct. Indeed, Marx (1990, p. 875) talked of ‘so-called’ primitive accumulation only as ‘appearing primitive’. These ideas are concretely explained and expanded in *Capital* (vol. 1).

David Harvey, a critic of these concepts in their application to cities, also became the leading exponent. As Castree (2007) shows in his biographical study of David Harvey, in the 1960s, Harvey ignored these concepts, suggesting they were inadequate as an ‘explanation in geography’ which was the title of his book published in 1968. However, Harvey underwent a major transformation in the 1970s when events in the real world, notably growing exploitation, inequality, and poverty; transformed him from being the face of

positivism to that of radicalism. His 1973 book *Social Justice in the City* signalled that departure. Since then, Harvey has become the leading Marxist geographer. In the early 2000s, he rekindled interest in these concepts and approach by introducing the notion of ‘accumulation by dispossession’, which is effectively a rebrand of primitive accumulation (Glassman, 2006). Harvey (2003) introduced ‘accumulation by dispossession’ to stress the ongoing and contemporary nature of ‘predation, fraud, and violence’, and to correct the tendency in some political economic analysis that regards primitive accumulation as temporally primitive (Harvey, 2003, p. 144). To Harvey, the ‘old’ concept of primitive accumulation led some analysts to regard capitalism within an ‘inside–outside’ framework, with issues such as the use of political force to create economic expansion for capital focusing almost entirely on labour exploitation.

Accumulation by dispossession adds a new dimension and possible source of dislocation to the capitalist economy – but also potential sources of solutions for temporal or spatial fixes. Harvey also argues that a change has occurred in the global economy with (in general) a shift from relatively intensive methods of expanded reproduction which dominated in the post-WWII period to accumulation by dispossession in the era of neoliberalism (Harvey, 2003; Dunn, 2007, p. 6).

Accumulation by dispossession holds that the processes by which capital expands are legion, but include ‘the commodification and privatization of land’, ‘the conversion of various forms of property rights into exclusive private property rights’, and ‘the monetization of exchange and taxation’ (Harvey, 2003, p. 145). Harvey (2003, p. 146) argues that accumulation by dispossession comes about through both co-option and confrontation: either way, there is appropriation.

As with Marx, Harvey does not dismiss capital accumulation as entirely destructive, although holds it is not entirely idyllic either. Indeed, like all Marxists, he stresses the conflictual and contradictory elements. So, although Harvey’s notion of accumulation by dispossession emphasises the expropriative *tendency* of accumulation – especially during the neoliberal era – he favours a more careful analysis of the nature, causes, and effects of accumulation in practice – as capitalism is shaped and constrained by specific factors within specific geographies.

More generally, however, Harvey has written widely about the ‘social’ and the ‘spatial’, and how they interact in capitalism. These are found in many of his books – beginning in the 1970s, he wrote *Social Justice and the City* (1973) but also in more recent times he has written *Spaces of Global Capitalism: Towards a Theory of Uneven Geographical Development* (Harvey, 2006) and *Rebel Cities* (Harvey, 2012).

In sociology, Manuel Castells began his career by looking at both space and society, although he has now moved on to study the network society (see, for example, Castells’ *The Rise of the Network Society*, 1996). Also, Castells wrote on social inequality in cities in his earlier work (Castells, 1977; 1978). Castells emphasised how the provision of the means of collective consumption by the state in a capitalist society leads to social inequality. Stressing this contradiction, he also points to a possible way of resolving the contradiction through social movements which he distinguished as broader and more cross-cutting than a class-based revolution. Such ideas are set out in two important books published as *The Urban Question* (1977) and *City, Class, and Power* (1978). A more systematic review of the work of Manuel Castells has been done more recently by Ida Susser in *The Castells Reader on Cities and Social Theory* (Susser, 2002). As Susser shows, three themes have been evident in the work of Castells: theorising about cities in advanced capitalism, urban social movements, and the information age. Castells himself has provided much material (see, for example, Castells, 2007; 2008; 2010) on his current state of thinking.

One criticism of both Harvey’s and Castells’ approaches has come from the eminent urban planning scholar, Edward Soja. For Soja, both Harvey and Castells are not spatial enough: they are too emphatic on the social – only considering the spatial as a derivative of the mode of production. For Soja, the reverse is more accurate: the primary focus is on space as in Henri Lefebvre’s work such as *The Production of Space* (1974/1991). More fundamentally, Soja suggests that these two are too much pre-occupied by a Marxist straightjacket, an internal metropolitan-urban-suburban emphasis, while for him broader influences should be allowed into their political economy, embracing other critical angles (Soja, 2003; 2010; 2013; 2014). In *Postmetropolis: Critical Studies of Cities and Regions* (2000), for instance, Soja also stresses – note – regional and global urbanisation where first there is not just metropolitan urbanisation but that the suburban is

urbanised and ruralised and the two are closely connected or linked up together. Or, that international migration has now taken over much of urbanisation such that this ‘regional migration’ ought to be explicitly studied.

Some of Soja’s criticisms are applicable to the work of contemporary critical geographers such as Jamie Peck and Neil Brenner who have been more successful in theorising neoliberalism and different stages of capitalism into the city but, at least from Soja’s perspective, will not fare too well on thinking ‘spatially about the city’. Still, Peck and Brenner have provided much-needed critical work in understanding modern cities, as seen in many of their papers (e.g., Peck et al., 2009; 2013; Peck, 2014) and in books such as *City of Revolution: Restructuring Manchester* edited by Peck and Yeung (2002). It is necessary, however, to open the door to conceptualising cities more widely to further broaden and strengthen our understanding. In this sense, a theorisation that starts from land can help to strengthen the Marxist emphasis on labour and capital. Georgism and land economics can generally usefully perform this role.

Georgist political economy In his recent editorial introduction of a special issue of the *American Journal of Economics and Sociology*, Clifford Cobb (2015) strongly appealed for a re-embrace of Georgism in political economy, not only of the specific ideas and concepts but, even more importantly, the methodology for the study of cities. Georgist political economy refers to the application of the ideas of the American economist, social reformer and scholar-cum-activist Henry George for political economic analysis. Within economic history, George wrote in the days of the classical economists such as Ricardo, whose writings came after the Physiocrats. Yet George regarded his own contribution as being closer to the Physiocrats. In his own words, ‘The French ... Physiocrats of the eighteenth century proposed what I have – to abolish all taxes except those on the value of land’ (George, 2006, p. 237). It was the French Physiocrats or *Economistes*, notably led by François Quesnay (1694–1774) and his student, Robert Jacques Turgot (1721–81), who argued that land is the only true source of wealth and without it production could not take place (George, 2006, p. 237; Stilwell, 2006, pp. 85–91).

They were the ones who first developed a systematic body of knowledge of the field of study today called ‘economics’. The

Physiocrats were the first to recognise that the process by which economic rent arises inhibits egalitarian and sustainable development. Also, they were the first to propose the idea of a single tax on the economic rent, revenue from which would be reinvested in social infrastructure. That, however, does not mean that the Physiocrats totally endorsed government restriction of the market. Indeed, it was the Physiocrats who were the first free traders and they who first applied the phrase '*Laissez faire*' or the full version '*Laissez faire, laissez aller*' – meaning 'clear the ways and let things alone!' – to economics, although by free trade they meant 'A fair field and no favour!' (George, 1881, p. 153, emphasis in original). The Physiocrats earned their greatest fame when Turgot was appointed Finance Minister in France in 1774, three months before the death of his teacher, Mr Quesnay. Although short lived, because of the French Revolution which overthrew the government, Turgot had started sweeping reforms to make land common property and institutionalise land taxation (George, 1881, p. 159).

George was not a Physiocrat, however; indeed George argued that the Physiocrats erred by ascribing the source of all wealth to only agricultural land. Nevertheless, Adam Smith wrote that the work of the Physiocrats, 'with all its imperfections, is perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy' (George, 1881, p. 161) and had planned to devote his book, *The Wealth of Nations*, to François Quesnay, according to George (1881, pp. 161–162).

George's own contribution is looked upon suspiciously by political economists, some of whom regarded his attempt at fusing together elements of individualism and collectivism as compromising with the orthodoxy. However, this argument against George is unfounded as George tried to reconcile and synthesise rather than compromise, while the neoclassical paradigm is one of trade-off, for example the efficiency–equity trade-off. Indeed, the intellectual war waged by the neoclassical economics cabal to undo George (see Gaffney, 1994), sometimes calling him a 'poet', not a 'serious scientific thinker' (Pullen, 2012, p. 119), and reducing his ideas to a laughing stock in the mainstream *Wall Street Journal* (*Georgist Journal*, 2013, pp. 12–14), should reassure the heterodox family that George was against the orthodox economics establishment and *for* heterodoxy and political economy.

George laid down his approach to economic analysis in a number of publications, including *Progress and Poverty* (George, 1879), *The Land Question* (George, 1881), *Social Problems* (George, 1883), *The Perplexed Philosopher* (George, 1892), and *The Science of Political Economy* (George, 1898). As with the Physiocrats and classical economists, George named land, labour, and capital as the factors of production. He defined land as all the free gifts of nature, labour as human exertion, and capital as a stock of wealth used for further production. To George, the factors of production are all important, but not equally. Labour initiates production, but cannot do so without land. Capital is important and enhances production, but without it, production is still possible (George, [1879] 2006). The basis of all the key analysis in Georgism is rent from land and land economics generally.

George regards private collection of ‘rent’ as *the* primary problem. For George, the source of all urban inequality is the appropriation of the commons, in this case the urban commons, as ‘private’. Rent, for George, is that annual value of bare land (George, 2006). When rent is privatised, it becomes a drain on wages paid to labour and profit accruing to capital. At the outset this creation of rent may not appear to be a problem, but as George shows, rent will tend to rise through various investments: both by the public and the private. Rent will also rise with population growth, and with the presence of more skilled and educated labour whose work increases productivity. Rent will rise with the application of more machinery, and with speculation. Here is the problem: wealth will grow with time, investment, and population expansion, but so will poverty because more and more of the wealth generated will be going to landlords and less and less to waged labour.

In the urban context, these dynamics are particularly grave because large amounts of rent are generated in cities. Cities are where investments flow, where population concentrates, where pressure mounts on urban land, and where, in turn, rent rises the fastest. Consequently, it is also where poverty concentrates the most (George, 2006). Aside from income inequality, caused by having to pay high rents to landowners, cities are where access to land can be most restricted. George suggests that gentrification, the attack on ordinary people, the devastating effects of segregation, and the destruction of old places and old buildings are not the result of planning theories

or problems. Rather, those are the logical consequences of allowing rent to be privatised, which makes it possible for those who currently collect rent to dictate the tempo of urbanism and cities.

George worked on cities, and many Georgists have continued to do so (e.g., Combs, 2015; Rybeck, 2015). They tend to look at how the commodification of land and the creation and capture of rent in urban contexts generate socio-spatial contradictions such as gentrification and associated inequality, injustice, and environmental damage, issues that were also important to George (respectively see *Progress and Poverty* (1879) and *Social Problems* (1883)). The application of Georgist theory and methodology to cities remains an important area of research in urban political economy (Stilwell and Jordan, 2004; Obeng-Odoom, 2015a), although in relative terms it is undeveloped compared, for example, to Marxism. Georgism has generated some interest among mainstream urban economists, perhaps even more than Marxism. However, it is questionable whether what mainstream economists profess as ‘Georgism’ is, in fact, Georgism or some corruption of the ideas and ideals of Henry George, especially when it is common in that field to discuss Georgism without any reference to the primary work of George himself (see, for example, Behrens et al., 2015).

A commonality among all the perspectives discussed, whether mainstream urban economics, institutional, Marxist, or Georgist political economy, is an Anglo-European-US bias in the perspectives on cities (e.g., Obeng-Odoom, 2015a). There is much empirical research on non-Western cities but, in terms of *theorising cities* and *methodology*, framework, or conceptual framework, urban and regional studies remains an orientalist project (Peck, 2015; Nijman, 2015; Scott and Storper, 2015). A postcolonial turn has been widely touted as a possible way out of this major pitfall, but the question is how to make this turn.

Postcolonialism While there is hardly any debate about the Eurocentric ‘framework’ for urban studies (Peck, 2015; Nijman, 2015; Scott and Storper, 2015), it remains unclear how to inject postcolonialism into our understanding of cities. Should we be focusing on exceptional ‘others’, separate political economy from postcolonialism, or simply list a few non-Western cities as ‘exceptions to the rule’? For many, postcolonial analysis tends to ask for a pre-modern reality which itself was backward, or a reincarnated form called socialism

which has been proven to be corrupt and inefficient, while others consider postcolonial thinking as ignoring class altogether within capitalism (see Wilson, 2011).

In practice, the argument of postcolonial thinkers is not entirely materialist, but it emphasises the complex interaction of the psychosocial and the material which, in turn, generate outcomes that critics confusingly style as ‘causes’. Postcolonial analysis is not about returning to a dead past, but rather diagnosing, evaluating, and correcting misrepresentations and ramifications of the past as a basis for animating fresh negotiations for a future society. Finally, postcolonial analysis is not only about colonialism but also about capitalism and how it has been moulded by colonial and neocolonial structures in such a way that postcolonial spaces are not positioned as aberrations outside the world, but organically integrated with the world temporally and spatially.

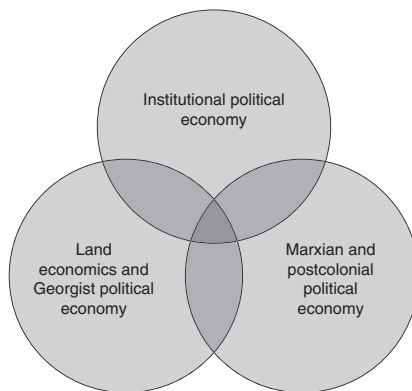
Ideas on postcolonialism can come from sources such as *Discourse on Colonialism* by Aimé Césaire (1972), *Black Skin, White Masks* (1967) and *The Wretched of the Earth* (1963), both by Franz Fanon, and *Orientalism* by Edward Said (1978). These are not spatially theorised and those analyses that are and hence incorporate postcolonialism in urban analysis, such as David Drakakis-Smith (see, for example, *The Third World City*, 2000), Ambe Njoh (see, for example, *Planning Power: Town Planning and Social Control in British and French Colonial Africa*, 2007), and AbdouMaliq Simone (see *For the City Yet to Come: Urban Life in Four African Cities*, 2004), do not directly engage with urban economics. Integrated, however, in a transdisciplinarity framework which regards all cities as connected in the world system (Nijman, 2015), an engagement with postcolonialism becomes feasible and non-essentialist.

General guiding framework for the rest of the book

How can all these ideas and methodologies be used to scaffold a general guiding framework for the rest of the book? Economists have, in the main, not embraced any of these critical traditions let alone their critical revisions. Among political economists, however, the Australian economist Frank Stilwell, in *Understanding Cities and Regions* (1992) and *Reshaping Australia: Urban Problems in Australia* (1993), negotiates the social and spatial dialectic, showing that they are mutually constitutive, while drawing on a wide variety of sources:

institutions and Georgism, for example, but also Marxism and Keynesianism (Stilwell, 2000). Elsewhere (Stilwell, 2003), he takes into account international and national migration forces into his analysis of cities, which for him always includes regions and how they are structured and restructured in the global economy. Indeed, he offered readers of *Review of Radical Political Economics* a framework to analyse the spatial/social and economic dialectic within globalisation (Stilwell, 1998) and to readers of *Housing, Theory, and Society* an emphasis on neoliberalism not only as an ideology but also as a social movement and a policy practice (Stilwell, 2014b).

A combination of institutionalism, Marxism, and Georgism can, therefore, usefully serve as the general guiding framework for the rest of the book. Within institutional political economy, the work of Ely, Myrdal, and Thompson is a point of departure because of their relevance in showing how institutions mediate urban economic development, social processes, and ecological processes, while George's work is emphasised under land economics and Georgist political economy because of the weight it places on landed property as a crucially important institution in urban development. The work of the pre-eminent Marxist urban political economist, David Harvey's is an important pillar in the Marxist leg of reconstruction. Unlike much existing work, however, this book is also postcolonial in the sense that it engages the work of Césaire, Fanon, and that of modern writers such as Wilson. As Figure 1.1 shows, these strands of thought are best considered as an interlocking framework.



1.1 The foundations of reconstruction

Together, this framework stresses five political economy features. These are (1) the importance of seeing how economic influences on urban development interact with social and environmental considerations; (2) the pervasive influence of political economic institutions and power; (3) the tension between the forces of change and the forces of inertia in the built environment; (4) the need to consider both facts and value in developing a political economy of cities; and (5) the importance of a global perspective, drawing from experience and knowledge in the ‘global south’ and not purely limited to an Anglo-US view of the world.

The framework is situated in the wider field of political economy, including the narrower fields of heterodox economics, ecological economics, and feminist economics. So, the work of E.F. Schumacher, while not on urban development, offers in its analysis of the ecological aspects of economics ways that can be used to reformulate urban economics. In particular, Schumacher’s book, *Small is Beautiful: Economics as if People Mattered* (1973), puts the case for a clearer approach, Buddhist Living, which challenges growth agenda. More recently, the highly influential work of Herman Daly (see, for example, his 1990 classic, *Steady-state Economics* (1990) and 2007 synthesis, *Ecological Economics and Sustainable Development: Selected Essays of Herman Daly*) has stressed the ‘limit to growth’ signalled in the famous Meadows report: *The Limits to Growth* (Meadows et al., 1972). Research in feminist economics, looking at the gendered nature and outcomes of urban economic processes, offers additional insights.

Finally, the framework also engages the work of mainstream economists. This scope of engagement is important to make the reconstruction as comprehensive as possible. In this sense, the work of Ezra Mishan, a critical applied neoclassical economist, is engaged. Mishan’s book *The Costs of Economic Growth* (1967), for example, stresses the obsession with economic growth, what he calls ‘growthmania’ (p. 3), the inherent environmental challenges associated with it, and the need, therefore, to move away from the economist’s growth fetishism. Similarly, the important work by William Stanley Jevons, a strong pillar in neoclassical economics, is used. Jevons’ book *The Coal Question* which posits an ‘end-of-growth’ thesis offers a major challenge to the growth everlasting vision of mainstream urban economists today.

The approach used in this book, then, is methodologically plural, empirically open to the examination of multiple pieces of evidence, and broad-ranging in its analysis. It is, to borrow from Ely (1925, p. 6), ‘that continual and fearless sifting and winnowing by which alone the truth can be found’. The economic is seen as broadly entailing ethical, economic, environmental, and explicitly political matters. Such a critical gaze abounds elsewhere in the social sciences, of course, but not in the built environment and certainly not in built environment economics. This current orientation flies in the face of critical economic enquiry.

Conclusion

This chapter has shown that existing approaches for understanding cities totter badly. In contrast, the revised framework shows much better promise. The approach is critical and rivals the mainstream way of undertaking urban economic analysis. Unlike the mainstream, which focuses mainly on methodological individualism and mathematical modelling, the approach used in original built environment economics was transdisciplinary and critical, and the politics open. History and transition, institutions and class are mightily important in original built environment economics. Further, the economy is broadly understood: regarded as encased in the environment and within society. What requires additional study is how this broad perspective applies to the urban challenge.

2 | THE URBAN CHALLENGE

Introduction

‘Urban challenge’ is a popular refrain, but there is considerable uncertainty about what the key urban challenge is: Scott and Storper (2015) show that the responses to this question have changed over time. At the start and in the middle of the 20th century, the Chicago School of Urban Sociology sought to equate the urban challenge to nurturing an urban ecosystem. All that transformed into equating the urban challenge to a society-wide challenge where there was nothing ‘urban’ about social problems. The accumulation of knowledge and advances in research, however, meant that since the late 20th century, there has been an intense interest in the ‘urban’ as a legitimate unit of analysis.

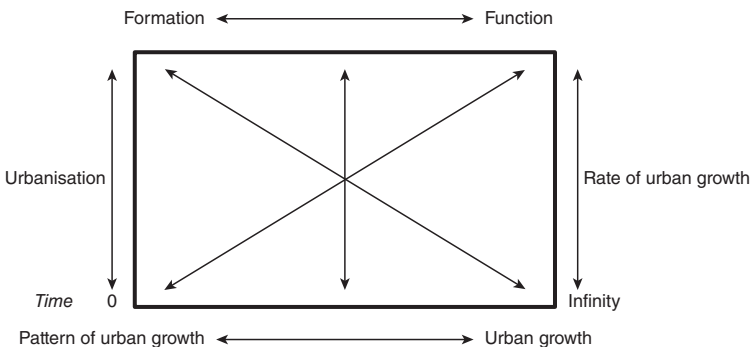
But that has brought fresh questions about the urban challenge: is it about managing urban growth, urbanisation, the rate of urbanisation, the function, or the form of cities (Yeboah et al., 2013a; 2013b; Zhang, 2015, p. 5)? To some, it is getting the so-called ‘urbanisation-economic development’ nexus right (Njoh, 2003; World Bank, 2009), the assumption being that if urbanisation drives economic development then it must be benign. For others, the urban challenge is more about managing population growth expanding ‘rapidly’ or what is known as the ‘over-urbanisation’ and ‘chaotic’ urbanisation problem (Obeng-Odoom, 2010a; Potts, 2012a; 2012b). According to Ian Yeboah and his colleagues (2015, p. 99) working on urban systems, ‘The size of an urban population is not necessarily a problem’. Rather, as lucidly stated by another urban systems writer, the urban challenge is more about managing ‘urban centers, their relationships with the surrounding areas, and the interaction between centers’ (McNulty, 1969, p. 162) or simply dealing with urban systems (Yeboah et al., 2013a; 2013b).

There are clearly attempts to extrapolate timeless advice from these varied emphases. However, in changing times, falling for this temptation is dangerous. Also dangerous is focusing on one interpretation to the neglect of the others or, when focusing on all

interpretations, assuming that these aspects naturally work towards equilibrium. It is safer and more reliable to untangle this complex web of issues, its regional manifestations, how it has evolved, and how it keeps evolving to understand the urban challenge. So, while Spencer (2015, p. 884) is correct to point out that a central question in urban economics is 'why does economic activity occur where it does?', that question cannot be answered in vacuo.

Digging deeper into the formation and expansion of cities is central to any urban analysis. An analyst seeking clarity on the urban world ought to define cities, explain their formation, describe their functions, probe their transformation, analyse the drivers of their expansion or decline, and study the patterns of their growth. More fundamentally, the analyst ought to see the interconnections among all these processes and how they are mediated by institutions over time. Figure 2.1 is an annotated diagram of how this political economic approach is used in this chapter.

Figure 2.1 suggests a complex web of interrelationships that are highly dynamic and hardly static, showing transformation over time. Not only these: the figure also suggests that the functions of cities tend to be path-dependent, often following or interacting with their formation, growth, and form. These processes are dynamic, so starting from the formation of cities at time zero (o), cities are continuously evolving, as are their functions and form. Market forces are important in these transformations but they are by no means the only drivers of change and continuity.



2.1 Transformations and interconnections in urban processes

‘Cities’, for the purpose of this chapter, and the rest of the book, are synonymous with ‘urban areas’ (Harris and Ullman, 1945; Ullman, 1962; O’Sullivan, 2012; Duranton, 2013). As urban areas are usually regarded as settlements of a certain population size, cities too tend to be defined as settlements that contain a specified number of people. In the US, an urban area is a settlement of at least 2,500 people with a minimum of 500 people/sqm (O’Sullivan, 2012). Cities or urban areas in Ghana are considered as settlements of 5,000 or more people (Obeng-Odoom, 2013a; GSS, various years). In Australia (see The Australian Bureau of Statistics, 2012), urban areas are settlements of more than 1,000 people with an ‘urban character’ (e.g., population density of at least 200 sqkm).

Based on these differing national definitions of the ‘urban’, the United Nations Department of Economic and Social Affairs or DESA (see, for example, DESA, 2014, pp. 4–5) estimates that currently the world urban population is more than 3.6 billion. DESA (2012) estimates that by 2050 the global urban population will increase by more than 70 per cent with most, if not all, the growth being contributed by less materially rich countries in the world.

This rate of growth of urban population is measured by the concept of urbanisation, which refers to the process of urban growth, the process by which an area becomes urbanised or the process by which the urban share of a population increases. Urbanisation is not the same as the rate of urbanisation (also called urban growth rate) which connotes the speed with which the urban area expands in population size (cf. National population growth rate). An urban area is said to be growing ‘rapidly’ if the rate of urban growth is higher than the rate of national population growth (see, for a fuller discussion, Potts, 2012a; 2012b). However, there is no reason why the same descriptor cannot be used, if a certain average or benchmark is exceeded. For instance, Scott and Storper (2015, p. 5) benchmark their claim of ‘rapid growth’ against past or historical rates of growth. A more fundamental issue is that focusing on population tends to lead to the contentious view that urban problems are solely derived from population characteristics, especially the size of the urban population (Molotch, 1976). So, it is important to focus on socio-economic processes in cities.

However, explaining the formation and functions of cities, and how and why cities expand, is more complex. While there is much research on these issues (e.g., Parr, 2014; Yeboah et al., 2013a;

Yeboah et al., 2013b; Zhang, 2015), their changing nature – in the form of the shift from urban areas to urban systems, from cities to city-regions, and from the city economy to the regional economy – makes revisiting them imperative. Three ‘directions for future research’ have been identified by Burger et al. (2014, p. 1923), namely reviewing the determinants of changing urban systems, examining population movements within changing urban systems, and looking at the nexus between spatial organisation of urban systems and urban and regional economic performance.

This chapter dismantles the ‘urban challenge’ into some of its key constituent parts. Its claim is that it is futile to seek to correct a challenge without an appreciation of its internal and external mechanisms related to the formation and transformation of cities, and the institutions, structures, and drivers that are important in a serious study of cities. It argues that market forces remain crucially important in the formation, expansion, and form of cities to date. However, they play different roles in the development of cities over time. In addition, they work closely with other important forces such as colonialism and neocolonialism which tend to set up a chain reaction to pattern urban development years after they have formally ended. Indeed, the urban system called forth by past colonial urban development both reflects and moulds it, although the system is mediated by current national and international policies, and by the ruling and changing mode of production, consumption, and distribution.

Urban growth and the rate of urbanisation may not be ‘problems’ in themselves, but they contribute to shaping the urban structure which, in turn, influences the rate of urbanisation. Throughout this process of change and continuity, there are diverse consequences for land, labour, and capital mediated by the state and other institutions. It follows that the urban challenge is neither about growth rate, size, pattern, nor rural-urban/urban-economic development experiences, but rather the complex evolving webs of interrelationships that confound simple and static binaries. One change in the processes tends to affect others and transformations in the national and world systems are usually mediated by and reflected in the urban system. I flesh out these claims in the rest of the chapter. Divided into three sections, the chapter looks at (1) the formation of cities; (2) the functions, transformation, and patterns of cities; and (3) political economic assessment, drawing on the work of institutionalists, Marxists, and Georgists.

Formation of cities

Two sets of views about the formation of cities are common. Cities form, according to mainstream economist O'Sullivan (2012, pp. 3–4), because of three reasons: agricultural surplus, urban production, and transportation for exchange. Agricultural surplus is important because it enables non-rural/agricultural activities to fester. When rural populations have enough to feed themselves, they tend to be able to support others who then develop urban settlements and activities. Conversely, those living outside the rural areas must produce something – goods or services – to exchange for food grown by rural workers, if cities can form. However, a third factor, transportation for exchange, is needed to enable the exchange of food and urban goods and hence leads to the formation of cities. Thus cities form for economic reasons generally but because of trade in particular. The work of some key geographers and planners suggests that this view about the formation of cities is not held only by economists. For instance, Scott and Storper (2015, p. 4) claim that ‘cities emerge historically only where a food surplus can be extracted’. The second viewpoint is that other reasons are more important. Geography or natural factors have also been accorded much explanatory power (Rowland, 1974). From this perspective, areas that have a conducive climate, congenial topography, and such like have been said to be an explanation for the growth of cities.

These two sets of explanation are not necessarily opposed to each other. Indeed, D.T. Rowland (1974) has argued that the diverse explanations are not necessarily contradictory. Geographical factors can help to nurture economic reasons for the formation of cities. That is evidently the case for cities that form around water bodies that are used for transport or settlements that have not become cities because of geographical factors such as difficult topography. Indeed, geography and distance may hinder urban development as has been argued in the case of many areas in Australia where cities have not formed mainly because they remain isolated even in Australia, and the fact that Australia itself is geographically distanced from many other countries. Additionally, ‘resource cities’, whether ‘oil cities’ or ‘gold cities’, form because of a combination of natural (natural proximity to minerals) and economic (the economic attraction to exploit mineral resources) reasons. The diverse explanations not only serve a spatial purpose, they can also be combined in a temporal way.

According to Rowland (1974), if the formation of cities is considered as ‘stages’, the existing explanations can simply be seen as valid at one point or another. That is, a city can form due to natural factors but *after some time* it is economic factors that *sustain* its formation or transformation. Rowland’s interpretation, therefore, does not refute the ‘economic reasons for the rise of cities’. Rather, it accepts them as valid and possibly valid at all times.

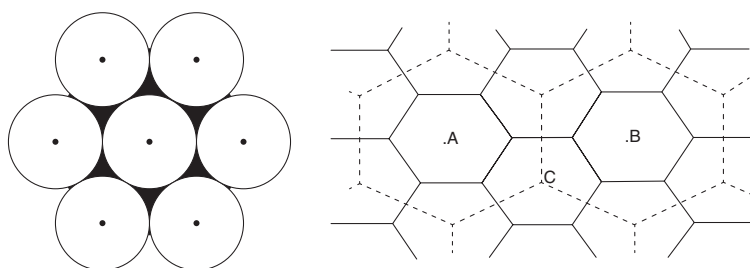
Cities: functions, growth, patterns Cities in different regions of the world tend to differ in their particularities, but they tend also to perform similar economic functions (Harris and Ullman, 1943). The emphasis on the ‘economic’ here is not to suggest the social, environmental, political, and cultural are less important. Rather, the economic function of cities is what usually differentiates them from towns and other settlements (Scott and Storper, 2015). So, Jane Jacobs (1969, p. 262) defined a city as ‘a settlement that consistently generates its growth from its own local economy’. Cities expand through this local economic growth function. Harris and Ullman (1945) explained this process of growth in three ways: service to surrounding areas; transport hub for the distribution of populations, goods, and services; and specialised production such as mining and manufacturing.

One framework which is used to explain the functions of cities is Walter Christaller’s Central Place Theory. It has been described as ‘the standard against which other models are compared’ (Parr, 2014, p. 1931). In *Die Zentralen Orte in Süddeutschland*, Christaller explained his Central Place Theory as follows: cities grow with an increase in the demand for the services they provide for growing adjoining settlements. In this process, many central cities expand, as do surrounding areas. According to the theory, there is a clear distinction and formulaic relationship between the regional capital, the largest city (or, in Christaller’s term, *Landeshauptstadt*), and the smallest settlement called hamlet or, to Christaller, *Marktort* (Pacione, 2009, p. 126). This pattern also helps to explain how different cities are arranged in an urban system. As Parr (2014, p. 1931) has recently noted, ‘the Christaller framework was an early attempt at viewing the urban system as a set of hierarchically differentiated service centres, each of these “central places” having one or more exclusive market areas to which the various goods and services were supplied’.

The normative orientation of the theory is often neglected but it is important to highlight to connect the analytical and prescriptive aspects of the Central Place Theory. Christaller called for his ideal urban system where there are more and more specialised central places (*Amtsort*/township centre) that are ever closer to the people they serve, and that are arranged in hexagonal form (Pacione, 2009, p. 127).

Figure 2.2 suggests why Christaller preferred to use hexagons. The circles leave the dark-coloured areas unattended to whereas the hexagons cover every part of the settlement. The smaller hexagons (formed with unbroken lines) serve smaller areas whereas the bigger hexagons (with broken lines) serve wider areas. The centres in the hexagons, A–C, co-exist and serve their surrounding areas. They need not all be the same size. Indeed, central places will usually vary: the smaller ones in hamlets perform a few simple services whereas bigger central places perform more complex activities.

These functions also serve as the economic locomotive to further expand cities or drive urban growth. Many writers on the causes of urban growth identify three main ones: natural increase, reclassification, and rural–urban migration (Obeng-Odoom, 2010a; Yeboah et al., 2013a; 2013b; Zhang, 2015). An increase in the birth rate in a city will lead to a rise in the number of people in that city subject to the trends in death rate. A fall in the death rate in that city, especially if it is higher than the rate of increase in the birth rate, will usually lead to urban growth. The key point is to look at the balance of forces, between life and death, in the process of wider social change in the city. The tendency for both the birth



2.2 Central places, their surrounding areas, and their structure (source: Ullman, 1941, p. 856)

and death rate to decline in the process of economic development is called demographic transition (Pacione, 2009). Reclassification or redefinition of the 'urban' is another cause of urban growth. Changing the statistical definition of 'urban' will cause a 'technical' increase in urban growth. That is, if the urban threshold for a settlement is statistically reduced, many former towns and villages can suddenly become 'cities'. Their population might not have grown, but there would be 'urban growth', by definition.

Migration is by far the biggest contributor to urban growth. The relationship between migration and urban growth is quite straightforward. Generally, the movement of people from rural to urban areas increases the size of the urban population. It is the mechanism of the process which requires more careful explanation. As Molho (2013) shows in a comprehensive review on the 'economic theories of migration', orthodox economists have offered five interrelated explanations for rural-urban migration. First, wage differentials between individuals or households in rural and urban areas cause migration. Second, expected wage improvement or expected employment in cities cause people in rural areas to migrate to those cities. Third, the aspiration by households for better education or improvement in their human capital causes them to move to cities where such educational facilities are relatively abundant. Fourth, rural-urban migration is enabled by the availability of information about life in cities or the migration process, although households with limited information can also engage in what is known in the literature as 'speculative migration'. Finally, housing tenure (e.g., renters can migrate more easily); housing quality (e.g., poor-quality housing at a destination may discourage migrants); and housing quantity/availability (e.g., more and affordable housing can attract migrants) explain much of rural-urban migration.

These 'theories' tend to be organised within Ernst Georg Ravenstein's 'gravity model' or 'push and pull framework' (Ravenstein, 1885; 1889; Lee, 1966). Using this heuristic device, any of the five 'theories' can be cast as 'undesirables' (e.g., poor education facilities) in rural areas or desirables (e.g., better educational facilities in cities) in cities in an assessment where the undesirables *push* individuals and households from the rural area and desirables from cities *pull* people to cities. So, a push factor

will repel or move people from the origin to a new destination, while a pull factor will entice, encourage, or cause the attraction of individuals and households to cities. These, to Ravenstein (1885; 1889) and Lee (1966), are the ‘laws of migration’. Being laws, they are of universal application.

A few economists analysed migration quite differently. For instance, the classical economist and Nobel Prize winner in economic science Sir Arthur Lewis argued that it is the actual differences in wages between urban and rural areas and the jobs in the urban areas that would draw unlimited labour in the rural areas to cities (Lewis, 1953; 1954; 1979). However, neoclassical economists criticised the Lewis model for failing to explain how wages are formed in the traditional, rural sector and for failing to explain why, with the reduction of labour in the rural sector, wages there would not increase and wage levels in the urban sector not fall over time. In addition, they argued that the Lewis model did not account for the massive unemployment that characterised the so-called ‘growing’ urban sector in developing economies (Becker and Craigie, 2007). So, a new explanation was required.

It was this background that led to the major work by development economist, Michael Todaro. Todaro combined the classical framework of Lewis but injected neoclassicism into this neoclassical economic version of the economics of migration (Becker and Craigie, 2007). For Todaro (1969), migration, especially in the so-called third world, is first a mainly economic phenomenon driven mainly by *expected wage differentials* between the rural and urban areas. This explanation was technically modelled and has been known as the Harris–Todaro Model (Harris and Todaro, 1970), or, simply, the Todaro Model (Todaro and Smith, 2006, pp. 339–346). Together, these ‘theories’ constitute the essence of the body of knowledge on urban growth.

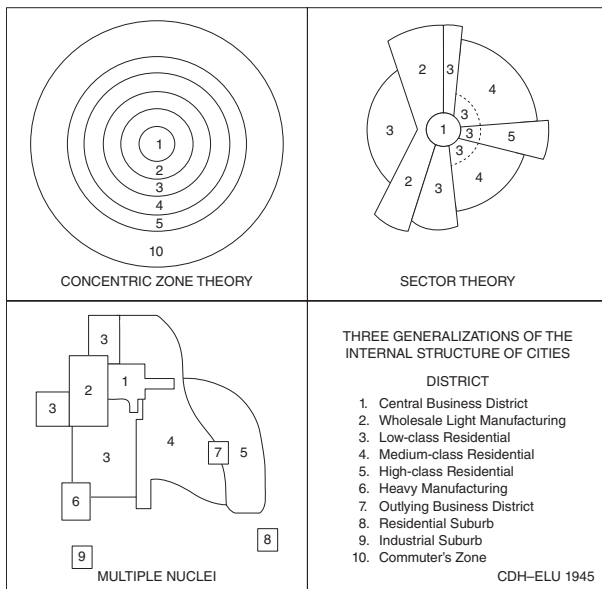
But how is urban growth patterned or what patterns does urban growth follow? The classic response is that urban growth follows concentric circles, sectors, or multiple nuclei (Harris and Ullman, 1945). The Concentric Zone Theory holds that the internal structure of cities is arranged in circles around one major centre. Sector theory, on the other hand, posits that because of possible obstacles in the patterning of cities, such as the availability of transport lines, urban activities are more likely to develop along sectors, not concentric

zones. Apart from this modification, sector theory also accepted that there is only one centre of activities. Multiple Nuclei Theory took the view that activities in cities can well be organised from different centre points. Figure 2.3 is an annotated diagram of the three classic depictions of the internal structure of cities.

Burgess built on the work of Von Thunen's more rural model to develop the concentric zone theory, which was nuanced by Homer Hoyt who put forward the sector theory. The multiple nuclei model represents the work of Ullman and Harris. These three ideas can be strung together into a composite structure in which in a city some land uses may be patterned in concentric zones while others may be in sectors or in multiple nuclei.

In terms of the relationship of one city to another and why such a relationship exists, however, Christaller's Central Place Theory has often been used for analysis (Taylor et al., 2010). Edward Ullman (1945, p. 862) poignantly stressed that:

The central-place theory probably provides as valid an interpretation of settlement distribution over the land as the



2.3 The internal structure of cities (source: Harris and Ullman, 1945, p. 13)

concentric-zone theory does for land use within cities. Neither theory is to be thought of as a rigid framework fitting all location facts at a given moment. Some, expecting too much, would jettison the concentric-zone theory; others, realizing that it is an investigative hypothesis of merit, regard it as a useful tool for comparative analysis.

Ullman (1941) popularised Christaller's work, but he also introduced some elements which clearly violated the principles of the German Historical School from which Christaller had emerged. He claimed that some urban patterns are naturally constructed. According to Ullman and Harris (1945, p. 17), rent is important but so is 'a natural attachment' to sub-urbanisation in the process of urban development. This emphasis on nature instead of nurture in explaining habits denies the role of institutions and social construction and assumes that taste forms outside social norms and mores.

The most substantial changes, however, arise from the appropriation of Christaller's work by mainstream urban economists (Stilwell, 1992; Harvey, 2008b). The emphasis centres on individual, abstract models for their own sake (McCann and Sheppard, 2003). This synthesis started in the mid-20th century during which microeconomics ideas were incorporated into the classical location theories (McCann and Sheppard, 2003). So, location theory has become locked to methodological individualism, mathematical deductivism, and positivism. This orientation makes the current neoclassical economic theories of location very different from the original location analysis:

The neoclassical location models therefore differ fundamentally fro [sic] the classical location theory models in the way that they specify technical relationships. As before, the neoclassical location theory approach is to distinguish between the costs incurred by the firm which are explicitly distance-related from those costs which are location-specific. Once the technical substitution relationships are defined along with the input-output relationships by the production function specification, then the location problem can be solved accordingly. (McCann and Sheppard, 2003, p. 653)

Mainstream urban economists see and use Christaller's framework to inscribe rigid and hierarchical ranks. Such formulations have led formalist analysis of Central Places. Indeed, the Zipf's law or Zipf's rank-size rule is one important example of this formalism. According to the rule: 'the size distribution generally corresponds to a rank-size distribution – the city which is ranked *n*th in order of size has a population one *n*th of that of the largest city' (Evans, 1985, p. 75). This means that, in the hierarchy of 10 cities, the fifth in the rank will have a population which is one-fifth that of the biggest city. It also follows that the population of the largest city is two times bigger than that of the second largest city, and thrice as big as the third largest city (Rauch, 2014). In addition to urban-specific location ideas, agglomeration analysis has been deployed to help explain the growth of cities. Based on this way of understanding cities, cities in Africa tend to be regarded as 'chaotic' and 'disorderly', as they do not appear to be following clear (also read 'Western') patterns.

Institutionalist, Marxist, and Georgist assessments of urban growth and urban systems

Political economists jettison the mainstream *approach* to migration because it is superstructural, with a tendency to ignore the role played by economic structure and institutions in constraining, enabling, or patterning migration across the world (Abreu, 2012). From the structural-institutional-Georgist perspective, those specialising in African urbanisation and the urbanisation of Indigenous settlements refute the mainstream economics interpretation of urbanisation. Rayfield (1974), for instance, has shown that many Indigenous communities in Africa generated agricultural surplus, but they did not develop cities. Instead, they preferred to rest and take it easy up until they were about to run out of supplies before setting out to work again. Thus, the story in O'Sullivan's work that there is an imperative to trade as a result of the generation of surplus is not entirely convincing. More recently, Aplin (2013) has argued that the Indigenous people of Australia were similarly oriented – against accumulation – and hence did not develop cities. Urbanisation in both the African and Australian examples, then, was as much a process of imperial development – a colonial project of mass production and consumption – as a natural and economic process of urbanisation.

It follows that the formation of cities is more complex than claimed

in conventional and mainstream urban economics research. There are obviously ‘other factors’ apart from the economic that can play a role in the formation of cities. Those other factors usually interact with the economic ones in the formation of cities. The ‘other factors’ can predominate in the formation of cities even if ‘economic factors’ become stronger much later in the course of urban development, as in the case of colonial Africa and the settler colonial era of Australia. In the formation of cities, the economic processes can be both collaborative and exploitative. And, the political economic factors in the formation of cities can influence the growth of cities, especially through migration.

Many political economists have questioned the assumption that migration is always from rural to urban as too simple. The trend can be the opposite and there can be ‘counter urbanisation’, ‘urban–urban’, or even ‘cyclical’ migration (see various papers in ‘Temporary Migration in Africa: Views from the Global South’, *African Review of Economics and Finance*, 2013, vol. 5, no. 1 and various papers on ‘Urbanity, urbanism, and urbanisation in Africa’, *African Review of Economics and Finance*, 2011, vol. 3, no. 1). Migration into cities can be influenced by populations outside the national boundaries too. In Sydney, for example, international migration contributes more to its urbanisation than any rural–urban migration (Department of Infrastructure and Transport, 2013). There is reason, then, to suggest that in many global cities around the world such a trend is common, as Saunders (2012) argues in his book *Arrival Cities*. Jane Jacobs (1969) argued that urbanisation starts from cities themselves without the help of rural areas, but she did not recognise rural–urban interdependence.

Much political economy writing shows that income is not the sole or always the main determinant of migration. Others contend that mainstream theory fails to take into account broader drivers such as political factors, or natural disaster. Also, the assumption that it is the low-income alone who migrate ought to be problematised. Migrants are typically richer than those who stay behind, as a recent special issue on ‘Temporary Migration in Africa: Views from the Global South’, published in *African Review of Economics and Finance*, shows. Further, the assumption that migration is undertaken by individuals only is too simple. Often migration is class/group/network-based. One person may go first, but the decision was not based solely on individual economic decisions.

A few empirical examples will clarify the point. The sub-urbanisation of Lidcombe and Strathfield and how Korean migrants move as families in certain economic classes to settle in Sydney, Australia are examples of this class/group-based migration, as is the existence of distinctive nationalities in certain suburbs in Sydney (Han and Han, 2010). In Ghana, even where migration is individual-based, the decision is often a product of (a) family strategic calculations, (b) birth-order rank, (c) land conditions, (d) distance away from town, (e) education conditions among the rural poor, (f) size of the rural settlement and the education of the rural workforce, and (g) presence of relatives in urban centres (Caldwell, 1968; Arthur, 1991) – not just based on rational individual calculations. An entire family can pool its resources together to ‘finance’ one member of the family. The eldest child in a family is often under pressure to contribute towards the family resources. Georgists also emphasise that the growing displacement arising from the privatisation of land drives or at least escalates the migration process. Proximity to towns, better education facilities, smaller towns, more education, and having relatives in urban centres are all important determinants of the form of migration.

The mainstream urban economic analysis of the patterns of urban development also warrants careful attention. According to Taylor et al. (2010, p. 2803), the setbacks of this mainstream view have been amplified so much that ‘nobody, it seems, has a good word to say about the theory’. For some critics, this version pays insufficient attention to non-market drivers of urban structure such as state policies, while others argue that it gives too much weight to ‘proximity’ in its explanation (Parr, 2014). In turn, the *explanation* offered by the neoclassical synthesis of the Central Place structure is inapplicable to many settlements around the world (Pacione, 2009, pp. 127–130). This neoclassical interpretation of location theories, then, ought to be replaced.

Unlike the neoclassical version, a political economic analysis of urban systems in the tradition of Marxist thought pays close attention to historical, social, cultural, and economic specificities (Essletzbichler, 2011). In this regard, even the quantitative, model-driven classical location theorists gave explanatory weight to history. This is summarised by Von Thünen, who championed the use of quantitative and abstract location theorists when he wrote:

I hope that the reader who is willing to spend some time and attention on my work will not take exception to the imaginary assumptions I make at the beginning because they do not correspond to conditions in reality, and that he will not reject these assumptions as arbitrary and pointless. They are a necessary part of my argument, allowing me to establish the operation of a certain factor, a factor whose operation we see but dimly in reality, where it is in incessant conflict with others of its kind. This method of analysis has illuminated – and solved – so many problems in my life, and appears to me to be capable of such widespread application, that I regard it as the most important matter contained in all my work. (Thünen, 1966, p. 4)

This method of abstraction and idealisation, then, is used only up to a point whereupon *real* conditions are confronted. Chapter 27 of Thünen's book, appropriately titled 'A look back at the course of our inquiry', is an example of where Thünen reflects on the ideal isolated state and begins to relax the unrealistic assumptions and also introduce real-world conditions, peculiarities, and complexities which are slowly introduced in the analysis for the rest of Thünen's book.

Contemporary application of this historical-institutionalist political economy approach shows more complex urban patterns, drivers of such patterns, and their socio-economic ramifications. In the United States, Sawyers (1972) and, more recently, Newman (2015) have shown that it is the mode of production more generally, rather than mere prices and distance, that is principally in charge of the structure of cities. Sawyers demonstrated how transportation organised under capitalism, the individuation of households, and the craving for continuing profit all lead to certain patterns, giving capitalist cities a distinctive form. With transportation developed throughout cities and particularly connecting the city centre to the suburb in ways that can sustain continuing profit for capitalists, the internal structure of cities is likely to take a certain pattern. Shading into this complexity is the location of jobs in areas where members of the households should drive to work because of poor public transport but also because of the imperative to drive. Finally, the desire to accumulate or continuously expand the economy usually leads to certain expulsion and evictions (e.g. through gentrification) which, in turn, patterns urban development in ways that favour the wealthy and capitalist interests.

N.D.B. Connolly's recent book, *A World More Concrete: Real Estate and the Remaking of Jim Crow*, shows how this process of urban development patterned by the mode of production intersects with white supremacist logic in keeping African Americans in the least desirable spaces in American urban society. He (2014, pp. 1–16) shows that zoning laws, the use of state power of eminent domain, and so-called campaigns to improve housing for African Americans in ghettos ended up dispossessing and displacing African Americans of their land but also locked them into the rental market as renters or subprime mortgagors and associated them with undesirable features (e.g., crime, grime, drugs, and dereliction) that drive down property values, while white Americans have made millions off them in rent and mortgage payments. While there have been black property owners – and they have collaborated with white property owners, for example by loaning each other money to pursue their propertied empires – the institutions in that country have made it increasingly difficult for them to expand their property holdings, for example by making it much harder to obtain the type of loans that white property owners can access to surge ahead.

Similar processes are at play in Australia where the cities have been structured to support the economic activities and leisure of the wealthy white populations, while simultaneously consigning the Indigenous peoples to street corners and non-desirable areas (Aplin, 2013). The population is concentrated in only a few urban centres and capital cities (notably Sydney and Melbourne) in the system of cities. While in modern times this structure is driven by an economic machine of greater accumulation for profit and is a life-support for capitalist urban development, it is neither efficient nor equitable (Stilwell, 1993; Department of Infrastructure and Transport, 2011; 2012; Pawson and Herath, 2015). As recent evidence shows (Collins, 2008; 2013; Department of Infrastructure and Transport, 2011; 2012), migrants in the cities – mainly international rather than from the countryside in Australia – especially those from Asia and Africa – tend to occupy distinct suburbs, often of a lower status (in terms of the provision of urban services, the quality of the physical environment, and the quality of life) in the urban structure. In turn, international migration, gentrification processes, racist real estate, urban planning regimes, and the role of Australian migration policy have combined to define and continuously transform the urban form

in Australia. Some of these policies include programmes to spread population across urban systems. The use of migration policies, especially certain visa programmes, continues to be popular in many Australian, Canadian, and New Zealand cities and regions (see, for example, Wulff et al., 2008).

Research in Ghana (Obeng-Odoom, 2010a; 2013a; 2014a) shows similarly complex patterns. Economic drivers pattern urban development in the sense that certain uses are concentrated in certain areas because they cannot afford to be allocated anywhere else. The clustering of activities often carried out by the poor in poorly served areas and the enclavity of activities by the rich (such as gated housing) in certain relatively well-served areas are examples. It is not just the 'central places' that are undergoing transformation, though.

The peri-urban areas are too, and they are doing so not in a chaotic manner (as the mainstream economists argue) but they follow clear patterns based on socio-economic imperatives. According to Doan and Oduro (2012), four interrelated economic patterns are developing in the peri-urban areas of the country. These are spreading pancake pattern, development node pattern, village magnet pattern, and ribbon pattern. Spreading pancake happens when the locality nearest the central place experiences the fastest population expansion and becomes the densest peri-urban concentric zone. Other localities farther away are not similarly influenced. The development node pattern of urban growth happens when an industrial cluster shapes the pattern of urban development in the locality closest to it, while the village magnet process entails the patterning of urban development in a locality based on the influence of a rapidly urbanising rural settlement. Finally, the ribbon pattern of development is driven by proximity to highways so the localities nearest highways are likely to grow faster and become denser than those farther away (see Doan and Oduro, 2012, for detailed discussion). In short, there is logic to urban development, even in the non-Western cities long assumed to have an urban challenge of haphazard urban development.

Others (Yeboah et al., 2013a; 2013b) show the transformation in the urban system of Ghana. This change is in terms of the increasing number of urban areas (even though many of these settlements are quite small in size), the emergence of a city-region (Accra-Tema city region), and a rate of growth which is much higher than the national population growth rate. Most of the urban growth, however, is based

in Southern Ghana, while Northern Ghana is sparsely urbanised in relative terms at least. This pattern and its drivers represent much more complex drivers than conventional and neoclassical models presume. A colonial structure that deliberately confined the colonial economy to the South, internationally imposed neoliberal practice and policies, and continuing neocolonial spatial development under the forces of contemporary globalisation have been identified as central to the change in Ghana.

Yet, these reasons differ for specific urban areas. For some, it is the boom in their economic functions (e.g., mining) that has kept them growing; for others it is trade between them and Ghana's neighbours that is the key driver; and for the rest it is political factors such as being made district capitals and hence becoming the centre of government activities propelled that growth. Sekondi-Takoradi indicates one urban centre whose growth over the years can be explained by different factors that were prevalent at different times (Obeng-Odoom, 2014a). At one point in its history, it was mainly port activities that propelled its growth but now it is mainly because of becoming an 'oil-city'. Contrariwise, as Yeboah et al. (2013a; 2013b) show, Dunkwa-on-Offin has experienced a decline in urban growth because of economic stagnation (depletion of gold resources) intermixed with poor environmental conditions (also related to years of mining), leading to out-migration to other urban centres.

In Africa, more generally, the creation of rent in urban land has contributed to much migration. Following a Georgist line of analysis (Obeng-Odoom, 2015a), there is much evidence of how rising rent due to the commodification of urban, peri-urban, or rural land shifts populations around and pattern urban development in ways that see a concentration of wealth existing side-by-side with poverty. I return to these issues in the rest of the book, where I show in more detail how Georgist land economics together with institutionalist and Marxist analyses advance our insights into how modern cities work and in what ways they can be helped or hindered by conventional and alternative policies to resolve the 'urban challenge', however it is defined.

Conclusion

This chapter has highlighted the complexity of the urban challenge, demonstrating that conventional and neoclassical views on formation and transformation offer incomplete, indeed inadequate

description and explanation. Drawing on the broader principles of institutionalism, Marxist urban political economy, and (Georgist) land economics more generally, it has examined how cities form, how they function and transform, how land uses in cities are organised, how cities relate to one another within an urban system or region, and rural settlements; as well as why these patterns develop and evolve, and what factors drive such patterns. Doing so indicates that the urban challenge is not simply about growth, patterns, the size, or the mere management of cities. Rather, it is about all these: how they evolve and interact with one another and with institutions and structures.

However, leaving the analysis at this level hides more than it reveals. At least three additional observations can be made. First, the economic drivers of urban patterns were historically and socially created through colonial encounters. Second, the historical institutional development of these patterns set in motion a certain imperative which has continued to shape modern urban development. Third, both the historical and contemporary processes have not been as harmonious as conventional research suggests. Rather, they have generated what David Harvey (2003) usually calls ‘accumulation by dispossession’ in the sense that the processes of urban economic development have had wide-displacing and expropriative effects. So, the issue is not so much a debate about whether economic factors pattern cities. Rather, it is about how economic factors are socially and institutionally constructed to pattern urban development in diverse and evolving ways which the conventional explanations ignore.

This analysis shows that, while much of conventional location theory, especially its neoclassical version, can help us to understand the formation, functions, transformations, and patterns of urban development and hence aspects of the urban challenge, it is fundamentally limited in providing guidance for public policy. Both the widely embraced public policy of limiting urban growth and the advocacy of greater urban growth for prosperity are but a scratch on the surface of the urban challenge. By analysing why cities form, how they grow, what functions they perform, and how they are structured internally and across the entire urban system, it becomes obvious that these components, their interconnections, and their outcomes are so complex that they require separate study for much deeper analysis. For its importance in the wider urban challenge, the urban economy and how it works in modern cities requires immediate attention.

3 | THE URBAN ECONOMY

Introduction

If the urban economy is to be managed to serve human needs, the environment, and society, we need to understand it, paying attention to what it is and how it works over time (Storper et al., 2015; Zhang, 2015). There is no one way of doing any of these, however. For mainstream urban economists, the urban economy is only the interrelated parts of urban society where goods and services are produced and exchanged, or where incomes are earned, saved, or invested. The primary focus is on the distinctive advantages commonly called agglomeration economies (World Bank, 2009). From this perspective, the urban ‘economy’ is the free interplay of markets where individuals, firms, and households exercise their ‘freedom of choice’. Indeed, the entire study of cities in urban economics is foregrounded on how individuals, firms, and households make choices to maximise their utility/profit *and* how public policies can better enhance the art of making choices. The analysis, then, is held up to ‘choices’ (O’Sullivan, 2012, p. 1) and the drama of transactions cordoned off from other influences that are often seen negatively as ‘externalities’ (O’Sullivan, 2012, p. 9).

Focusing on these choices is important, but doing so to the exclusion of the paramount factors and processes that structure, mould, or alter these choices and markets makes the mainstream approach to the study of urban economies incomplete, particularly when the underlying structures of choice are complex and dynamic as they are in cities (Koechlin, 2014). Pre-existing institutions on which markets depend such as property rights, social relations such as class dynamics in markets, gender, and race are all ignored or treated superficially. So, important as agglomeration economies and choices are in the urban economy, they do not provide a strong enough basis for the study of the urban economy, which, for the mainstream, operates on restrictive assumptions (e.g., considering all firms as profit-maximising without accounting for non-profit and not-for-profit firms).

An emphasis on how different parts of the economy relate to one another as some economic sociologists, geographers, and planners do in their basic, non-basic ‘approach’ to the study of urban economies offers additional insights. Marxist urban economists provide further understanding by paying attention to work, production, and accumulation processes. However, these additional emphases have to be linked to the power of institutions, interests, and collective and multiple actions, race, and gender that change over time to develop a more holistic understanding of the urban economy in which firms have diverse characteristics and the economy is embedded in wider social relations.

The next section of this chapter examines the basic, non-basic approach to studying the urban economy that is common in economic geography, planning, and sociology. The following section looks at the mainstream urban economics approach to the study of cities, while the final section provides the framework for the urban economy used in this book. This review of broad, competing currents of urban analyses provides a foundation for the consideration of more specific features of cities in the remaining chapters.

Economic base/basic, non-basic

One of the earliest analyses of the urban economy was done with the economic base approach, often called the basic, non-basic model. While the idea had an earlier usage in 1659 (Krumme, 1968, p. 115), this model was first developed in 1916 by the German economic sociologist and socialist Werner Sombart, who suggested that a city economy is made up of ‘active city formers’ (basic) and ‘passive city founders’ (non-basic) that depend on the city formers (Krikelas, 1992, p. 16). Other expressions of this active–passive relationship have been primary–secondary occupations used by M. Arrousseau in 1921 and primary–ancillary operations, being the preferred expression used by Frederick Law Olmsted also in 1921 (Krikelas, 1992, p. 16). Among the key analysts whose research on the model made it well known were Frederick Nussbaum and Richard Andrews (Schaffer, 2010).

The model is based on the assumption that the urban economy is a dual one. The more important part deals with exports, while the less important aspect deals with production or services for local demand. The basic, also read ‘important’, aspect of the urban economy is so regarded because it *brings in* more money, while the non-basic economy *circulates* locally generated money (Alexander,

1954; Adams, 2008). According to this model, the size and strength of the non-basic aspect of the economy are dependent on the size and strength of the basic aspect. The basic industries are the 'engines' of urban economic growth, the rest of the economy being the body of the economic vehicle (Krikelas, 1992). The basic industries can be divided into five types, namely (1) manufacturing, (2) extractives, (3) wholesale and retail export trade, (4) finance and banking, and (5) activities such as political, educational, institutional, resort, or amusement activities that bring in income from other cities. External streams of income accruing to people as pensions, rental payments, royalties, and interest payments from other cities may also be admitted as basic incomes/activities (Weimer and Hoyt, 1960, pp. 23–24). An alternative and perhaps much broader classification is offered by Andrews (1960, p. 54) who sees the basic sector as a three-part export activity: (a) export of goods, (b) export of services, and (c) export of capital.

Analysts who use the economic base approach will usually be interested in at least some of the information in Table 3.1.

The data for the formulae in Table 3.1 can be obtained in at least three ways. The first and the most straightforward way is to carry out a survey to obtain all the needed data and answers to the model's questions. Businesses can be surveyed to find out which ones are basic, and those that are not (Schaffer, 2010). This dataset paves the way for the compilation of a large register of data that can be organised to enable analysis. A second approach is called the 'ad hoc assumption approach' (Schaffer, 2010). In this method, the analyst does not conduct a survey but assumes, acting on the basis of theory and proceeding to categorise existing data into certain industries that are basic and others that are non-basic.

The final approach is to calculate the location quotient (LQ). The LQ shows the size of the industries in the urban economy when compared with the national economy (i.e., urban share/national share of employment). If $LQ = 0$, the industry does not produce enough to serve the full requirements of the urban economy; if $LQ = 1$, the industry only serves the urban economy;¹ and if $LQ > 1$, the industry produces more than enough to serve the urban economy, suggesting

1 This could also mean that the industry exports some of its production from the urban economy but this is exactly matched by imports.

TABLE 3.1 Some essential ingredients of a basic/non-basic analysis

Industry	Urban Employment (U)	National Employment (N)	Location Quotient (LQ)	Basic (B)	Non-Basic (NB)	Economic Base Ratio (EBR)	Multiplier	Excess Employment
Formula			U/N			(NB)/(B)	$1 + (\text{EBR})$	$1 - (1/\text{LQ}) * \text{U}$
A								
B								

Sources: Adapted from Davidson and Schaffer, 1973; Krikelas, 1992; Obeng-Odoom, 2012a

that some of the produce can be exported. Apart from industries whose LQs are greater than 1, all other industries may be regarded as 'non-basic'. Thus, 'basic' industries are those that produce 'extra' output for export. Another way to interpret basic industries is to see them as those industries that employ extra workers to produce for export (see Isserman, 1977; O'Sullivan, 2003, pp. 133–135). The extent of the excess, according to a formula derived by Krikelas (1992), can be computed as stated in Table 3.1. Mechanically, the 'excess employment' can also be obtained by simply counting the total number of people engaged, say in a barber shop that shaves the hair of both tourists and locals and then subtracting from this total the actual number of people required to shave the hair of locals. All the rest is 'excess employment', existing only to shave the hair of the tourists who come into the local economy (Pfouts and Curtis, 1960, p. 308).

From Table 3.1, total employment can be calculated by summing up employment in the basic and non-basic sectors of the economy. The analyses from this perspective can also lead to ideas about the economic base ratio or percentages (%) of non-basic (NB) to basic (B) industries (NB/B) which can, in turn, be compared across a number of cities or regions (Alexander, 1954; Adams, 2008). Similarly, the ratios can be compared and contrasted across the size, type, time, and location of cities. More recent work (Jain, 2009) suggests that this approach can even be applied to evaluate or systematise analyses of urban, suburban, and regional economic development.

Total economic activity, however, will have to take into account the multiplier which can give a sense of changes in total economic activity as a result of a change in demand for the basic activities/exports (Krikelas, 1992). The *economic-base multiplier* can also be calculated by first computing the changes in total employment and basic employment and then working out the ratio of change (Davidson and Schaffer, 1973, p. 52). It can be calculated as:

$$M = \Delta TE / \Delta BE$$

where:

M = multiplier

ΔTE = Change in total employment

ΔBE = Change in basic employment

This multiplier can be used for a number of analyses. It can tell us the implications of introducing a new factory, expanding an old one, or closing an existing factory (Mulligan, 2008). The multiplier *multiplied* by a new injection into the economy can give a sense of how many times more an injection or a leakage can have knock-on effects.

The basic–non-basic perspective is a straightforward framework, but it generates some interesting analytical uses: as a tool for economic survey, a theory for urban population growth, a theory for urban economic growth, and a device for assessing possible movements in the real estate market in a city. In all cases, a booming basic sector/activity is assumed to be the driver of greater economic growth, population growth, and better prospects for the real estate market, while non-basic dominance predicts stagnation and eventual decline. Analysts can ask questions such as: what is the relationship between a city and its region? This question implies that cities are not isolated spaces. Instead, cities are connected and spatially differentiated social constructs.

The perspective is an advance on previous non-space relationship analyses, and leads to important spatially sensitive analytical questions such as: what goods and services does the city produce and supply to its region? How dependent is the region on the city for its economic survival? Which are the goods and services that bring in the most money? The pioneering work of Arthur Weimer and Homer Hoyt (1960) showed that it is possible to use the economic base approach to analyse urban real estate markets. In this *application*, Weimer and Hoyt (1960, p. 36) assumed that a booming basic industry would predict a growing urban population and hence a better market for real estate development and possible increases in real estate values, although the analyst would also need to pay attention to ‘the general level of income, the kinds of economic activities represented, and the types of people living’ in the city to reach such conclusions about real estate markets.

Perhaps the most crucial use of the approach is in analysing the role city builders play in fostering consumerism and the development of consumer capitalism – the key focus of Werner Sombart (Krumme, 1968; Sombart, 2001). Sombart examined the historical development of capitalism by studying the economic processes leading to the emergence of cities. As K.H. Schmidt (2012)

points out, Sombart identified three types of cities that reflected the nature of capitalism over time. The first type of cities was centred on commerce and traffic; the second focused on manufacturing and hence was powered by the development of technology; and the third, 'large cities', thrived mainly on consumption or post-industry economic processes. These shifts in cities paralleled the shifting nature of capitalism as a system.

The basic, non-basic view has many more uses for economic policy too. Policy makers can ask many questions, including the following: do the source and nature of the income that is extracted from the region matter? To what uses is the income brought in put? What, then, can be done to further promote those booming commodities and boost demand for lagging commodities? With which countries in the region should trade be initiated? What responses should be adopted in the face of globalisation? (Alexander, 1954; Adams, 2008.) Issues of this nature can sometimes be determined by law, as we see in local content laws in many oil economies around the world (Ngoasong, 2014), but the basic, non-basic framework provides a systematic socio-economic basis for addressing such public policy issues.

In spite of these strengths, the basic, non-basic approach has been subjected to much criticism, including its inability to say much about labour migration patterns, interregional capital flows, and different tax policies (Krikelas, 1992). Prioritising exports and insisting that non-basic activities are somehow derivative make the approach incomplete, particularly because non-basic activities provide a major support base for basic activities. An urban economy without any non-basic activities would arguably die, if the analysis of why people move to cities is taken into account (Obeng-Odoom, 2014a). Katherine Nesse (2014) has recently demonstrated that the approach hides key income flows that are nonwage, such as retirement benefits which, when included in the analysis in certain US cities inhabited mostly by retirees, make the picture entirely different to the conventional emphasis on wage employment. Following Nesse's analysis, it can also be argued that the approach is silent on informal economic activities, questions about asset ownership, inequality between and within cities, and inequality among cities and between cities and suburbs.

A neoclassical urban economic anatomy and spatial microeconomics

The neoclassical urban economics approach to analysing the urban economy emphasises the general equilibrium model. How it is applied, however, can take many forms. Two are particularly common. The first and less frequently used approach is a static general equilibrium model which attempts to transform economic geography into geographical economics by amending tools in economic geography. John Merrifield (1987) described this approach as ‘a neoclassical anatomy’ of the economic base model.

This perspective is held out to be an improvement over Keynesian models of economic analysis that overemphasise the demand-side of economic processes (it is greater demand that drives economic activity) and trade models that concentrate only on the supply of resources. This neoclassical anatomy of the urban economy, on the other hand, examines the *interactions* between supply and demand mediated by the price mechanism (Merrifield, 1987; McGregor et al., 2000). The model notes that there can be input constraints including labour and capital shortages, not just output limitations. In making choices, individuals, firms, and households respond to prices which are endogenous and not externally imposed. In this sense, if labour moves from one area to another, it is because of wage differentials and firms are assumed to be competitive and profit-maximising. As there are supply-side constraints, including factors such as land which are not substitutable and others that may be substitutable but not perfectly so, this approach considers that urban firms will have to move around to cut cost and enhance profit. ‘Market analysis’, then, becomes the key focus of this approach to the study of the urban economy.

The second, more commonly used approach in urban economics is what is widely known as ‘spatial equilibrium’ analysis. In *Cities, Agglomeration, and Spatial Equilibrium*, Edward Glaeser (2008) notes that ‘the key theoretical element in urban economics is the idea of a spatial equilibrium’ (p. 18) which can be applied within or across cities. According to Glaeser (2008), ‘[t]he spatial equilibrium approach to urban and regional economies hinges upon three distinct equilibrium conditions for residents, employers and builders’ (p. 47). These conditions or assumptions are that individuals choose where to live, employers choose where to locate their firms, and builders

choose where to build – all to maximise their utility and/or profit. These choices and prices are all endogenously determined.

As a general equilibrium framework, it holds that the economy tends towards equilibrium. Or, the injections and leakages in the Keynesian model are assumed to cancel each other out (Argyrous, 2011, pp. 161–171; Stilwell, 2012, pp. 273–283). So, if the supply of labour is higher than its demand, the wage rate, which is the price at which labour is hired, will drop, making it possible for firms to employ the unemployed. The market clears and the economy is back in shape. This is called Say's Law or the idea that supply creates its own demand. Indeed, by the quantity theory of money, if the government tried to help the unemployed by giving out money, the market adjustment process would be distorted (Argyrous, 2011, pp. 161–171; Stilwell, 2012, pp. 273–283). Even worse, there will be inflation: too much money will be chasing few goods (Argyrous, 2011, pp. 161–171). So, the 'invisible hand' of the market simply has to be allowed to work, to clear by itself.²

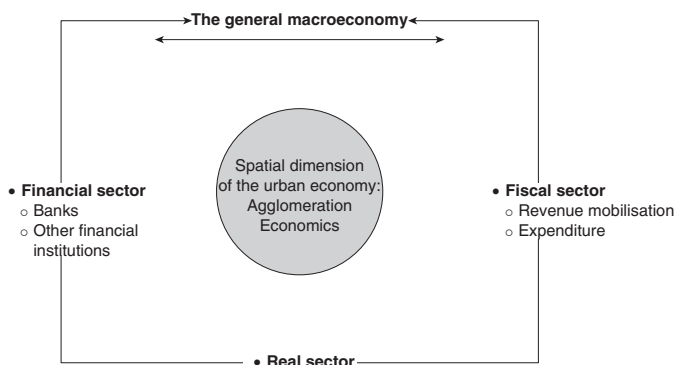
Applied in an urban context, a 'spatial equilibrium' means housing, income, and population interact to create a balance in the urban economy. It implies that workers and firms locate in areas that maximise their utility in terms of profits (firms) and utility (households) (Glaeser and Gottlieb, 2009). A good location implies high cost of housing/office space, but better access to markets, ideas, and complementary resources. Poor access, though cheap, comes with the cost in terms of mobility, for example. In turn, the tendency is towards equilibrium. Indeed, across cities, the free migratory flows of individuals, and the movement of firms away from high cost areas, lead to a spatial equilibrium both within and across cities, except

2 This approach is unlike the Keynesian model. Keynes argued that there are leakages and injections in the circular flow of income. For each of the economic agents in the model, Keynes used leakages and injections to analyse the flow of income. Savings by households, expenditure on imports, and taxes to governments all detract from the total flow of income in the economy. Being leakages, the bigger they are, the more the economy will tend to also contract (Stilwell, 2012, pp. 273–283). However, whether the economy actually contracts also depends on the injections into the economy. Like leakages, Keynes identified three injections: investments by firms, revenues from exports, and expenditure by government that goes to enhance human capital and hence output. For Keynes, there is no necessary reason towards balance or equilibrium: the injections and leakages do not necessarily cancel each other out (Argyrous, 2011, pp. 161–171; Stilwell, 2012, pp. 273–283).

that in the case of the latter, wages vary across cities (Glaeser and Gottlieb, 2009).

It is also argued by economists that the conditions in the national macroeconomy, such as the interest rate pertaining in the overall economy, existing infrastructure, and the real sector affect the urban economy too. Urban economic conditions depend on how much national economic growth is captured by cities (World Bank, 1991). The reverse is also true, of course: urban economies drive the national macroeconomy. In particular, a strong spatial economy can generate numerous advantages arising out of clustering or agglomeration economies (World Bank, 2009). Figure 3.1 depicts these and other interactions.

There are two sets of questions that take up the time of much urban economic analysis from the neoclassical stock. There are those who see the national economy as offering the drive for the urban economy, and others who posit that the reverse is the case. For those leaning towards the first, the argument is typically that cities absorb or capture national growth rather than propel it. In other words, urbanisation *responds to* national economic growth. One famous study by Moomaw and Shatter (1996) looked at how different advantages in cities differ between different-sized settlements across different regions of the world; specifically, varying urban percentage, primacy, and metropolitan concentration and their relationships with economic growth were studied. It found that, generally, urbanisation leads to economic development because of economies of concentration, namely gains in transport and communication, and more productivity and production



3.1 The relationship between the urban and the macro/national economy
(source: Based on World Bank, 1991)

due to the shift away from agrarian structures to industry and service-based economies. Further, Moomaw and Shatter (1996) argued that industrialisation drives urbanisation, metropolitan concentration increases with GDP per capita increase, and urbanisation rises with greater openness of the national economy. In their own words (Moomaw and Shatter, 1996, p. 13):

We find that a nation's urban population percentage increases with GDP per capita; industrialization; export orientation; and possibly, foreign assistance. It decreases with the importance of agriculture. Industrialization and agricultural importance have the same implications for the concentration of urban population in cities with 100,000+ population as for the urban percentage. Greater export orientation reduces such concentration. Finally, GDP per capita, population, and export orientation reduce primacy. Political factors, such as whether a country's largest city is also its capital, affect primacy. Our results do not seem to imply that developing-country urbanization today differs fundamentally from urbanization in the past.

Mario Polèse (2005) accepts that cities can drive the national economy, but shows that the statistical relationship of causality is weak. Historically too, Polèse (2005) argued, there were major cities that were not drivers of growth but they grew in size. Much has been written of the statistical relationship between urbanisation and economic development from different disciplines (Njoh, 2003; Black et al., 2003; Turok and McGranahan, 2013). For Polèse, 'proof' of the connection between urban economic growth and development only shows a *relationship*, not causation, and certainly not that urban growth causes national economic growth. The reason for the dearth of scholarship on this issue, Polèse argues, is that it is almost impossible to isolate those social processes that will help a city to contribute and those that will make a city capture national-level growth. Besides, for Polèse, cities are not really distinct places: they are merely an aspect of national society. Polèse suggests, then, that national economic growth will tend to 'trickle down' to cities, although he is also an advocate of developing cities in their own right too.

To take an example, when two prominent urban economists, Duncan Black and Vernon Henderson, set out to provide an economic analysis of the urban, they framed their study as follows:

In an economy experiencing endogenous economic growth and exogenous population growth, we explore two main themes: how urbanization affects efficiency of the growth process and how growth affects patterns of urbanization. Localized information spillovers promote agglomeration and human capital accumulation fosters endogenous growth. Individual city sizes grow with local human capital accumulation and knowledge spillovers; and city numbers generally increase, which we demonstrate is consistent with empirical evidence. (Black and Henderson, 1999, p. 252)

The World Bank (2000) shared this view when it argued that, on the one hand, dynamic cities are engines of growth but on the other, ‘growth ... is the driving force behind urbanization’ (World Bank, 2000, p. 125). To make cities perform this dual function, as drawers and givers of growth, the Bank warns that the state should not be involved in directing the location of business; it should not support state-owned industries, or be involved in employment generation (World Bank, 2000; 2009). Doing so, according to the Bank, creates distortion in the incentive structure. Besides, government efforts tend to be poorly designed and implemented (World Bank, 2000; 2009). In short, the World Bank is out to promote greater urban marketisation and neoliberalism.

Herein exist the contradictions in claiming to use the ideas of Keynes to show how the urban economy works but, on the other hand, failing to appreciate the radical currents in Keynesian economics which posits the economy as embedded in social relations (Henry, 2001). It was such selectivity that led the late Cambridge economist, Joan Robinson, incidentally Keynes’ student, to call the orthodox economics approach to economic analysis ‘bastard Keynesianism’ – that is, the illegitimate product of marrying Keynes’ ideas and neoclassical economics (Argyrous, 2011, pp. 161–171; Stilwell, 2012, pp. 273–283). Further, in this form, the neoclassical synthesis says little or nothing about the nature of jobs, the dispossession in the process of urban economic change, and pressures of accumulation, especially for minorities such as migrants, women, and ethnic minorities (Wilson, 1991; Koechlin, 2014), much less about examining the institutions that undergird the markets for which it focuses its attention (Obeng-Odoom, 2013a).

The analytical and policy implications of the neoclassical ‘bastard Keynesian’ models are dire. Robert Schlack (1990) identifies four of them as a growth fetish to the exclusion of all other criteria for considering ‘the good city’, a quantifiophilic fascination which means that any ‘outcome’ that cannot be quantified is useless, an inability to break loose from macromania and hence the tendency to expect a ‘trickle down’ in lieu of detailed analysis of the micro processes of urban development. Other problems Schlack discusses are the fear of focusing on conflicts and conflictual processes in urban and regional development and hence the inability to carefully analyse distributional matters central to urban economies; and, crucially, the fascination with exports as the key driver of urban economic growth and hence the tendency to ‘open up’ the urban economy to trade even when the economy might not be mature enough to do so. This emphasis on exports is, however, more prominent among regional scientists, planners, and some economic geographers who use the economic base approach to study the urban economy. A major area of neglect in both neoclassical and economic base approaches is the nature of work under capitalist urbanism.

A Marxist urban economics approach

Most of the weaknesses identified in the mainstream and economic base approaches can be addressed in Marxist urban economics in which the urban economy is the primary space for the accumulation of capital – but such processes depend on dispossession in the countryside (Harvey, 1978; 2008b). This framework draws on Marx’s Circuit of Capital, expressed as:

M-C...(P)...C’-M’

where:

M = Money capital

C = Capital

- Lp = Labour power
- Mp = Means of production

(P) = Production

C’ = Capital as produced commodities

M’ = Realised money capital

M’>M = Surplus value

- - - = Movement of capital

Leading Australian urban political economist Frank Stilwell (2012, pp. 133–140) has offered a helpful explanation of how the Marxian framework works, an appreciation of which is fundamental to understanding how it applies to the study of the urban economy. Production begins with money invested in acquiring capital (C), labour power (LP), and the means of production (MP). In this process (P), every effort is made to keep the cost of production low, for example by employing migrants, especially those who are undocumented and will hire themselves out at a lower wage and pose little problem in terms of being disciplined. The process of generating the surplus product (C...C') must be similarly low cost, but efficient and result in a high-grade product. To do so entails forcing labour to work longer hours, work more intensively, or introducing new machines to enhance productivity. This process must be supported by the fast movement of capital (- - -), for example through the construction of more roads, to aid the generation of surplus produce (C'). Through marketing, this surplus produce is then realised as money capital (M'). The resulting surplus value ($M' > M$) includes not just profit, but also rent and interest. The rent and interest payments must respectively be made to landlords and banks. Of the remaining part of the surplus value, some may be paid as dividends to shareholders and the rest reinvested. According to Harvey (1978), the capitalist class tries to reinvest in the primary sector of the economy but after that sector develops an investment glut, the capitalist class runs into the capital surplus-absorption problem of struggling to find an avenue to invest the surplus value.

A second sector of the urban economy has to be promptly created, among others, by bringing in the non-economic as economic or violently opening up pre-capitalist or periphery capitalist areas to become capitalist. The built environment is a major site for reinvestment either in real terms – actual construction – or in financialised terms, as in the secondary mortgage sector. Either simultaneously, or thereafter, capitalists invest in a scientific and technical sector which produces ideas but also supports the process of capital accumulation, typically with the endorsement of the state. The three sectors are closely connected and work together with movements across and among sectors, with the state trying to mediate the interactions in favour of capitalists.

The three sectors run into the collective capital-surplus absorption

problem *over time* (Harvey, 1978). That is, it eventually becomes evident that the surplus value created lacks an avenue for reinvestment. There are either overproduction or underconsumption crises, leading to further struggles to find new ways regionally or globally to stabilise the system. This spatio-temporal process generates and sustains contradictions in capitalist investments.

The emphasis on a crisis-prone urban economy is a distinctive feature of Marxist urban economics, reflecting particular assumptions such as the nature of exploitation and the behaviour of capitalists seeking capital accumulation. The role of the state is also an issue. Marxists typically see the state not as a 'liberal' institution pursuing a national interest, but as an instrument for class interests. This throws up political questions for those who would seek to contest such a pro-capitalist orientation in how the city functions; for example, what strategies might limit the capitalist share of surplus product (SP); greater worker participation and control in economic decision making/control of SP; greater state control of SP, if the state could instead be managed democratically; and whether this might result in better-quality, stable, or green jobs.

For many years, Marxist political economy, from which this approach derives, was criticised for being too aspatial. Indeed, writers who are today celebrated as pioneers of urban political economy such as David Harvey accepted the criticism and even contended that urban space did not merit central attention for analysis (Soja, 1989). There were Marxist analyses that were clearly urban and directly spatial such as Friedrich Engels' *The Conditions of the Working Class* (1845), and the pamphlet, *The Housing Question* (Engels, 1872). However, these were isolated and it has taken many brave efforts since the 1970s to develop the *urban* analysis in Marxist political economy. William Tabb and Larry Sawers' edited book *Marxism and the Metropolis* (1978), Charles Sackrey's *The Political Economy of Urban Poverty* (1973), and Manuel Castells' *The Urban Question* were some of the pioneering applications of the Marxist approach to the study of the urban economy. Manuel Castells' *The Urban Question: a Marxist Approach* (1977) as well as the pioneering work of David Harvey, *Social Justice and the City*, are other examples. Most of these scholars have done more recent work (e.g., Castells, 2007; 2008a; 2010; Harvey, 2008b; 2011; 2012) on these themes, as have many others such as Tim Koechlin (e.g., Koechlin, 2014),

Jamie Peck (Peck et al., 2009; 2013; Peck, 2014), and so on (e.g., Lauermann and Davidson, 2013; Shin, 2013). Debates on whether the spatial should first be emphasised followed by the social or the other way round continue to be made under the rubric of spatial or social justice, with the likes of Peter Marcuse taking the more social justice angle with space as a derivate while Edward Soja has taken a more strongly spatial view (Iveson, 2011; Soja, 2011). As the Soja-Marcuse debate shows (Iveson, 2011; Soja, 2011), there appears to be an approaching train in the form of a rapprochement, with writers such as David Harvey veering more recently towards looking at both spatial and social justice as co-constitutive of the urban experience in what might be called a meeting between Henri Lefebvre and David Harvey.

Nevertheless, the Marxist approach suffers important failings. Apart from a few scholars such as Gayatri Chakravorty Spivak who combine Marxist analysis with postcolonial thinking (see, for example, her 1999 classic *A Critique of Postcolonial Reason*), Marxist political economists tend to fall into the trap of lumping all workers together when, in fact, some workers face distinct forms of exploitation. Black people in the labour market, for example, face distinct challenges. Prejudices against Indigenous people vary compared with the pressures faced by white or even black workers. In his contribution to *Antipode: A Radical Journal of Geography*, Peter Marcuse (2004) draws attention to orientalist spatial research; basically the view predominantly held in the West that non-Western experiences are inferior. Marcuse strongly advocates that this view be jettisoned and in its place plural views embraced. The reception of Edward Said's classic work *Orientalism* is testament that this call is valid, but Marcuse stresses that it is particularly 'a vital contribution today'. It is to focus and study some of these complexities that journals such as *The Review of Black Political Economy* were established. Indeed, this effort has led to a subfield in political economy called 'stratification economics' (Darity Jr. et al., 2015). Of course, these are all forms of exploitation but their complexities require more analytical sophistication and the examination of specific institutions. The assumption that all firms are profit-maximising is limiting because much work in the urban economy is voluntary. Some firms are non-profit while others are not-for-profit. For all these limitations, Scott and Storper (2015, p. 12) have recently called for a clearer and stronger reframing of the urban economy that can take into account these complexities in

addition to wider urban, social, political, and economic processes and seemingly ‘non-economic’ work at home and hence draw attention to the questions of gender.

The framing of the urban economy used for this book

This book uses a broader framing of the urban economy that draws insights from some of the previously discussed frames in addition to institutionalist and Georgist emphases. This reframing of the urban economy is done in five simple steps: (a) Reconceptualisation of the ‘economic base’; (b) Exploring the linkages between the basic and non-basic sectors; (c) Exploring *internal* linkages and combining those linkages with *external* linkages; (d) Explaining linkages and their path dependencies; and (e) Expanding the success criteria by which urban economies are judged. We consider each step in turn.

The first step is in reframing the idea of an ‘economic base’. The economic base, as we have seen, is often understood as the export base. However, institutionalists make a distinction between the two. The export base is simply the sector of the urban economy responsible for export. The economic base, on the other hand, refers to ‘(1) a locality’s stock of human and physical capital, (2) “land” as broadly conceived to include environmental amenities and land use patterns, and (3) the instrumentality warranted knowledge, or technology, available locally’ (Schlack, 1990, p. 22).

In this sense, the focus on the economic base is a broad-based urban economic analysis including non-basic analysis but also analysis beyond the non-basic issues and the examination of the conditions under which production, consumption, exchange, and distribution take place. So, economic base analysis ‘refers to the *entire* economy of the community which serves as a *base* for the continued functioning and existence of that community’ and not simply ‘constituting the “city-building”, “urban-growth” factors or “export industries” which serve as the base or main support of the *rest* of the local economy’ (Andrews, 1960, p. 47, emphasis in original). Thus, when institutionalists contend that the economic base is the heart of the urban economy (Schlack, 1990), they do not refer merely to the basic/export sector. Rather, they refer to economic resources of cities such as land, labour, and capital *and* the social, political, and ecological provisioning of such ‘economic’ resources (Stilwell, 1999, pp. 14–17).

Reframing does not mean that the relationship between the basic and non-basic sectors of the economy is not of interest. Rather, it means that, in addition to establishing that one aspect of the economic base is basic and the other non-basic and that the two are related, the two-way *linkages* between the basic and non-basic sectors within the economic base of cities, together with other socio-economic processes (e.g., work at home), are also of interest. While all basic, non-basic analyses consider some relationship between the two sectors, they tend to be unidirectional: how the basic affects the non-basic. In the bi-directional emphasis of institutionalists, their analysis resembles the Keynesian circular flow of income.

According to Pfouts and Curtis (1960), when income enters the urban economy from outside of it, it goes to support the local service economy as usual. However, unlike the classical economic base theory, the basic sector is not the only important aspect of the urban economy. Indeed, re-spending in the non-basic sector creates a multiplier which is crucial for the growth of the urban economy. In addition, the health of the non-basic sector is crucial in the sense that without that sector, money that comes into the system will leave again as export workers try to get services from elsewhere outside the city. Without banks, schools, postal services, and utilities, living in the urban area will be impossible or uncomfortable and the urban economy is most likely to atrophy even if the basic sector is booming. Pfouts and Curtis (1960) take into account savings and interest rates, the question of the propensity to save and to consume, and the tendency for the rich to save more and hence starve the non-basic sector of its vibrancy. They imply the necessity, as in a Keynesian model, to implant institutions that ensure investment that, in turn, make both the basic and non-basic sector thrive through active income redistribution.

In addition to the bi-directional analysis, I tend to emphasise *internal* linkages in the basic and non-basic sectors. Such linkages (internal and external) require (i) description, (ii) explanation, and (iii) modification to bring about efficiency, redistribution of both asset and income, and ecological sustainability. W.R. Thompson's model established such linkages. In *Preface to Urban Economics*, Thompson (1965) sets out to explain what he called 'the many lines of linkages' in the urban economy.

Thompson (1965, pp. 12–15) starts the analysis with the meat triad where three meat-producing firms cluster in the urban

economy to take advantage of a pool of labour, especially butchers who, in turn, exist because of the combined demand in the triad of meat products. The triad also pulls a cutting tool firm into its orbit. This firm supplies meat-cutting tools to the meat firm's cluster. In time, the meat activities generate enough hides to encourage the rise of shoe firms that benefit not only from the obvious proximity to the primary raw material but also from savings in transport costs. These linkages further stimulate the rise of a business services sector made up of disparate services such as advertisement, marketing, and financial services to support the urban economic activities. In time, enhanced skills can enable the local business services sector to displace previously imported services. This process of expanding the urban economy enhances the incomes of households and, in turn, stimulates the rise of service firms in response to local consumer trade. Indeed, local consumer expenditures can rise much faster than the incomes of the employees in the basic sector because of the multiplier effects seeping through diverse linkages. Employees in the non-basic sector take these incomes to provide service for those in the basic sector. In relative terms, with the maturation of the local services sector, in time relative imports into the urban economy will decline.

In Thompson's framework, the relative decline of exports also marks the end of one long process and begins a new process or stage in the life of the urban economy, one in which the urban economy can now export its own services and hence expand the basic sector. At this stage, the city's influence may even engulf the nation in which it is based or most parts of that nation. Local manufacturing companies become more diversified with the maturation of the urban economy, including attracting branch plants of outside firms, and exporting their own branch plants in other cities and metropolitan areas.

Thompson does not stress the importance of land and rent in the urban economy. However, doing so will strengthen the analysis of the urban economy, as Georgists consistently argue. A Georgist corrective in the framework used in this book entails being attentive to landed property, particularly how rent is generated and appropriated, as a key source of progress or poverty depending on whether socially generated rent is fairly distributed, for example through the taxation of landlords. Georgist political economists

(e.g., Gaffney, 2015; Rybeck, 2015) have shown that disregarding land and its social relations in society in economic analysis weakens existing *explanations* of the political economy of economic crisis, inequality, poverty, environmental pillage, and progress, rendering existing knowledge partial at best. How this is done specifically requires careful explanation, but this is best left for the subsequent ‘application’ chapters.

The next step in reframing the urban economy in broad terms is to recognise that, while at face value Thompson’s framework appears to be a mere analysis of ‘agglomeration economies’, demand, or supply conventional commentary, Thompson’s work differs from the mainstream in two important respects. First, instead of the sole emphasis on growth in mainstream urban economics, Thompson has a much bigger vision of progress made up of economic growth (affluence), redistribution, and stability (employment). Second, Thompson does not assume a self-regulating urban economy *tending towards equilibrium*. Rather, he emphasised the role of institutions in bringing about positive or negative changes, or even the co-existence of positive and negative changes that do not cancel out.

Indeed, I note that path dependencies set up in cities and regions can create fundamental and ongoing imbalances in the economy. Notable among those who developed this line of thinking was Gunnar Myrdal whose approach of ‘circular and cumulative causation’ has been used to explain persistent urban inequalities. Gunnar Myrdal’s concept of circular and cumulative causation (CCC) was developed primarily as a rival to mainstream general equilibrium analysis (Myrdal, 1957; 1978). It appeared in Myrdal’s work for the first time in *An American Dilemma* in appendix 3 (Berger, 2008, p. 358). According to Myrdal (1944; 1957), in the real world, change is more likely to take the form of circular causation and cumulative change than convergence to equilibrium. Circular causation connotes a small change which, in turn, causes further changes. These changes are cumulative because they tend to be compounded over time as they trigger other changes more fundamental than initial changes. The causation can be either positive or negative and hence the cumulative change could be vicious or virtuous. A vicious circle commences when one negative change (in one of Myrdal’s examples the burning

down of a company that employs local people) causes other changes (in that example, job losses and hence low demand, low tax payments, poor public services). A virtuous circle, on the other hand, develops when one positive change generates sometimes generational advantages.

Myrdal applied this idea to the analysis of inequality within and between regions and across races. In and within region analysis, regions that get a good start end up doing very well over time, while disadvantage compounds in regions that get off to an unfavourable beginning. In the interregional analysis, Myrdal showed how vicious circles are stronger in the global south whereas the advantages in the global north tend to compound over time (Myrdal, 1974). In *An American Dilemma* (1944), Myrdal applied this analysis to the social conditions of black Americans, arguing that because they start off as disadvantaged, they are then made cumulatively worse off. As one generation battles with social deprivation, the next generation is driven even more deeply into social problems as old problems create new pressures which, in turn, cause further problems.

Myrdal's argument is consistently that markets tend towards inequality – without intervention (see, for example, Myrdal, 1942; 1957; 1974; 1978). Therefore, if these circles are allowed to operate on their own, they will create more rather than less inequality. It does not matter whether the circles are positive; the tendency is towards inequality. In his words, 'The main idea I want to convey is that the play of the forces in the market normally tends to increase, rather than to decrease, the inequalities between regions' (Myrdal, 1957, p. 26).

Trade, capital movement, and industrialisation, according to Myrdal, all work to the benefit of those that begin well and widen the gap between the better starters and the worse starters. Myrdal identifies two effects in this process, the backwash effects and the spread effects. The first, backwash effects, represent the losses suffered by an already disadvantaged locality (e.g., losing labour to an expanding locality). Spread effects, on the other hand, refer to the beneficial effects to the disadvantaged locality which pull the disadvantaged locality towards the virtuous processes going on in the expanding locality. This spread of centripetal forces set up 'countervailing changes', according to Myrdal (Myrdal, 1957, p. 32); that is, changes that try to counter the tendency towards inequality, but these changes do not balance out to create an

equilibrium. Even if they do, the state is not one of beneficence, but is one of stagnation and it is not permanent but in fact unstable (Myrdal, 1957, p. 32).

Therefore, Myrdal (1974) recommends social policies address the tendencies towards inequality, including strengthening what he called ‘soft states’ (states that provide limited social protection) by developing extensive social protection even in slum areas. These aspirations for the state assume that the state is not overdetermined by the dominant class interests even if it has a class basis, and can be weak or soft in terms of its capacity to devise and implement strong laws (his examples being the postcolonial or ‘underdeveloped countries’; see Myrdal, 1974, p. 735). Myrdal was not the only one to apply ideas about path dependencies. Other institutional economists such as Veblen and Kaldor also had ideas about cumulative change. However, Myrdal’s is distinct for extending the theory of CCC to non-economic matters and for providing the basis for the advocacy of social protection and other progressive public policy reforms (Fujita, 2007).

Yet we may detect in Myrdal’s work a troubling sense of ‘nature’ when he referred to starting advantages as ‘natural conditions’ (Myrdal, 1957, p. 26). He claimed that ‘naturally economic geography sets the stage’ of ‘historical accident’ (Myrdal, 1957, p. 26). As Cox (1945) argued, Myrdal’s contribution on race and the postcolonial question is necessary but insufficient for understanding the complexity of disadvantages rooted in evolving historical conditions. Starting from a position of disadvantage can not only set in motion a vicious cycle of disadvantage, but also the cumulative effect of disadvantages can trigger even worse disadvantages over time. Similarly, advantageous positions can be used to further widen the starting advantages among others through the exploitation of poorer areas (Stilwell, 1974; 1998). John Hall and Udo Ludwig (2010) have more recently shown how this insight (and that of Thorstein Veblen) explains the lack of ‘convergence’ or ‘catch up’ between former East and West Germany in today’s Federal Republic of Germany.

However, the issue of ‘start’ and what drove or accounted for the primary change itself ought to be carefully untangled from nature, geography, and chance, even if these forces can also be the starting causes. Here, postcolonial analysis is a fruitful line of enquiry to correct the intellectual slippage in Myrdal. Postcolonialism is not

only about colonialism but also about capitalism and how it has been moulded by colonial and neocolonial structures. It views the postcolony not as an aberration outside the world but as organically integrated with the world temporally and spatially. Césaire's three-part book, *Discourse on Colonialism*, is one of the cornerstones of postcolonial thinking – others being Franz Fanon's *Black Skin, White Masks* (1952[2008]) and *The Wretched of the Earth* (1965).

Césaire's *Discourse* does two things: analysing and evaluating the 'colonial' and 'proletariat' problems. Both of these problems are seen as arising from and being maintained by European civilisation. The first task, focusing on colonialism, is sub-divided into two: a focus on colonialism and the colonised and the second on the coloniser. In assessing the record of colonialism, Césaire looks carefully at the nature and claims used by the coloniser to justify colonialism. In this sense, he identifies the characteristics of this process and disputes many of the so-called achievements of colonialism: infrastructure, civilisation, and social progress. While not disputing that some infrastructure was provided during the colonial era, he shows that its extent (a) was exaggerated, (b) was minuscule compared with the looting that took place alongside infrastructure provision, (c) arose because of the persistence of the demand and struggle for these by the colonised peoples themselves while the colonisers tried to hold them back, and (d) in the light of point 'c', postcolonial societies might have developed much superior infrastructures had they not had a parasitic force restraining them, and that same force continues to hold them back or constrain their progress. CCC, then, is still a powerful framework for analysis even in these areas.

In contrast to the mainstream emphasis on transport cost, different levels of returns to scale, and dynamics in factor markets only, this framework looks at more fundamental causes (see Chapter 4 and also Meardon, 2001). Further, while 'new economic geographers' or mainstream urban economists view economies as tending naturally towards convergence or equilibrium, institutionalists consider this an oversimplification (Chapter 4). Instead, they hold that the inequality goes much deeper than class structure. Rather, it lies with the institutions underpinning social classes (Ely, 1914). In this sense, only a critical focus on institutions which determine and are, in turn, determined by economic outcomes can resolve inequalities.

As shown by Schlack (1990), the key to analysis is the ‘economic base’, which does not merely refer to the export sector in the urban economy but a stock of human and physical capital at any particular time. This conditions the industry structure in the urban economy. The local industry mix is itself dependent on labour input and demands. The economic base of the urban economy which determines skill and power and money income pattern, among others, is itself influenced by institutions, some private and others public. As Stilwell (1999, p. 17) put it, ‘What are the key institutions shaping urban economic development?’ In this sense, the activities of trade unions, professional associations, and the entire social environment, including the state and the market in a city *and* how they interact with the urban economy, constitute an important avenue for study and analysis.

In this process of analysis, it is important to recognise the emphasis Marxist urban political economists place on the exploitative relationships in the urban economy and between the capitalist economy and nature, while still recognising that other institutional processes are at play. Indeed, in France, some Marxist political economists turned to institutionalism to provide an alternative form of analysis (Huber, 2013), while in the United States, as already noted, the institutionalists provided a critique of neoclassical economic analysis. In the institutionalist reframing of the urban economy, aspects of economic base are embraced, as are Marxist concepts and a critical perspective on the neoclassical approach (Obeng-Odoom, 2012a): in short, institutionalism provides a holistic view of the urban economy. In this sense, questions of labour-capital struggle over distribution (Marxist), individual actions and inactions and how they affect price and the distribution of wealth (neoclassical), and the forces of imports and exports (economic base) can be combined with an analysis of the institutions on which they all depend and others that are birthed by such interactions.

In my analysis, the interest is not simply seeking to know which institutions support what processes, but also how that knowledge of linkages can be used to bring about change. Albert Hirschman substantially developed this idea of interdependent economic processes into a stronger concept of ‘linkages’ with room for institutional fiddling for change. According to Hirschman (1984), who developed the idea of linkages in political economy

generally, industrial linkages form a bridge from underdevelopment to economic development through unbalanced but sequential industrialisation.

To Hirschman (1958 and 1984), the essence of the economic development process is to set in place, first, industries that will trigger a series of interdependent activities either from the rear (backward linkages) or forward linkages. So, he favoured the establishment of industries that had the potential of unleashing further industrialisation; that is, industries with strong backward and forward linkages. Construction, then, was a favourite because of its capital formation-enhancing aspects, as well as employment and revenue generation tendencies. Hirschman (1984) later thought of and encouraged the study of other linkages analysis, but particularly fiscal linkage to enable the state to obtain revenues for reinvestment in other linkage generation industries.

The final point to note in this broader reframing of the urban economy is that the criteria for success are much expanded to supplant the mainstream concentration on efficiency-driven 'economic growth' with much broader goals. For Thompson (1965, p. 1), these goods are affluence, equity, and stability. Or they can be stated more broadly as equity, efficiency, and ecology (Stilwell, 2000, pp. 13–37; see also the Introduction and Chapter 1).

Conclusion

This chapter has demonstrated three insights. First, the mainstream approach to analysing the urban economy is not the only approach in 'urban economics'. Others include the basic, non-basic framework, the Marxist view, and institutional analyses. So, any claim that 'urban economists' only analyse the urban economy from a mainstream perspective is not supported by the evidence. Second, the mainstream approach is markedly distinct from the other approaches in terms of its emphases on choices, assumptions about individual selfishness and rationality, and policy implications characterised by market-friendly prescriptions based on the preference for market and outcomes over state 'intervention'. Third, the mainstream approach suffers severe failings, including analysing choices without probing the structuring and institutional context in which the choices are made. By focusing on growth without sustained and comprehensive attention to redistribution and ecological problems, the mainstream

urban economic approach systematically misrepresents the nature and processes of the urban economy.

The re-formulation of the urban economy canvassed in this chapter, on the other hand, is comprehensive – drawing on the complementary strengths of Marxism, institutionalism, and Georgism in terms of their units of analyses, central concerns, and values. In turn, it is possible to analyse all the aspects emphasised by different paradigms and, in addition, pay attention to bigger questions not anticipated by the mainstream idea of the ‘urban economy’. From this perspective, the linkages between and across sectors mediated by institutions make the urban economy a bundle of economic institutions and linkages determined by and determining of other non-economic processes and institutions. The point here is to blend Marxist, Georgist, postcolonial, and institutional analyses to gain an effective and flexible synthesis that can help us better understand a changing world, including patterns of urbanism in ways that the orthodoxy is incapable of doing.

It is this broader reframing of the urban economy that structures the remaining, more specific analysis in this book, especially Part Two (analysing the material conditions in cities) which centres on globalisation (Chapter 4), informal economies (Chapter 5), and poverty and inequality (Chapter 6), four key themes in urban political economy.

PART TWO

**ANALYSING MATERIAL CONDITIONS
IN CITIES**

4 | URBAN ECONOMIC GROWTH: GLOBALISATION, TRADE, AND CONVERGENCE

Introduction

Globalisation – ‘the removal of barriers to free trade and the closer integration of national economies’ (Stiglitz, 2002, p. ix) – has been offered as a natural outcome of urban economic growth. ‘Cities’, French economist Jean Cavaillès and his team note, ‘are major actors in the process of trade’ (Cavaillès et al., 2007, p. 383). Cities also *receive* positive economies through trade and globalisation. In short, cities are a major link in an integrated world where both firms and households contribute to and reap the benefits of international trade. This treatise is underpinned by two key concepts in urban economics: ‘agglomeration economies’ and ‘comparative advantage’. While agglomeration economies provide the initial impetus for industrialisation, comparative advantage gives the signal for specialisation, offshoring, and deindustrialisation. Combined, these market processes lead to the rise of global cities and create the tendency for convergence in incomes within cities and countries and across the world.

These ‘stages of urban growth’, as Thompson (1965, p. 15) once called treatises of this type, have not been subjected to much critical analysis from political economists. Most of the research by economists on this treatise is conducted from the same or similar schools of thought. In turn, there has been an intellectual inbreeding of sorts made up of wholesale endorsements or minor revisions cast in the same perspective such as the book by Joseph Stiglitz, the 2001 winner of the Nobel Prize for Economics, *Globalization and its Discontents* (Stiglitz, 2002), and that of Jagdish Bhagwati, *In Defence of Globalization* (Bhagwati, 2004). Critical research in international economics centred on international trade has sought to challenge old views about the ‘standard firm’ and how it behaves, regardless of what sorts of products it produces and, instead, stressed heterogeneity of both products and firms (Alagidede, 2010). The Marxist perspective,

most powerfully advanced by Bill Dunn (2009), is more critical but focuses more on the nation-state in the world system: its emphasis has not been on cities. Revised, this approach can be adapted to the study of globalisation, cities, and regions, to shed light on what it is good at doing: the economic structure underpinning trade. However, it will have to be complemented by an institutionalist emphasis to clarify the role of institutions underpinning the economic structure during the trade process (Soja, 1989; 2003; 2010; 2014).

Existing urban-based research on trade and globalisation tends either to under-emphasise or over-dramatise the ‘urban’, to over-concentrate on or to under-study the role of the nation-state, preferring instead to emphasise individual firms and households. Perhaps the best illustration of this emphasis is the collection of statistics that privileges the North–South divide without probing their intersections and how their collective experiences help us to understand the world system. This ‘spatial separatism’ (Gore, 2012) and ‘methodological individualism’ (see Charusheela, 2005, pp. 9–11) have blinded and misled much urban research on global and world cities. Yet the growing interest in the globalisation of urban research and the countering of it by a certain genre of postcolonial research have led to a surge in interest on the particularities of the urban without a systematic engagement with how such particularities pattern and simultaneously reflect the global system. Cities can be and often are peculiar, but the tendency for globalisation research to simply assert differences between North and South and East and West and stress how Western theory is ‘wrong’ because it is inapplicable to the South or the East is debilitating and reductionist (Nijman, 2015). It is in this context that Andrea Morison and Lucia Cusmano (2015) made a recent call for research on institutional perspectives on globalisation. Unfortunately, the response to this call, published in *Tijdschrift voor Economische en Sociale Geografie* (vol. 106, no. 2), paid attention to regions, not cities and regions – a gap that this chapter seeks to fill. What are the commonalities and differences among cities in the world system under globalisation (Nijman, 2015)? Even more fundamentally, how and in what ways do these commonalities and differences emerge, reproduce, shape, and reflect global political economic forces?

The chapter examines the core treatise about cities, trade, and globalisation in more depth, focusing on the key building blocks

and the resulting structure in three sets of global cities: New York, London, and Tokyo (tier 1); Sydney (tier 2), and Accra (tier 3). Focusing on these cities is appropriate because they have been the focus of research of like quality and approach and hence allow for comparative study and meaningful generalisations. A careful analysis of the evidence shows that while cities, in fact, provide the impetus for economic growth, there is no one path to this end and, in many cases in the United States at least, manufacturing cities continue to make major contributions to national economic growth (see Wolman, Stokan, and Wial, 2015b).

The chapter argues that the rise of global cities is not so much about how market forces have pulled down national borders to bring prosperity to cities and nations. Rather, global cities have arisen because national borders pulled down by a coalition of institutions have enabled and sustained market forces that have unleashed a pattern of urban development that systematically marginalises the majority of urban residents, or causes and sustains inferior and dependent urban industrialisation, especially in tier 3 global cities. In this sense, not only is there a lack of congruence between what is promised and how it is experienced, but also pursuing the promises has led to widening the rich–poor gap in terms of both income distribution and access to and control of urban resources in ways that are different from and differentiated among and within the three tiers of global cities. The state and other institutions remain active, as the evidence shows, so labour can still channel its grievances through the state in its struggle with capital. As Dunn (2009) notes, national action for workers is still potent. Nevertheless, this action can be directed much more broadly than merely statism to incorporate other institutions at various scales.

The rest of the chapter is divided into three sections. The next explains the spatial economies treatise that links cities to international trade and globalisation. The second section offers an institutionalist analysis of the causal mechanisms in the treatise, while the third considers the evidence on the economic and social consequences of globalisation, especially the posited income convergence thesis.

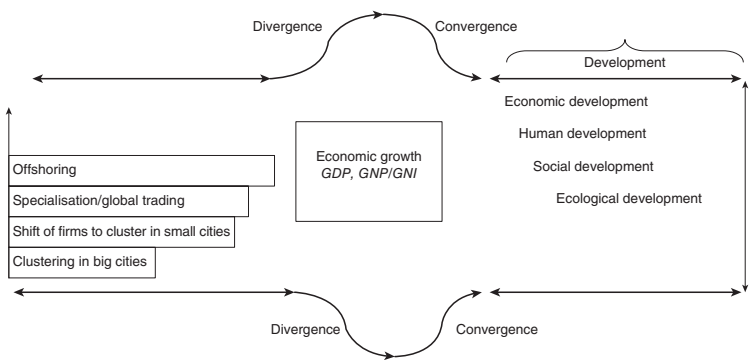
The spatial economy: cities, international trade, and globalisation

In *The Spatial Economy: Cities, Regions, and International Trade*, Masahisa Fujita, Paul Krugman, and Anthony Venables provide a

treatise that links agglomeration economies and cities to international trade and globalisation. In this process, ‘declining trade costs first produce, then dissolve, the global inequality of nations’ (Fujita et al., 1999, p. 260). This treatise has been called ‘lovely’ (p. 247) and a ‘gem’ (p. 251) by Donald Davis (2002) of the Department of Economics at Columbia University.

Since its publication, other economists have tried to extend the treatise in different ways. World Bank economists (World Bank, 2000; 2009) and academic economists such as Frédéric Robert-Nicoud of the London School of Economics (Robert-Nicoud, 2008) and Edward Glaeser of Harvard University (e.g., Glaeser, 2011), in particular, have offered versions in which cities grow as a result of localisation and urbanisation economies usually in big cities. With (1) increasing diseconomies of scale, (2) a fall in the cost of transportation, and (3) the growth of technology, firms first shift to cluster in smaller cities, then begin to specialise and trade internationally, then with a further fall in trade costs (1 and 2), they may relocate – partially or wholly – overseas to take advantage of conditions there. Figure 4.1 provides a diagrammatic representation of this perspective.

Figure 4.1 shows the urban economic stages of the growth of cities. While the theorists based much of their postulations on cities in the advanced capitalist countries, the intense competition in cities in Africa and Asia, for example, to attract foreign direct investment and trading



4.1 Globalisation, cities, and the convergence thesis (*source*: based on a synthesis of Krugman and Venables (1995); Fujita et al. (1999); World Bank (2000; 2009); Robert-Nicoud (2008); Glaeser (2011))

firms (Turok and McGranahan, 2013; Turok, 2015) will suggest that the model has general applicability. There are four stages of growth. In stage 1, firms begin to cluster in big cities to take advantage there and leave for small ones to reduce their cost of trading in bigger cities, and take advantage of agglomeration in smaller cities in stage 2. With greater specialisation and economies aided by further falls in trade costs, cities (or firms in cities) undertake greater global trading in stage 3 and eventually offshore either in part or in full in stage 4.

A crucial, underlying story in all these stages is population growth. Glaeser and others (1992) have argued that, even more than specialisation, it is the coming together of people with their differences and diversity that sparks urban economic growth through more demand, higher competition, and the sharing of ideas. It follows that, all things being equal, the bigger the urban population and the denser the city, the better it is for urban economic growth. Population itself both determines and is determined by urban economic growth too (Duranton and Puga, 2014). Within the social macrocosm of population, the favoured class for urban economic growth is what Richard Florida (2003) calls the ‘creative class’, or those people whose work is to ‘create meaningful new forms’. These desirable people include scientists, university professors, artists of repute, Hollywood-type entertainers, editors, and opinion leaders in society. The creative class also includes a creative professional group, notably working in the financial sector, business management, health, and law. In the United States, only 30 per cent of the workforce is in this class and it is they, the argument goes, who can propel cities to grow by attracting investment and investing themselves. Much urban policy has tended to favour this creative class thesis and the creative class, their needs, and wants (Ponzini and Rossi, 2010). Thus, it is not just population but also its various characteristics (e.g., how skilled and educated people are) that are important for urban economic growth.

Cities grow and diversify because of these processes contributing to and benefiting from the collocation of such firms and households or advantages in themselves (see, for example, Castells-Quintana and Royuela, 2014; Rigby and Brown, 2015). The framework for understanding urban-wide advantages is Jane Jacobs’ ‘epigenesis theory of cities’. This is ‘the idea that a city grows by a process of gradual diversification and differentiation of its economy, starting

from little or nothing more than its initial export work and the suppliers to that work' (Jacobs, 1969, p. 129). Jacobs (1969) saw trade as one key source of growth such that in drawing a picture of the good economy of a city, she identified three types of goods: goods and services locally produced and locally kept; export goods produced as exports; and goods and services produced locally that mature to exports (p. 137). In practice, trade in intermediate as distinct from finished products can complicate the picture for exponents of Jacobsianism. The industry-clustering, on the other hand, sparks further advantages first discussed in Alfred Marshall's (1920) book, *Principles of Economics*, and summarised into a trilogy: knowledge sharing in cities, input sharing among firms, and labour pooling (Rosenthal and Strange, 2004, p. 2120).

Figure 4.1 suggests that as agglomeration will usually generate diseconomies, industries will tend to move to new centres within the same country of origin, operate there for a while, and then eventually move overseas – to reap efficiency costs. In their contribution to the *Journal of Urban Economics*, Jean Cavailhès, Carl Gaigné, Takatoshi Tabuchi, and Jacques-François Thisse (2007, p. 384) note that

increasing urban costs could shift employment from large monocentric cities either to their suburbs or to distant and smaller cities, where these costs are lower, at least once trade costs have sufficiently declined to permit large scale exports to distant markets. In other words, economic integration could well challenge the supremacy of large cities in favor of small cities.

The tendency for capitalist firms to be mobile is not deemed a problem in this urban economics treatise: 'The main point we wish to stress in this paper', note Jean Cavailhès' team, 'is that the emergence of subcenters within cities is a powerful strategy for large cities to maintain their attractiveness' (Cavailhès et al., 2007, p. 384, emphasis in original). The process may not entail the movement of the entire industry but only routine and dirty tasks, while the specialised parts stay in the core, parent country. Indeed, it is possible for the industries to locate different parts of the same industry in different cities or worlds, generating 'a new international division of labour' but also leading to the formation of transnational corporations (World Bank, 2000; 2009; Glaeser, 2011). This process is aided by a fall in trade costs.

As of 1990, the costs of ocean and air travel were, respectively, only 46 per cent and 24 per cent of what they cost in 1940. And, by 1990, transatlantic phone calls and satellite charges had dramatically reduced to 8 per cent and 1 per cent respectively (Robert-Nicoud, 2008, p. 518). Of course cities have been the centres of much of these innovations (Glaeser, 2011), including impressive airline connectivity around the world (Otiso et al., 2011).

As this process is posited to bring about the good city and support positive social change in societies, it is not considered problematic. According to Robert-Nicoud (2008), offshoring and deindustrialisation are in the public interest and are pro-consumer because they are associated with low-cost production and hence lower prices. This low-cost production arises because of low labour cost and the payment of lower taxes. The advantages are, however, not limited to consumers: workers in the developed countries also benefit in the sense that the industry becomes more efficient, can expand, and offers more job opportunities to workers in the West. For the poorer countries, the argument goes, they also benefit from offshoring in the form of job creation (Robert-Nicoud, 2008). This process is deemed a 'natural cycle' for which reason no state intervention is required. So, for Glaeser, 'Industrial policies like massive aid to declining industries threaten global trade and growing cities' (Glaeser, 2011, p. 252). At any rate, with globalisation, there is 'partial unbundling or at least weakening of the national as a spatial unit' (Sassen, 2005, p. 27) and a 'loss of power at the national level' (Sassen, 2005, p. 39) dominated by the state. In short, there is a 'denationalising of urban space' (Sassen, 2005, p. 39) in the sense that cities can become more articulated with cities from other countries and regions rather than other cities in the same country.

As Figure 4.1 shows, deindustrialisation and globalisation benefit from but also contribute to growth and development. Economic growth in this model (Figure 4.1) is driven by agglomeration economies. Recent research (Castells-Quintana and Royuela, 2014; Rigby and Brown, 2015) firmly demonstrates that agglomeration economies such as production and consumption economies as well as innovation economies drive economic growth in cities, often measured as urban-level GDP or GNP/GNI.

Describing the sources and measures of *urban economic growth* is important, but they have to be linked to *national economic growth*.

The theories of national economic growth are numerous, but most are either mainstream (Solow-type models) or revisionist versions of the mainstream (endogenous growth theories) – although there is much mixing because of their shared roots in the production function approach developed by Robert Solow (Gore, 2007, pp. 33–37). Much like others that have nuanced the original Solow model, this production function approach is centred on the supply side of the economy, looking at how much should be supplied to give the spark for economic growth. In the Solow model, economic growth depends on (a) the proportion of income saved and invested in physical capital and (b) the rate at which income is saved and invested. In this model, technology is assumed to be exogenous; that is, not central to the explanation of economic growth. While Solow himself seemed to suggest that it is the use of domestically generated income that makes a difference to the growth story, spelling doom for poorer countries without such revenue mobilisation power, the model still works even if income is externally provided or the income is a combination of external and internal funds: the key point is how the income is used (Cypher and Dietz, 2004, pp. 223–224).

The model makes other important predictions. It predicts that when these keys in the production function are turned, there should be a convergence of income. This centripetal orbit of growth arises from the idea of diminishing returns: at a certain peak, growth/incomes will fall, while with the said keys, the incomes in poorer nations will rise much faster to converge with those of richer countries. Notably, the capital-scarce countries will be likely to attract international capital – given the possibility of high returns to capital – making it more likely for such low-income countries to ‘catch up’ and hence fulfil the predictions of the Solow model, although strictly speaking the model is about domestic savings and investments and their rates (Cypher and Dietz, 2004, pp. 225–226).

There has been much criticism of the Solow model. Its level of guesswork related to technology has been of particular concern (Gore, 2007). As technology is not taken seriously or is merely considered exogenous, when the growth rates of various countries with similar ‘fundamentals’ differ substantially, it is assumed that the differences can be attributed to technological differences, although they may well be attributed to other factors too.

Revisionist endogenous growth models consider technological change as part of their explanations for growth. Additionally, and related to the issue of technology, these endogenous models remove the diminishing returns caveat in the Solow Model (Cypher and Dietz, 2004, pp. 229–230; Gore, 2007). By blowing away the glass ceiling, they assume that richer countries can keep growing and hence there is no necessary convergence of incomes between the rich and poor countries unless certain conditions are met such as more than usual levels of human capital accumulation (Cypher and Dietz, 2004, p. 235; Gore, 2007). So, these models also predict a ‘catch up’ after all, but this convergence is more conditional. The production function is retained, but the inputs change from only the savings and investment of physical capital to an aggregation of capital (physical capital, human capital, and research and development capital) *and* “the induced or endogenous technological change” imparted to the economy by the stock of physical, human, and research capital particular to that country’ (Cypher and Dietz, 2004, p. 231). These inputs are not independent of one another: they are complementary (Cypher and Dietz, 2004, p. 233).

Technology is taken seriously, not just as a free, public good or as ‘Manna from heaven’ as in the Solow Model, but endogenised (Gore, 2007, p. 34). Nevertheless, much like the Solow Model, the endogenous models are supply side frameworks, tailored to general equilibrium analysis, and consistent with the production function approach. The convergence within this technology-sensitive framework can be explained in another way provided by Paul Krugman and Anthony Venables but it is Robert-Nicoud (2008, p. 533) who captures their idea best:

Their main result is that the industrialisation of the Northern hemisphere in the course of the nineteenth century *had* to be accompanied by a de-industrialisation of the South (especially China and India) because agglomeration forces set up a self-enforcing mechanism that was virtuous for the North and detrimental to the South. However, at a later state (the late twentieth century in their narrative) the very same process of falling trade costs triggers a relocation of manufactures towards Taiwan, South Korea, Singapore or Honk Kong, which were low-wage countries at the time.

This has a dependency theory twist to it except that in the Krugman-Venables case, there is convergence while dependency analysis holds that divergence in income is the only outcome of integration.

One of the important features of Figure 4.1 is that economic growth is a path to ‘development’, which is a much broader social change. As noted by Dudley Seers (1979), development refers to a process often entailing iterative sub-processes of economic, human, social, and ecological development, it is characterised by falling levels of inequality, unemployment, and poverty, illiteracy, disease, sexual oppression, and hunger. Development also entails falling levels of pollution in all its forms. From this broad perspective, a country that surges ahead in terms of economic growth but fares poorly in terms of distribution has ‘fallen back in development’ (Seers, 1979, p. 34). It is not that the economic growth is useless, but it is not a measure of development even if it sometimes gives clues of ‘development potential for the future’ (Seers, 1979, p. 34). Most mainstream economists acknowledge the differences between growth and development, but they stress that the path to development is economic growth (World Bank, 2000; Dollar and Kraay, 2002; de la Grandville and Solow, 2009). The ‘convergence’ thesis itself points to this direction where the pursuit of income ends unleashes non-pecuniary outcomes, including happiness (World Bank, 2000; Glaeser, 2011).

Based on this perspective, ‘free trade’ and export-oriented industrialisation have been advocated, while import substitution industrialisation has been discouraged. The role of the state in this ‘natural process’ is consigned to supporting market forces, as cities are said to rise over and above the nation-state. Much of the literature claims that the state has even withered or is withering away and is no longer relevant (Saito, 2003; Dunn, 2009), while economists have consistently insisted it is the market that is responsible for globalisation (see Glaeser, 2008; 2011).

In short, the nested theories about urban economic growth and globalisation ascribe the globalisation of cities to market forces, limiting the role of the state only to sustaining and enabling this globalisation from which economic, social, and human development are expected to ‘trickle down’. It is important to ascertain these claims:

- (1) The process of urban economic growth is entirely market-based;
- (2) This natural market-based process, in and of itself, will mainly lead to (a) economic growth (b) falling levels of unemployment, (c) falling levels of inequality 'because of' market processes;
- (3) Therefore, the role of the state is merely one of *adjustment* to aid this market-based process.

Institutions, globalisation, and cities

While cities have increasingly globalised, the drivers, form, and effects of globalisation, trade, and trends in the distribution of income and economic growth have hardly conformed to the theories of the economists. In her widely celebrated book, *The Global City*, prominent economic sociologist Saskia Sassen analyses these issues using New York, London, and Tokyo as case studies. According to Sassen (1991), these three cities have evolved in three main ways: changes in their economic base (the argument is that they are not just management centres – they also produce different types of production), their spatial organisation (e.g., concentration of businesses in the city), and their social structure (e.g., inequality and unemployment). The cities continue to be centres of production but what they produce are specialised services (e.g., auditing, legal and management consulting) and financial centres representing not just financial innovation but also creating a market, for example for innovation in special services which creates markets in turn.

Saskia Sassen's book identifies important forces of integration but also dispersal for the leading global cities which she calls a 'complex duality'. This duality is typified by four main characteristics. The first is that the global city is a 'command point' of the world economy from where decisions are taken. This function of the global city demonstrates that greater globalisation of an economy leads to more concentration of central functions in global cities. Second, the global cities are also seats of finance (and other specialist services, seats which replace the seats of manufacturing even as finance becomes a leading economic sector). Third, global cities are sites where production (notably production of innovation) dominates. Finally, global cities are world markets of consumption. A detailed description of such cities, the methodological and philosophical questions for their study, as well as data related to specific cities can be found in Peter Taylor and Ben Derudder's book, *World City Network: A*

Global Urban Analysis (2016). Jennifer Robinson has been critical of the world cities literature, contending that it tends to be silent on cities in the Global South. In *Ordinary Cities* (2006), she sets out to show the differences in the experiences of cities in different regions and countries, pointing out that a universalist theory of global cities is dismissive of other forms of transformation occurring elsewhere. Her preference, then, is to consider all cities as ordinary and complex in their own terms. However, her own work has been criticised by Nick Schuermans (2009) for reifying the boundaries she seeks to collapse and hence extending a cultural relativist argument.

Global cities A more fundamental question in the debates about cities and globalisation relates to how cities attain their ranks. Table 4.1 shows that a response centred on markets alone is inadequate. Rather, the status of cities can better be explained by examining the degree of ‘intervention’ – from strong (deep shading) to weak (light shading) and anywhere in between (varying intensity of shading) – of various institutions and the interaction among those institutions. Roman Cybriwsky (1993, p. 11) wrote a detailed profile of Tokyo in which he noted that ‘Significantly, all of this is paid for by the wealth that emanates from the business centre’. More recent research by Saito (2003), however, shows that this market-led story is only a very small slice of the full story: a close interaction between three institutions: the Tokyo Metropolitan Government (TMG), the Japanese state for which global city Tokyo was a derivative of a grand plan to project the power of Japan as a nation-state, and the business community. Here, TMG, with independent powers, is as much a driver of global city Tokyo as market forces. Similarly, the state in Japan, a capitalist developmental state, was a key player in the process in ways that differ from the orientation of many Western, especially British and American states. In Japan, Confucian philosophy has held sway and at one point was regarded as a religion of the nation in which there is no separation between the polity and the economy (Saito, 2003). So, institutions not only change in response to global city Tokyo; institutions also powered the rise of this global city.

Similar trends have been found in other ‘global cities’ such as Sydney in Australia. In this ‘global city’, the institutions of the state, made up of the federal, subnational state, and local/metropolitan levels, have consistently pursued policies to propel Sydney to global status. Stilwell’s (1998) study reveals that there are more drivers

TABLE 4.1 Institutional coalition underpinning the growth of world cities

Institutions	New York	London	Tokyo	Sydney	Accra
Federal/National-level State					
Subnational State					
City Government					
International Institutions					
Market Institution					

Sources: Stilwell and Troy, 2000; Saito, 2003; Angotti, 2008; Obeng-Odoom, 2011b

at play than the mainstream economics storyline which prioritises market forces in the development of cities. Stilwell identifies internal, external, and hybrid forces. The internal forces refer to all the urban, state, and federal-level processes put in place to expand and widen the global influence of Sydney. The implementation of market processes of liberation and liberalisation, immigration, and investment policies have all worked to push Sydney forward. At one time, both the liberal and labour party justified the promotion of market forces as a way to ensure that Sydney grows for the mutual good (Stilwell, 1998; Stilwell and Troy, 2000). One example is deregulation of the labour market to make it easier for employers to get labour to hire itself out cheaply. Another example is expanding the Kingsford Smith Airport in Sydney to attract more visitors and business interests. A third example is consciously promoting Sydney as a consumption city (Stilwell, 1998). However, Sydney's growth is not just due to such forces.

External forces have also played their part. Global technological change, leading to a reduction in the cost of transport, has contributed to the forward march (Stilwell, 1998). As Australia has been physically disconnected by geography, such advances in technology have been felt particularly strongly in the country. Other global trends such as the rise of neoliberal policies – called ‘economic rationalism’ in Australia – at the global political level have also played a part (Stilwell, 1998). However, it is the interaction between these external forces, internal policies, their interactions, and how they are moulded by local institutions that underpin the success story.

To ignore this institutional and contextual framework of global city Sydney is to reify market forces in the development of this city.

In short, the cause of globalisation is multifaceted; market forces are only one cause. Crucially, this interaction creates a path dependency in which being 'global' sparks more 'globalness'. This 'circular and cumulative causation' draws on the institutionalism of the Swedish economist, Gunnar Myrdal (Stilwell, 1974; 1998). As Stilwell (1998) notes, the naturalisation of globalisation, making it the only game in town, has the effect of hiding the institutional underpinnings of globalisation and hence reifying the idea of globalisation and, crucially, 'free markets'.

Institutions, however, differ not only within and between the first and second tiers, but also between the two tiers and the third. To account for the differences in institutions and context, it is important to step away from the richer cities and look also at the theory in the relatively materially poor countries where Accra, the capital city of Ghana, is a useful example.

Globalising cities Accra is the home of over 200 financial institutions (Ametefe et al., 2011), but most of the construction activities in the city are either self-financing or remittances-supported. According to Grant (2009, p. 75), there were 89 companies involved in housing and construction in Accra as of 2004. These companies are from 12 different countries in Asia, Europe, and elsewhere in Africa (Obeng-Odoom, 2011b). There is also a resurgence of shopping malls in forms (capitalisation and consumption levels) previously unknown. The Accra Mall where well-known international brands such as Panasonic, Puma, and Swatch are sold hosts some 37 trans and multinational shops. It is estimated that it imports goods to the tune of US\$ 8–12 million per year and it is visited by 20,000 customers daily (Oteng-Ababio and Arthur, 2015). Compared to the rest of the cities under discussion, these features may be unremarkable but in the history of this city, the transformation is notable.

Widely regarded as the 'largest millennium city in Africa', Accra has received considerable attention in the literature in recent times (Obeng-Odoom, 2011b), its international standing leading Parks et al. (2014) to call it a 'Global South City' and advocate the use of theoretical lenses often used in North American urban research for its study. However, it is in *Globalizing City* that the economic geographer, Richard Grant, offers a detailed assessment

of globalisation of this West African city. Grant (2009) argues that, while Accra cannot be called a 'global city', it has not been peripheral to the wave of globalisation. Grant's conclusion is based on new typologies of housing (pp. 42–89), the growing location of foreign companies (pp. 18–41), the business activities of 'returnees' in Accra (pp. 90–110), the 'internationalisation' of activities of slum dwellers, and the international role of civil society (pp. 111–135).

Research shows that Accra has benefited from agglomeration economies. In their study of the Odawna Light Industrial Estate, Barbara McDade and Edward Malecki (1996) found that there were more than 5,000 workers in this cluster in Accra. There is a labour aristocracy among the workers because the 'masters' earn substantially more income than apprentices. The cluster itself shows solidarity and many types of interaction such as sharing of tools and equipment, while word of mouth is used to spread adverts. There is also professional interaction of owners and social interaction among workers. All these work along the economy of trust to expand technical capacity, production, and revenues, and spread information and greater awareness of business opportunities. Yet, as McDade and Malecki (1996) show, these clusters remain quite small scale. Besides, they have received much government support to enable them to remain active and expand.

Beyond the clusters, Grant (2009) shows the national government and/quasi-government institutions such as Ghana Investment Promotion Centre (GIPC) and top government officials have made strenuous efforts to attract global capital via aggressive marketing of Accra and a change in policy environment to welcome foreign companies and businesses (pp. 18–41). Second, Grant shows that generally locals are not resisting the wave of globalisation in the city. Rather, locals like slum dwellers are tapping global expertise to improve their situation. Here, Grant draws on extensive field interviews to come to his conclusions (pp. 111–135). Finally, Grant identifies what he calls 'in-between globalization' (p. 10). This latter wave is neither entirely local nor entirely foreign. This is the case of Ghanaians abroad who invest in Ghana from abroad or who return to do business in Ghana or who shuttle between Ghana and abroad.

In addition, there are international and subnational institutions that matter too. At the international level, donor programmes and byelaws collectively make up Accra's global status. One such policy was the World Bank-sponsored Accra District Rehabilitation

Programme (ADRP) (1985–92) *inter alia* aimed at upgrading slums, particularly in Maamobi and Nima. Another was the Priority Works Programme (1988–91), also sponsored by the World Bank with a similar focus as ADRP, but with less funding (USD 10.6 million) and greater attention to low-income people. A third is the *World Bank Urban II programme*, aimed primarily at establishing a secondary mortgage market in Accra, and subsequently other urban centres (Sarfoh, 2010). The UN also supported property-led regeneration in Accra; for example, it funded the Accra Planning and Redevelopment Programme which aimed at improving housing delivery through effective inter-governmental management (Sarfoh, 2010).

At the subnational level, too, the *Greater Accra Metropolitan Area and Accra Central Area Redevelopment Plans of 1992/1993* stipulate the relocation of non-conforming uses, the attraction of conforming investment uses, and the creation of new spaces outside the central business district (CBD) to draw people away from the city centre – to regenerate the city (Ghana Institute of Planners, 2010). In turn, the Odawna Pedestrian Market was created in 2007 to assemble 4,000 traders who were hawking and selling their wares in areas not designated for such activities (Adaawen and Jørgensen, 2012). Also, conforming and investment uses have been encouraged. For example, the Accra Mall, a USD 40-million ultra-modern shopping mall, was developed in 2007 to signify ‘the future of the Retail, Leisure and Construction industry of the new Ghanaian economy’, as a ‘palpable symbol of the growth and modernization’ of Ghana and as a place for ‘international retailers’ (Owusu-Akyaw, 2008, n.p.).

So, in the case of Accra too, it has been a coalition of forces that have converged to promote Accra as a global city. The National Urban Policy (Ministry of Local Government and Rural Development, 2010) makes references to modernisation. The government tries to attract more of such companies through the creation of supporting infrastructure. For instance, it has instigated the provision of new roads to ensure urban mobility and to decongest the city. Between 2002 and 2007 alone, the Government of Ghana invested over USD 1 billion in road construction, and made it possible (through lower taxes) for over 4 million cars to be imported. The government has other plans to regenerate Accra. For instance, it has put forward a proposal to develop a large housing estate on 2,000 acres of land over a 10-year period. This landmass

is 30 km away from Accra and, when developed, will be called the 'City of Light'. The city will be built by Renaissance Group, a private sector Russian company. It is believed that the new city will help to decongest Accra by attracting people from crowded areas in the city (Renaissance Group, 2012).

Elsewhere (Obeng-Odoom, 2013a), I have shown how the political structure, power play, and election of city authorities intersect to shape the evolution of Accra and other cities in Ghana, while Stilwell and Troy (2000) have done so for Sydney and other Australian cities. How mayors and other city officials are appointed/elected, what powers they have in executing development and transformation within the city, and how they actually use these powers together with the domestic political system and its many evolutions all combine to help explain why we have different, differentiated, and similar experiences among tier 1, 2, 3 and 4 cities. So much for institutions and the rise of global cities: it is also important to consider the outcome of globalisation for cities and their social and economic structure.

Urban economic growth, distribution, and employment

While these global cities make major contributions to national economic growth, they have remained centres of inequality and unemployment – as shown in Table 4.2.

Besides, there is no proof that only offshoring and deindustrialisation can support the growth of cities and their contribution to their national economies. Indeed, while Robert-Nicoud (2008) claims it is 'offshore or die' (p. 533), a recent study of 144 manufacturing metropolitan areas in the United States by Harold Wolman and his team shows that only seven had little use of manufacturing jobs. The rest had kept growing their manufacturing sector which continues to provide jobs for the urban residents in these areas (Wolman, Stokan, and Wial, 2015). There are, of course, many post-industrial cities where good jobs have been created but often this arises because of a strong contribution of the state generating government jobs, strongly regulating private sector, or co-creating jobs with the private sector (Kodrzycki and Muñoz, 2015). Whether such jobs are enough, as good, or as good as the manufacturing jobs and jobs that supported the industry is not clear.

What is quite clear is that while there has been falling unemployment in the global cities, this is accompanied by rising levels of

TABLE 4.2 Growth, inequality, and unemployment in the selected cities

City	GDP Contribution	Gini Coefficient	Unemployment Rate	% of National Population	Sources
New York	8.50	0.50 ↑	6.60 ↓	7.80	UN-HABITAT, 2008a, p. xii; New York State, 2015
London	17.0	0.34 ↑	6.20 ↓	12.50	Lewis, 2007; GLA, 2003; Lee et al., 2013; GLA, 2015
Tokyo	33.01	0.33 ↑	4.90 ↑	28.96	UN-HABITAT, 2001; UN-HABITAT, 2008b, p. 65; McDearman et al., 2013
Sydney	23.50	0.33 ↑	5.90 ↑	24.40	UN-HABITAT, 2008b, p. 65; Stilwell and Primrose, 2010
Accra	10	0.37 ↓	7.4 ↓	13	UN-HABITAT, 2008a, p. 193, p. 76; Obeng-Odoom, 2011b; GSS, 2014

inequality. New York, according to Tom Angotti's book *New York for Sale* (2008), has become divided along race and class lines. While that city has recently experienced a reduction in unemployment rate from 7.8 per cent to 6.6 per cent between March 2014 and March 2015, even that downward trend is the result of a combination of government and private sector jobs that have been created (New York State, 2015). London too has experienced a fall in its unemployment levels from around 7.6 in March 2014 to 6.2 per cent in 2015 (GLA, 2015) – but that too is the result of state intervention, according to the Department for Work and Pensions (2015). Experiences in Tokyo are similar but in addition the homeless population grew by 70 per cent since 1994 (UN-HABITAT, 2001, p. 209).

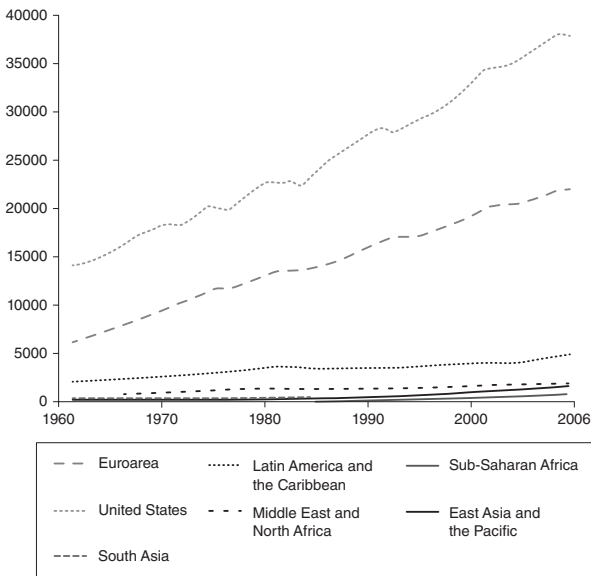
Inequality, however, has been increasing. Apart from Accra, all the other cities in Table 4.2 experienced divergence of income, not convergence. There is a more general cause of inequality in these cities, however. Where metropolitan areas lose manufacturing jobs, inequality tends to increase when those who lost their jobs could only find replacements in poorly paid service jobs (Wolman, Wial, and Hill, 2015). This is what has been called 'McDonald's Law' in the literature: for every job lost in manufacturing, a new one opens up in McDonald's or other fast food joints (Stilwell, 2012, p. 18).

In the case of Sydney, Stilwell (1998) identifies (1) policies to attract industrial capital, (2) policies to ensure that Sydney becomes a consumption city, (3) policy about command functions, and (4) public resources in the development of cities as the key drivers of inequality. Policies for industrial capital have taken the form of deregulating the labour market by replacing collective or central bargaining for wage levels with individual processes whereby capital can more easily win against labour. This is particularly important because Sydney is home to more migrants than any other city in Australia which risks deindustrialising because it is in a region with much less expensive labour. To promote Sydney as a consumption city, work flexibility has been encouraged. In this sense, there is the opportunity to have time to spend money, not just make money. Further to this, consumption sports – pubs, shopping centres, tourist centres, and cinemas – are all part of the consumption city. The grandest in recent times was the preparation of the city for the Sydney Olympics in 2000. To capture command functions, the authorities try to provide the infrastructure for companies to locate their headquarters in Sydney. Last, as the

size of public resources to the city has been cut, it has become incumbent on the city authorities to look for private finance and hence try to capture industrial capital (Stilwell, 1998). One example is the encouragement of Asian investment in the Sydney property markets. The key point is to encourage competition and the use of market forces in decision making.

Across regions and countries, too, inequality is on the rise as shown in Figure 4.2.

R.H. Wade (2011) shows that this trend can be attributed to the shrinking share of wages in economic growth. This suggests that the share of wealth captured by the rich has increased. A famous OXFAM (2014) study showed that 85 people now have the same amount of money as half of the world (3.5 billion people). Perhaps the most visible analysis of widening inequality is what has recently been provided by Thomas Piketty. In his best-selling and widely received book, *Capital in the Twenty-First Century*, Piketty shows how income inequality has widened across the board, especially since the 1980s. In the US, Piketty (2014) shows that inequality levels have reached 1910–20 levels of between 45 and 50 per cent wealth concentration in the hands of the top 10 per cent of the



4.2 Per capita income in 2000 US\$, 1960–2006 (source: Wade, 2011)

population in the US not because of improved productivity by people in this group, but because of structural forces. He shows that the trend is similar in other richer countries, although not as marked as the US situation.

In terms of unemployment, the *State of Australian Cities 2011* report shows that the rate was 5 per cent in 2011 (Department of Infrastructure and Transport, 2011). Compared to the current level (5.9 per cent), therefore, there has been an increase. The labour force participation rate has also declined from around 65 per cent to 63 per cent since 2008, according to the *State of the Australian Cities 2012* report which attributes the decline to the global financial crisis (Department of Infrastructure and Transport, 2012).

However, there is an explicit deindustrialisation aspect which the story of car manufacturing in Australia illustrates. From having five car manufacturing companies on its soil, it will soon have zero because all the companies are leaving – on the basis that they are losing competitiveness and the Productivity Commission of Australia has taken the view that the growing cost of production is mainly a sign of a lack of comparative advantage (Productivity Commission, 2014). So, it is propitious for the companies to leave from this perspective.

In practice, however, the closure of the car industry will deprive Australia of some 50,000 jobs in the automotive industry. Most of these jobs are not in Sydney but, as the Productivity Commission (2014) notes, Sydney and Melbourne are home to some 160 businesses that support the car industry and hence the departure of the industry has employment ramifications for Sydney.

In addition, there are wider implications for Australians. The collapse of Australian manufacturing is likely to lead to a decline in research and development in science because the manufacturing companies usually invest some \$4.5 billion in research and innovation on a yearly basis. Also, without a strong manufacturing sector, the ecology of this country is likely to suffer. As coal mining takes the position of the undisputed mainstay of the Australian economy, it will entail more intensive mining and hence dirty activities for the environment. Besides, with the proposed removal of import duty on used imported cars and the signing of the free trade agreement with South Korea, it will be likely that Australia will import more used and hence polluting cars. The dependence on imported processed food in Australia can have implications for food security as dependence on

coal will lead to implications for macroeconomic stability (Davison, 2012; 2014; Toner and Stilwell, 2014).

Inequality has also been a long-standing problem in urban Australia. Although less than 0.4, there is a suggestion that Australia is below the international alert line (Department of Transport and Infrastructure, 2012). Still, the repercussions of growing inequality in urban Australia have recently been found to be grave. The areas of multiple disadvantage in Sydney – often where Indigenous people, migrants, and other relatively deprived people are located – increased by 10 per cent between 2006 and 2011 (Pawson and Herath, 2015). So, as economic growth increases in its core, the margins and peripheries of Sydney are increasingly becoming breeding grounds for greater marginality.

It follows that the ‘intensified spatial competition’ that is coupled with globalisation generates and sustains systemic market failures in forms such as unemployment and inequality. However, this inequality is not merely because of the concentration of economic activities, as Castells-Quintana and Royuela (2014) suggest, but because the city is shaped and planned in favour of the class of capitalists. In this sense, the Indigenous populations have long been displaced to make way for the development of colonial and capitalist infrastructure (Aplin, 2013), while the growing levels of market rent and value of the built environment in general erect economic walls that restrict ‘the right to the city’ (Harvey, 2008a) of the Indigenous peoples of Australia.

In Accra, however, inequality levels are dropping. Between 2008 and 2012–13, the Gini Coefficient of the city reduced from 0.42 to 0.37 in 2012–13 (UN-HABITAT, 2008a; Ghana Statistical Service, 2014). Likewise, unemployment reduced from 8.9 per cent in 2008 (Obeng-Odoom, 2011b) to 7.4 per cent by 2012–13 (Ghana Statistical Service, 2014). While globalisation has generated opportunities for employment such as the Accra Mall which provided some 800 jobs in 2013 (Oteng-Ababio and Arthur, 2015), it is social programmes such as the National Youth Employment Scheme, Livelihood Empowerment against Poverty (LEAP) programme (a cash transfer scheme), and a deliberate increase in public sector wages that have been the key drivers of social change (see, for example, Osei, 2011; Dako-Gyeke and Oduro, 2013; the Ghana Statistical Service, 2014; Lindebjerg et al., 2015). Whether this ‘right to the city’ (Harvey,

2008a) is wide enough for the entire urban economy, however, requires that we change the focus of our analysis: from zooming out on formal economies to zooming in on informal economies.

Conclusion

Mainstream urban economics' 'stages of growth' theories, emphasising growth, industrialisation, and deindustrialisation, draw heavily on notions of agglomeration economies and comparative advantage, to predict eventual 'economic development' and progress for all. Yet when we examine the core treatise in more depth, focusing on the key building blocks and the resulting structure in three sets of global cities – New York, London, and Tokyo (tier 1); Sydney (tier 2); and Accra (tier 3) – the treatise is found wanting.

Cities, in fact, provide the impetus for economic growth. However, both the rise of global cities and their socio-economic structure have been misunderstood. The rise of global cities is not so much about how purely market forces have shooed away national borders to bring prosperity to cities and nations. Rather, global cities have arisen because of a complex ensemble of institutional arrangements, including but certainly not limited to market processes. There are differences and similarities both within and across the tiers of global/globalising cities, but what stands out for all these cities is their diversity rather than the equilibrating homogeneity claimed by mainstream economists.

Still, the national borders pushed away by a coalition of institutions have enabled and sustained market forces that have unleashed a pattern of urban development that systematically marginalises the majority of urban residents. In this sense, not only is there a lack of congruence between what is promised and how it is experienced but also pursuing the promises has led to widening the rich–poor gap in terms of income distribution and access to and control of urban resources in ways that are different from and differentiated among and within the three tiers of global cities. Contrary to the 'convergence thesis', problems of 'exclusion' and 'leftover' in the economy remain and are getting worse in the formal economy. Indeed, the process of economic growth following the neoclassical economic approach entails exclusion, exploitation, and expropriation (to use the characteristic Marxist notions) – socially, politically, and economically.

This lack of congruence between theory, treatise, and praxis raises further questions. Is it the result of implementational or structural causes? This question generates another: should new policies and new theories of growth and trade be considered? Answering these questions goes beyond answers posited by urban planning, personal values, articles of faith, and aspiration.

Rather, we require further study of the urban economy to learn more about the restructuring of cities, focusing on their physical, social, and economic structure, in the light of the flow of capital across a world which is increasingly becoming a stage for trading cities, whether global, globalised, or globalising. With the approaches and key treatises now considered, this further reflection on the urban capital–labour–institutional relationships on a world scale will need, this time around, to zoom in on the huge informal economies in cities around the world, how they work, and how they have experienced globalisation, agglomeration, and economic growth.

5 | INFORMAL ECONOMIES

Introduction

In cities such as those in Africa, Eastern Europe, and South America, up to more than half or substantially more of the urban economy is informal, while for most other regions a large share of the urban economy is informal (see Table 5.1; Williams and Round, 2008). Even more jarring is that most people straddle economies, as in Ukraine where 75 per cent of the population are in a ‘livelihood jigsaw’ working partly in formal and partly in informal economies (Williams and Round, 2008, p. 308). However, informal economies in cities are hardly studied in mainstream urban economics (see, for example, O’Sullivan, 2012) – which is not too surprising looking at how narrowly the urban economy is understood in mainstream urban economics (Chapter 3). In the instances when economists have attempted to do so, they have typically argued that such economies make a limited contribution to the overall economy; they are inefficient and insignificant. They claim that such economies are temporary, and will diminish if not disappear, with increasing trade, little union activity, flexibility in firing, less stringent government regulation, pro-business regulations, and, above all, urban economic growth. Marxists and neo-Marxists have historically studied informal work, often contending that it is precarious yet makes a major contribution to the ‘proper’ economy and is likely to remain under the capitalist mode of production (e.g., Bosch et al., 2012; for a review, see Barnes, 2013).

A major failing of this debate about the nature of the informal economy, how it works, and how it can be studied, understood, and re-organised, is that it is couched in national terms. However, consistent with the reframing of the urban economy (Chapter 3), it is important to study informality at different scales. For example, do formal traders in cities in Africa become informal traders in Chinese cities when they cross borders to obtain goods from China? What about the effect of trade liberalisation on Africa–China

relations and how do Chinese formally produced goods infiltrate the informal economies in Africa? In what ways do these processes and relationships support or undermine informal economies globally?

These questions are hardly contemplated by the existing analytical frameworks on informal economies. Indeed, the idea of the informal economy itself is national in conception whereas empirical evidence, notably the work of Margaret Lee (2014) and our own work (Ozkul and Obeng-Odoom, 2013), clearly shows that it is important to take a transnational, *multiscalar*, and *dynamic* perspective on informal economies around the world mainly because of the many linkages within (where current heterodox/neo-Marxian thinking is located) *and* between national economies and regions in the global orbit of capitalism.

Based on this analytical re-interpretation, this chapter makes an original contribution to the debates on urban informal economies. It accepts the political economy, Marxian, and neo-Marxian argument that informal economies are substantial and make major contributions to the overall economy. It further accepts the claim that the conditions of work in this aspect of the economy tend to be precarious and often harmful to the participants at the lower end of the chain. However, while this chapter agrees with the political economy view and hence challenges the proposition that neither free trade, pro-business legislation, nor urban economic growth has driven down the persistence and pervasiveness of the informal economies around the world (as predicted by the mainstream), it takes international flows of informality and the institutional underpinnings of informality much more seriously.

When there has been a decline in the size of the informal economy, the chapter argues that it has been driven by either the provision of social protection and other inclusive institutional policies such as a deliberate employment policy or statistical manipulations that undercount informality over time. In the many cases of continuing expansion, the chapter provides additional explanations beyond Marxian theory of exploitation in national borders to look at capitalism's global face which causes a complex chain reaction. Formal traders in Accra can become informal traders in the 'Chocolate City' of China, while the machines in China's formal economy churn out goods that make their way into the informal economies in Africa. This process complicates *national* informal economies (most widely studied) and *regional* informal economies (e.g., Nigerian informal

workers struggling to survive in South African urban economies, see Akintola and Akintola, 2015) in complex processes of race and xenophobia in South Africa (Grant and Thompson, 2014) but also elsewhere as informality increasingly takes on international forms.

The permanence of informal economies can be mitigated through inclusive growth that generates jobs, deliberate employment policy that guarantees comprehensive social protection, and the promotion of non-capitalist forms of economic organisations. One path to this social change is to increase social investment in the social and solidarity economy by organising, supporting, and protecting social enterprises in the informal economy and converting ‘atomistic’ informal work into cooperatives with stronger solidarity, reciprocal relationships, and a voice sustained by strong institutions. The argument complements the global advocacy by the United Nations Research Institute for Social Development (UNRISD, 2014; Utting et al., 2014) to support the idea and practice of social and solidarity economy – although by stressing the multiscale and dynamism of global informality, the chapter makes its own original contribution.

The rest of the chapter is divided into five sections that look respectively at (1) the concept of informal economies and on that basis examine the size of the informal economy around the world, (2) work experiences in informal economy, (3) competing analytical perspectives on the causes of informal economies, and (4) critical evaluation of these perspectives. Section five offers critical perspectives on various attempts to substantially reduce, if not eliminate, the prevalence of informal economies around the world.

Informal economy: the concept

Keith Hart, the British economic anthropologist, first coined the term ‘informal economy’ in the 1970s. He considered it a fluid set of relationships, not a fixed place or part of the economy (Hart, 1973; 2006). Hart wrote of people moonlighting, of working formally up to midday, moving to earn extra income in the afternoon by doing unregulated jobs in ports and harbours, for example, and closing off in the evening to do regulated jobs such as night watchmen (Hart, 1973).

Keith Hart had no desire to make this phenomenon a concept, but it was so made by the International Labour Organization (ILO).

In *Economic Anthropology*, Chris Hann and Keith Hart (2011, p. 115) state: ‘He [Hart] had no ambition to coin a concept, just to insert a particular ethnographic vision of irregular economic activity into the on-going debates in the development industry’. The ILO, on the other hand, developed the idea of an ‘informal sector’ in a report on Kenya published in 1972. The ILO’s *The Informal Economy in Africa: Promoting Transition to Formality: Challenges and Strategies*, 2009 reads

It is now three decades since the ILO launched the concept of the ‘informal sector’ (latterly, ‘informal economy’). The ILO’s pioneering work on informality began in Africa with the Kenyan multidisciplinary employment mission in 1972. This was the first ever comprehensive ILO employment mission to Africa, and one of its most lasting legacies is the notion of the ‘informal sector’, a term coined in the report which followed, entitled ‘Employment, incomes and equality’. (ILO, 2009, p. 1)

A more detailed analysis of the conceptual development of informality as a concept can be found elsewhere (e.g., Ojong, 2011).

Marxist economists tend to consider informal economies as dialectically connected to the formal economy, depicting different ways of exploitation, accumulation, and production of surplus value (Mati and Sen, 2010; Barnes, 2013). Informal economies are produced, sometimes formally as in court decisions that legitimise them, through struggles as in protests, and contests – all of which are democratic rights, leading to spaces sometimes recognised by aspects of the state (Schindler, 2014). Yet, there are also interconnections among diverse informal economies such as how pickers in informal recycling sell waste picked to informal purchasing agents who, in turn, sell the assembled waste to formal companies (Obeng-Odoom, 2014b).

The fluidity of the concept makes measurement challenging, but the 17th Conference of Labour Statisticians tried to do so to provide a sense of the size and trends in the informal economy. According to the statisticians, informal employment includes labour

whose employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social

protection or entitlement to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave...) because of non declaration of the jobs or the employees, casual or short duration jobs, jobs with hours or wages below a specified threshold ... place of work outside premises of employer's enterprise (outworkers), jobs for which labour regulations are not applied, not enforced, or not complied with for any other reason. (cited in Charmes, 2012, p. 106)

An authority on the classification and measurement of informal economic activity, Jacques Charmes, has offered a new categorisation. According to Charmes (2012, p. 104), informal economy includes employment in the informal economy and informal employment outside the informal economy (i.e., workers in the formal economy who are not protected by law and domestic workers in households). The ILO has offered further refinements more recently (see International Labour Organization, 2013). On the basis of these conceptual extensions, it has been found that informal economies are a major and sometimes growing feature of economies all over the world, as shown in Table 5.1.

Table 5.1 excludes information on the advanced capitalist countries, raising the question of whether informal economies exist in such societies too. Many analyse the precarious nature of work, especially for migrant labour in Western societies. For instance, in Australia, there is an increase in the number of temporary migrant workers in the construction sector through the Working Holiday Maker visa programme; 457 visas for temporary labour, more of which are given in the construction sector than other sectors; and the growing number of people in 'irregular' and 'undocumented' labour stream (Rosewarne, 2013, p. 283). Leung and James (2010) document much informal work in the formal construction sector in Sydney where Korean migrants play a crucial role in the tiling industry.

Other writers that have done so include the journalist Robert Neuwirth whose *Stealth of Nations* documents how in the modern sense, there continue to be informal working activities on the streets of many American cities populated by diverse but economically distinct classes. It is diverse because it contains new arrivals or migrants as well as Americans but distinct because it is mainly a preserve of those

TABLE 5.1 Global distribution and trends in informal employment, 1975-2010

Region	1975-9	1980-4	1985-9	1990-4	1995-9	2000-4	2005-10
Northern Africa	39.6	N/A	34.1	N/A	47.5	47.3	58.4
Sub-Saharan Africa	N/A	67.3	72.5	76	86.9	N/A	65.9
Latin America	N/A	N/A	N/A	52.5	54.2	55.9	57.7
Southern and South-East Asia	N/A	N/A	52.9	65.2	69.9	N/A	69.7*
Transition Countries (without Slovakia)	N/A	N/A	N/A	N/A	N/A	20.7	22.6

Source: Charmes, 2012

* Without Mongolia

struggling in society. It does not matter where – Miami, New York, Columbia, Chicago, or Los Angeles – informal workers there are in a backward, dependent, and precarious class (Neuwirth, 2011, pp. 145–168).

University of Wisconsin researcher Alfonso Morales writes on informality in American cities. In his controversial 1995 study, published in *Economic Development Quarterly*, he revealed that informal economies existed in American cities but they are poorly researched. His search of the existing literature at the time even showed that analytical perspectives that are used today in materially poor countries were applied in the few American studies of urban informal economies (Morales et al., 1995a). Halperin (1995) qualified the findings of this study by arguing that the informal economies in the world are similar in terms of their market structure, but different in terms of their status in the chain of distribution. That is, whereas in the richer countries they are only one of many chains, in the poorer countries they are more the norm than the exception. But certainly the many flea markets in the US such as those in Kentucky can be considered informal too. Mukhija and Loukaitou-Sideris (2014) document many examples of informality in the US, ranging from street vending to urban gardening.

The contribution of informal economy to urban and national economies is substantial. They provide additional means of earning income, produce goods and services to support the ‘proper’ economy, and offer goods and services often more cheaply than in formal economies. In some cases, they make contributions to overall municipal revenues by paying direct, even if ad hoc, taxes (Wilson, 2011), or acting as a source of revenue from tourism which arises because these informal economies have become a source of tourist attraction (Chiu, 2013). The contribution of the informal economy across all regions is large, but particularly large in Sub-Saharan Africa, Middle East and North Africa, and India, as Table 5.2 shows.

Based on Table 5.2, it can be argued that, while productivity in informal economies may be low (see La Porta and Schleifer, 2014) or of a different kind to those in capitalist firms in the formal economy, informal economies make a major contribution to the economy. Neither of this gives us a full picture because the actual size of the informal economy, by definition, is difficult to know and measure. In addition, the conception used in Table 5.1 glosses over

TABLE 5.2 The contribution of the informal economy to GDP (%), 2000

Region	Including Agriculture	Excluding Agriculture
Sub-Saharan Africa	66.7	33.3
Middle East and North Africa	36.2	26.2
India (representing Asia)	50	33.3
Latin America	29.2	24
Eastern Europe (Transition Countries)	19.5	11

Source: Charmes, 2012

the informal economy outside the informal system. Also glossed over are racial and gender aspects of urban processes. The trends are even harder to analyse although no substantial decreases have been found, while major increases have been recorded in the literature (Charmes, 2012). Yet, this effort gives us a rough picture about the importance of the informal economy in cities around the world.

Work experiences in informal economies

Mainstream analysis has sometimes claimed that workers themselves benefit from informal economies. As a major employer of labour, the informal economy is beneficial to the workers themselves and their families. In one case, American bureaucrats even claimed that workers in the informal economies of richer countries are being helped to send remittances so informal work ought to be regarded as some kind of aid (Sachs, 2006). For mainstream economists, the concern about informal economies is that they are inefficient and often escape taxes (Dijkstra, 2011). In turn, the tendency is to blame such workers or to formalise their work to make it more efficient and regular.

Critics of mainstream analysis point to systemic exploitation in such employment related to poor labour rights, underpayment, lack of social protection, and lack of employer contributions for the future security of employees. These are important concerns. Indeed, *The Economist* (2014) even claims waste pickers in Indian refuse dumps develop rashes and many others have been buried alive in the past. More systematic research on the dire health implications of scavenging complements these claims. In the West African city

of Accra, for example, it has recently been established that the urine of e-waste workers contains health-threatening levels of chemicals directly related to work on recycling sites (Asante et al., 2012). To be sure, the health ramifications of recycling are disproportionately heavier on the poor often working at the bottom of the chain in formal economies either as collectors or refurbishers, while the relatively much wealthier groups (scrap dealers and recycling company bosses, for example) are insulated from the hazardous work of recycling at the grassroots (Amankwa, 2013).

Like the implosion within the labour market, there is also an explosion for the environment. Recycling practices of burning unleash heavy doses of hazardous chemicals into the environment to be inhaled not only by the workers but also by other city residents – typically poor – residing close to the work sites. There is also poor sanitation on-site which gets washed into water bodies nearby, first choking off the flow of water and hence creating breeding grounds for mosquitoes (in tropical areas), and second creating major respiratory problems for both workers and people residing nearby (Amankwa, 2013).

Similar exploitative concerns apply in ‘community’ garbage collection in Dakar, Senegal where Lebou women, especially, are indirectly bullied by system failures and patriarchal structures to do low or no-paid jobs for the ‘common interest’, for Dakar and for Senegal – at the peril of their health (as they are ill supported to do the work) – and livelihoods (as they are poorly paid) (Fredericks, 2012). Geographically, exploitation in informal economies is not limited to West Africa: it is global, as we see in many accounts in *Economies of Recycling: The Global Transformation of Materials, Values and Social Relations* recently edited by Alexander and Reno (2012), if not common to the capitalist mode of production (Barnes, 2012). In turn, what begins as a creative profit-making enterprise for a few sets in motion an environmental crisis for major urban centres with disproportionate costs for the poor.

In China, the informal economy operates in a slightly different way. Dominated by African migrants, it is a testimony of how the wires of international trade and trade liberalisation can be used by a few to slide smoothly on the wall of ‘progress’ and by a majority to hang, especially when economic life becomes too giddy. The account of Margaret Lee (2014) shows how in China’s ‘Chocolate City’ (so called because it is deemed an ‘African city’), Guangzhou, African

migrants do brisk business sometimes successfully but often under difficult circumstances such as the complexities of communication, navigating officialdom, persistent police crackdowns, and harassment. These challenges typically result in economic hardships which, in turn, create family relationship problems (Tremann, 2013; Ozkul and Obeng-Odoom, 2013; Lee, 2014).

Regardless, some of these workers are able to export some goods to Africa or take the goods to Africa themselves where these goods join others exported or taken there by the Chinese and other goods produced locally to create new complexities in the informal/formal dialectics at the national and regional levels (Aidoo, 2010; Tremann, 2013; Ozkul and Obeng-Odoom, 2013; Lee, 2014). Chinese goods that arrive in the informal economies in cities in Africa sometimes enable some informal workers to make extra money because they are cheap and sell fast. This process, in turn, attracts or compels some informal workers to trade Chinese goods. However, their biggest footprint has been their effect on formal, semi-formal local establishments whose returns tend to plummet with the stiff competition posed by the influx of cheap Chinese goods produced or brought in through *cheapened* labour. In turn, Chinese engagements not only help informal economies, they also harm informal economies (when they displace other informal work), and shift labour around in the informal economies for good or for ill.

Analytically, it can be argued that some workers in the informal economy in Guangzhou are caught in a downward spiral in which one challenge leads to the other in ‘a circular and cumulative way’ (a dynamic process of poverty and inequality creation to which I return in the next chapter), but others return to work in more formal settings in Africa where they establish shops and stalls, in which case they live the informal/formal dialectic on an international scale. Others return to Africa to live not only a formal work life but also a national-level formal/informal lifestyle, mixing some pleasure with pain and hence confounding a simplistic view that informality is but a temporary stage where some little pain leads to permanent gain.

Some contend that the workers must themselves be blamed because they are inefficient and escape tax payments (see Dijkstra, 2012). More thoroughgoing studies and investigations, however, show that the informal economy provides much-needed municipal revenue either because the residents make direct payment of taxes

or that spin-off revenues arise from the operation of the informal economy. Experiences in Taipei illustrate the point. There, informal economies serve as tourist sites and hence the state extracts some rents from informal workers (Chiu, 2013).

Most of the work done in the informal economy is legitimately in the domain of the state and the municipal authorities, and it is the non-performance of their duties for a multiplicity of reasons coupled with the worsening material conditions of urban residents, and the rise of the private sector, that drive and sustain informal work such as e-waste management. It is these same forces that set in motion exploitation and expropriation in the plastic waste sector too (Grant and Oteng-Ababio, 2012; Obeng-Odoom, 2014b). The state, then, benefits from getting precarious labour to execute municipal activities for which it is responsible.

Overall, it is the poor and weak groups in cities (women, children, migrants, and ethnic minorities) who are dominant in informal economies. They work in tough and harsh conditions. While the poor buy almost entirely from the informal economy, those in affluent classes benefit from such economies. There are garden boys and cleaners, employed from the informal economy, and those who make dog chains in the informal economies and sell them to the rich (Asiedu and Arku, 2009). Ultimately, however, it is the owners of capital (local/international) who benefit the most, for example through the use of labour to help in the production process and the marketing of commodities in slums, corridors, and other urban spaces in the informal economy (see Broadbent, 2011).

The causes of the informal economy: dualism, legalism, or structuralism?

Three of the most widely used analytical perspectives, looking at why informal economies arise and exist, are the dualist, legalist, and neo-structuralist frameworks (Wilson, 2011). Sir Arthur Lewis is widely regarded as a pioneering thinker in the dualist tradition (Gollin, 2014), but his approach, rooted in classical economics, differed substantially from neoclassical approaches to dualism, as this chapter will show. New institutional economists such as Hernando de Soto and Douglas North are regarded as legalists (Maiti and Sen, 2010), while Dae-Oup Chang (see Dae-Oup, 2009) and Henry Bernstein (e.g., Bernstein, 2009) are regarded as neo-structuralists.

One distinguishing feature of all three perspectives is the temporality or permanence of informality.

The dualist view, reasoned by Lewis and the ILO, contended that the informal economy will disappear with ‘development’ – economic growth, to be more precise – or adequate government support to employment (Wilson, 2011). Arthur Lewis’ work on dualism which, according to Becker and Craigie (2007), is his most memorable, and the study that earned him a Nobel Prize in economic science, looked at ‘economic development with unlimited supplies of labor’ and a process which he famously called a ‘dual economy model’ (Lewis, 1953). Lewis argued that economically backward countries had two distinct characteristics, namely a bifocal economy, one subsistence, the other capitalist; and unlimited labour. He argued that, in the process of economic development, the large subsistence sector (as in agriculture) loses ‘surplus labour’ to a relatively small capitalist sector of the economy. According to Lewis, an expansion in profit for capitalists is conducive for economic development because capitalists would reinvest what he called the ‘capitalist surplus’, a process that would drive capital accumulation which, in turn, would draw surplus labour from the subsistence sector of the economy into the modern sector (Lewis, 1954, 1979). The process, as Lewis saw it, impelled urbanisation, but he did not feel that this kind of urbanisation was problematic (unlike Michael Lipton – see Lipton, 1977 – after him) because he thought the labour being drawn from the subsistence sector in the countryside could be regarded as ‘surplus’. To him, ‘these occupations usually have a multiple of the number they need’ (Lewis, 1954, p. 141). He argued that the surplus labour could be halved in the subsistence economy without impairing output there.

Lewis thought that, although the private sector can lead to the process of accumulation, it was not the only or even the most desirable agent for accumulation. He argued that a private sector-led accumulation process would be inherently unequal, but only for a short time. He suggested that the gap between capitalists and the rest of society would narrow as the wages of the surplus labour progressively increased. He argued that a state-led accumulation was also possible. Indeed, he stated that ‘capitalist’ does not mean private capitalist, but would apply equally to ‘state capitalist’. He added that ‘the state capitalist can accumulate capital even faster than the private capitalist, since he [sic] can use for the purpose not only the

profits of the capitalist sector, but also what he can force or tax out of the subsistence sector' (Lewis, 1953, p. 159). In fact, he advised the Government of Ghana (then called the Gold Coast) in 1953 that the Gold Coast Industrial Development Corporation should be involved in economic development by forcing the private sector into increasing capital accumulation. His preferred approach regarding the role of the state was for the state to be a 'family doctor' rather than a 'policeman'. That is, the state needed to show in which areas and in what ways investments needed to take place to expand capital which, in turn, would create employment, increase wages, and eventually close the gap between capitalists and the rest of society (Lewis, 1953, p. 13).

Although Lewis argued that neither classical nor Keynesian models of economic development were appropriate for analysing the problems of development and underdevelopment of backward countries because both assumed a limited supply of labour (Lewis, 1954, pp. 139–141), he was, broadly speaking, working within the general framework of classical economic analysis and, as with the classical economists, he found the driver of economic development to be capital accumulation or the expansion of the productive forces of capital. Becker and Craige (2007) have noted that, precisely for this methodological difference from the mainstream, opposition to Lewis' analysis came mainly from the mainstream, neoclassical economists of his day and other neoliberals.

The crucial difference between Lewis and the neoclassicals lies in (a) their theories of growth and (b) their conception of the relationship between the formal and informal economies. While Lewis relied more on a structuralist theory of growth, the neoclassicals depended on the Solow-type growth theories and their modifications (as discussed in Chapter 4). The structuralist approach views economic growth as dependent on structural change. In this sense, it is when certain sectors undergo positive transformation that growth can flourish. The best-known types of the demand-led growth approach are Kaldorian and Kaleckian. Kaldorian theories see economic growth as a function of increasing demand and deliberate expansion of productive forces. Kaleckian approaches more strongly emphasise the distribution of surplus value between wages and profits and how such distribution is related to the rate of economic growth (Gore, 2007, pp. 33–37). Charles Gore (2007, p. 37) puts forward a 'structure-and-agency' model with two features, combining the key criticisms of existing

mainstream approaches (which centre on structure and demand conditions) and invoking institutional dynamics to explain growth patterns. Regardless, it is the balloon/production function approach to economic growth that dominates the dualism of neoclassical economists (see also Chapter 4).

The formal–informal economy relationship is the other way in which Lewis’ dual sector view differs from the neoclassical view. For Lewis, there is a relationship between the formal and informal economies and structural changes in the formal economy and the entire society would reduce the informal economy with a large labour stream. Mainstream economists, on the other hand, posit a limited or antagonistic relationship between the two economies.

For instance, in a recent paper in the *Journal of Institutional and Theoretical Economics*, Bouwe Dijkstra (2011) claims that there are two types of economies ‘out there’; one formal (good one); the other informal (bad one). He argues that the informal economy has nothing to do with the formal one, for example the informal economy cannot employ labour in the formal economy. Further, the informal economy is unproductive and inefficient and it hurts the informal economy. Even worse, the informal economy pulls the formal, ‘above ground’ economy underground. Similar arguments have been made by Rafael La Porta and Andrei Shleifer (2014) in a recent paper in *Journal of Economic Perspectives*. According to them, ‘economic growth comes from the formal sector: that is, from firms run by educated entrepreneurs and exhibiting much higher levels of productivity’. For them, ‘the expansion of the formal sector leads to the decline of the informal sector’ (La Porta and Shleifer, 2014, p. 110). In fact, ‘the informal economy is largely disconnected from the formal economy’ (La Porta and Shleifer, 2014, p. 110).

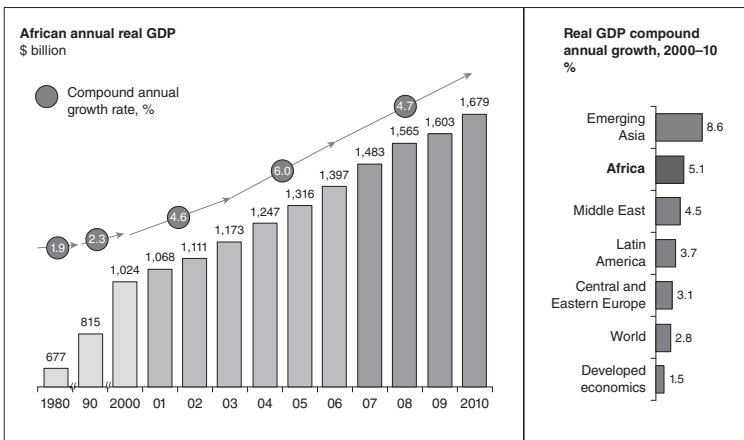
For new institutional economists, especially Hernando de Soto, the Peruvian economist, people in the informal economy, particularly those with property, would want to seek formality but the cost of doing business discourages them from doing so. As entrepreneurs, they will not enter the informal economy if the rules for doing so are made more business friendly and their property rights are formalised and made tradable (de Soto, 1989; 2000). Neo-structuralists, such as Mike Davis (2006), on the other hand, stress the structural roots of informality and how it is unlikely to disappear, being a core feature of capitalist urbanism.

The real informal economies

Turning now to the dualist view, it is useful to look at the global trends in economic growth. As noted in Figure 5.1, most African countries are growing speedily now, earning them the collective title, ‘Africa on the rise’. On average, Africa is the second-fastest-growing region. Other emerging economies are growing quickly too, as can be seen in Figure 5.1.

Yet, as can be seen in Table 5.3, the regions with the growing levels of informality are also the regions with high levels of growth. The problem, however, is the type of growth. Most of this growth is driven not by structural change in the economy but either by the service sector in routine jobs (such as trade and financial services) and the sale of primary goods and mineral resources. Indeed, there has been deindustrialisation in most parts of Africa or the manufacturing sector is growing so slowly that it can hardly make any substantial structural changes (African Development Bank et al., 2014). So, while the dualist perspective is not entirely convincing, it is particularly not convincing for the neoclassical interpretation of dualism.

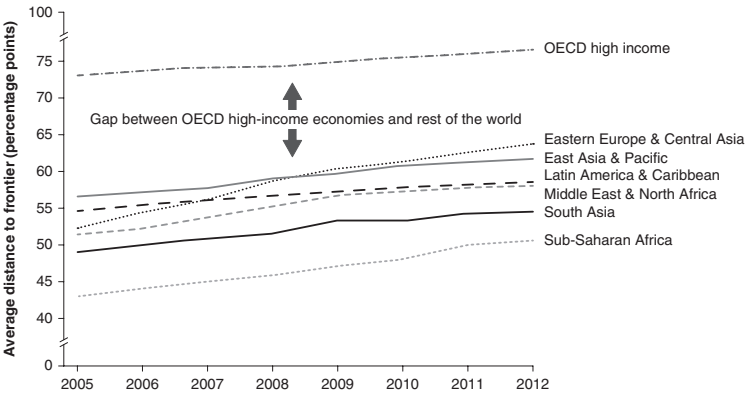
The claim by legalists that informality will diminish if the cost of doing business declines is easy to verify using evidence carefully compiled and reported in the *Doing Business Report*, an annual report



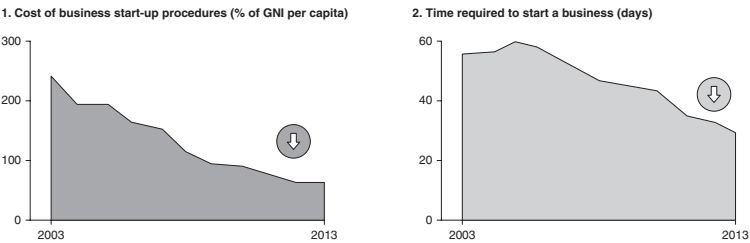
5.1 Economic growth in the world compared, 2000–10 (source: McKinsey Global Institute, 2012, p. 1)

by the World Bank and the International Finance Corporation. The 2013 report contains thought-provoking evidence, as detailed in Figure 5.2.

Figures 5.2 and 5.3 show the rapid loosening up of the processes of establishing businesses. In Africa, both the cost of doing business and the time taken to establish a business have dramatically declined since 2003 (Figure 5.2). Yet, Sub-Saharan Africa and Eastern Europe, where the declines have been most rapid, also have the most pervasive informal economies. Admittedly, Africa’s informality is on the decline (Table 5.2), but the persistence of informality in other regions, say North Africa, even when there are now clearly easier



5.2 Ease of doing business around the world, 2005–12 (*source*: World Bank (2013, p. 8))



5.3 Ease of doing business in Africa, 2003–13 (*source*: African Progress Panel (2015))

ways of establishing business, should lead to the problematisation of the legalist view.

There are two additional problems with the legalist view. First, its claims are empirically over-simplistic in the sense that they present informal labour as entrepreneurs oppressed by statist regulations that are too difficult to follow when in practice much informal work is not entrepreneurship. Research in Santiago de Chile (Bauwens and Lemaitre, 2014) shows that much informal economy work operates on a ‘social and solidarity economy’ basis – in terms of aims, operation, activities, and organisation. The units do not aspire to accumulate profit; they try to develop the well-being of workers by focusing on non-economic activities and returns are mostly shared among the workers and community members, not in terms of contribution but needs and hard work. This case study is supported by global research by the United Nations Research Institute for Social Development (UNRISD). Second, the legalist assumption that informal workers are ‘rational, profit-maximising’ market actors who choose to work in informal economies is unfounded because most informal labourers have no choice. Instead, they are compelled to work in informal economies because of structural reasons (Maiti and Sen, 2010; Barnes, 2013). So, the legalist view is also inadequate.

The argument of the neo-structuralists does not deny that there can be social mobility. Indeed, by its very dialectical nature, informality and formality are different sides of the same coin and formerly informal can become formal. But these dynamics are central to the internal logic and contradictions of the capitalist system. In a recent publication titled ‘Is Informal Economy Normal?’ (OECD, 2009), the authors strongly argue it is. *The Economist Magazine*, not at all known for any neo-structuralist Marxian analysis, argues that more prosperity tends to bring more informality. So, from both analytical and substantive perspectives to the anecdotal, the neo-structuralist view seems to gather the most support, although it can usefully draw on some (e.g., the need for structural change for job creation) of the classical analysis of Lewis by creating and sustaining institutions that support quality employment-based economic growth. Capitalist firms, or generally the drive for profit, tend to lead to informality of various kinds to reduce the cost of production, enhance the movement of goods and services, and ensure the greater consumption of production

for profit. Yet, as the evidence on the international dimensions of informality shows, even the neo-structuralists will need to be sensitive to the dynamic nature of informality and its complexities when through inter-continental trade the experiences of informal workers and work cannot simply be analysed within national neo-structural frameworks which pay scanty attention to gender and race although informal economies are highly gendered and racialised.

Moving forward: the state, revolution, consensus, or challenge?

Responding to informality continues to be a challenge. Efforts tend to revolve around focusing on the state, bringing about a leaderless revolution, using consensus, cooperation, or what is sometimes called ‘good governance’, and radically challenging the urban establishment. It is not always the case that one is solely pursued. Typically, there is a combination and conflation of approaches. For instance, the ILO tends to combine state and consensus approaches in bringing about its vision of ‘decent work’. In its own words, ‘The International Labour Conference conclusions endorsed “an approach based on decent work deficits”’. The approach, the ILO continues, draws ‘upon the ILO’s mandate, tripartite structure and expertise’. It insists:

This approach should reflect the diversity of situations and their underlying causes found in the informal economy. The approach should be comprehensive involving the promotion of rights, decent employment, social protection and social dialogue. The approach should focus on assisting member States in addressing governance, employment-generation and poverty-reduction issues. The ILO should take into account the conceptual difficulties arising from the considerable diversity in the informal economy. (ILO, 2002, p. 1, resolution 3)

The real emphasis of the ILO’s thinking can be found elsewhere in the same document: ‘In the world today, a majority of people work in the informal economy – because most of them are unable to find other jobs or start businesses in the formal economy’ (p. 5, appendix, conclusion 2). The de Soto-like thinking of the ILO shines through much of conclusion 14: ‘Informality is principally a governance issue. The growth of the informal economy can often be traced to inappropriate, ineffective, misguided or badly implemented

macroeconomic and institutional frameworks; and the lack of good governance for proper and effective implementation of policies and laws' (ILO, 2002, p. 7). More recently, the ILO has emphasised this approach in its *Informal employment among youth: Evidence from 20 school-to-work transition surveys* (Shehu and Nilson, 2014). Analytically, however, it is important to reflect on the state, market/capitalism for the masses, and workers-based challenge responses to informality in turn.

The state The state attempts to stamp its authority by destroying informal economies altogether, often developing iconic built forms where informality used to flourish. Such an approach was common in Paris several centuries ago under the famous state architect, Georges-Eugène Haussmann (Harvey, 2008a). This autocratic approach characterised colonial urban policy typically based on the ideas of fragmentation and spatial hierarchies (superior white neighbourhoods versus inferior black settlements). Today, it happens in much of Africa, Asia, and Latin America (Peters, 2013). While quite different because of the institutional diversity across regions, they share one thing: their failure to demolish the informal sites for good (Davis, 2006) as we see in cities such as Accra in Africa (Obeng-Odoom, 2011) and Surabaya in Asia (Peters, 2013). The simultaneous use of informal economies as a gift or a whip – to reward and co-opt sympathetic electorates and to punish 'opposition electorates' – is yet another strategy. So, for informal workers perceived as pro-government in urban Ghana, their places of work are not the target of state raid, whereas for perceived dissenters they are punished (Yeboah and Obeng-Odoom, 2010; Bob-Milliar and Obeng-Odoom, 2011). In doing so, however, the state first socialises the cost of businessmanship at the expense of human and environmental conditions and second destabilises any revolutionary potential in the informal economy as a whole, as it consciously divides the ranks of informal workers.

A middle ground seems to be the consensus approach. It is becoming common, particularly in international development planning where the interest seems to be to leave the informal economy alone. Chihsin Chiu's work, a prize-winning article in the *International Development Planning Review*, demonstrates the point. In that paper, Chiu argues that city authorities, the Municipal

Police Force, and informal workers in Taipei seem to be showing a new way of managing informal economies. Here, there is a silent agreement between traders and authorities which allows traders to keep working informally in the night market of Taipei but cease doing so when the police arrive (Chiu, 2013). Traders work in an orderly manner with some keeping an eye on the arrival of the police whereupon other traders are notified quickly. Typically, the informal traders carry goods in portable briefcase-like containers that make it possible for them to end trading activities as soon as the police show up. The traders theatrically and figuratively metamorphose into bystanders or people in the city going about their private conversations.

The police, who are clearly aware of what is happening and hence show up only when market activity is less brisk, also turn a blind eye, making a show of being in control and keeping order, while the traders make a show of being law-abiding. After a while, the police drive off in the full knowledge that commercial activities will resume. So theatrical is this scene that it now attracts tourists – providing additional income to the city authorities (Chiu, 2013). That said, the two seem to exist side-by-side. Individual uncertainty may be addressed by this consensus, but what about the conditions of the informal workers? What about their bargaining rights and collective self-protection?

Capitalism for the masses De Soto advocates the formalisation of property to turn informal workers into capitalists. This is a process in which a market ‘externality’ is internalised so that the informal economy can better work within a market logic (de Soto, 2000). It is an approach that remains highly influential, especially among mainstream governments and international institutions that support greater market processes and the limited role of the state (Gilbert, 2012). This perspective has recently been emphasised in the literature (see, for example, de Soto, 2011; Martin, 2012; Malik and Bassem Awadallah, 2014).

De Soto’s interviews conducted with townsfolk, friends, and relatives of Mohamed Bouazizi’s – the Tunisian street vendor who set himself ablaze because of the frustrations, harassments, and intimidation caused by a municipal officer – end dramatically with the words of Bouazizi’s brother who, in response to a

question about what Bouazizi in heaven might have hoped to achieve with his immolation, says ‘that the poor also have the right to buy and sell’ (de Soto, 2011, p. 3). This is what Martin, in a presentation to the Mont Pelerin Society and later in a paper published in *Economic Affairs*, interprets to be a ‘revolution for “laissez faire”’ (Martin, 2012, n.p.). From this interpretation, the solution to the cankerous social problem of poverty is to enable more marketisation.

While persuasive on the surface of it, this view leaves unanswered many questions: how did the informal economy arise historically in North Africa, in whose interest has it been maintained, and what ends will further marketisation serve? Systematic research that digs beyond *individuals* and *symptoms* and explores the question of choice – that is, what choices and options are available to informal workers and life course aspirations, and how they are made and remade (e.g., Kuhn, 2012) – clearly suggests that an anti-market interpretation of events in North Africa and the Middle East is more persuasive. Indeed, Tunisia had been dutifully embarking on widespread marketisation and, at the time of the protests, was being hailed as an exemplar of marketisation success (Joffé, 2011, p. 509). The attempt to delink articulated market processes and claim that non-market institutions such as the state are not part of the market is analytically dubious. Indeed, Friedrich Hayek (1945), in his famous *Road to Serfdom*, notes that it is only the state that can direct the market for profit.

The other path to the de Soto approach is to advocate DIY: do it yourself. The thinking that the solution to the problem of the informal economy as a whole is to leave it alone with minimal government intervention was highly popularised by the architect John Turner (Turner, 1976). Robert McNamara, who was president of the World Bank around the time that Turner’s work was published, and the Bank’s Urban Development Department actively promoted the idea (Davies, 2006) and even supported such self-help projects with aid, hence the name ‘aided self-help’ (Drakakis-Smith, 1987). It is a popular option for government and the international development community because it is cheap and requires no pressure on government. It is a perfect marker of the rise of the age of responsibility and a fall in the age of entitlement.

In more recent times, this age of responsibility thesis has been advocated by Ross Cairns (2011) in his book *The leaderless revolution: How ordinary people will take power and change politics in the 21st century*. Cairns' thesis is that ordinary people can bring about the good society if they reclaim individual agency. For Cairns, governments cannot solve social problems, so rejecting the state, institutions, hierarchy, and authority, and exercising greater agency constitute a more effective approach. It is only by so doing, according to Ross, that we can bring about a happy and good society. Communism is not an option, Ross says, because it is against individual liberty. There is only one way: we must act now, as individuals and as empowered agents.

There is a large body of empirical work that shows that this path only serves the rich, drives up inequality, and offers limited upward mobility for those in informal economies (see, for example, Peters, 2009; 2010; 2013; Barnes, 2013; Brown et al., 2014; La Porta and Shleifer, 2014). So, another alternative is needed.

A Marxist alternative A more thorough solution lies in the radical Marxist tradition. It asserts that the root cause of the problem of the street economy is the class nature of the informal economy. Those who stand to gain from the *status quo* such as financial institutions offering mortgages, developers, landlords, and the owners of capital generally defend it, but those who aspire to better their wretched life conditions would normally want to seek to overthrow the system.

This implies a change in how production is organised in society, from one in which the means of production is held by individuals to one in which production is socially managed. This would mean that all people have work and they have a say in what is produced, how much is produced, and for whom it is produced. That is, there would be workplace democracy. In terms of housing, it would mean a total abolition of all other tenures apart from public housing. In this regard, members in the community will have a say in what type of housing is needed in the community, and which facilities are needed. This project of social management would not mark the end of the rights to private life. Rather, it would strengthen the social unit for communal living (Cowley, 1979, p. 146). Under a socially managed

economy, there will be more cooperation between and among individuals, not competition as we have it today. In turn, society would become more equal.

These ideals may look utopian, naïve, and even ‘impractical’. If they do, it may be because of the stark inequalities, selfishness, greed, and individualness that the capitalist mode of production forces on all others (Cowley, 1979, p. 147). It may appear naïve because of the propaganda that a ‘tragedy’ awaits all communal ownership, resulting in the highly influential but historically misleading theory of the tragedy of the commons (see the numerous cases that disprove this ‘tragedy’ in Ostrom, 1990).

However, the Marxist solution has its own problems too. One of them is that it is time consuming. When decision making is in the hands of a few individuals, as in when developers unilaterally decide what type of housing a whole community needs, it is much quicker to arrive at ‘solutions’. Participatory approaches to community planning normally take more time. Also, the concept of ‘community’ itself is problematic. As Erhard Berner and Benedict Phillips asked in one of their papers in *Community Development Journal*: does ‘the community’ mean everyone, the majority, the men, older ones, the more eloquent, or the well-built ones (Berner and Phillips, 2005, p. 23)? There are other problems. To bring about social management, there is a need for a complete rupture from the existing capitalist system. This rupture will not come about without a struggle. That struggle needs solidarity, but how easily can this solidarity be obtained in the capitalist world?

Informal workers do not constitute one homogenous group. There are the poor entrepreneurs and the very poor. Expressions like ‘informal petty bourgeoisie’ and ‘informal proletariat’ have been used by several researchers to describe the class nature of informality. There is increasing competition and decreasing cooperation in such economies. As Drakakis-Smith (1987) argued, it is wrong to view the informal sector, *en masse*, as revolutionary. However, it is also wrong to think of the sector as conservative, *stricto sensu*, given the evidence of disobedience and demonstration earlier discussed. So what is the practical way forward?

Institutions Aspects of the socialist alternative are practical. There is nothing as practical as knowing the structural causes of the

contradictions within the informal economy, appreciating the institutions on which these structures rely, and, subsequently, advocating the extinction of such institutional foundations of the informal economy. The question then should be, 'what are the intermediate steps to be taken till the ideal is reached?'

It is a question to which institutional and Neo-Marxist political economists have provided much insight. Michael Kalecki (1990), for example, has argued that full employment is possible provided government wills and plans to employ every available labour power. Opposition to full employment, Kalecki argued, is often not only because the captains of businesses fear a loss of profit, but also because the sack can no longer be used to discipline labour. Also, the social position of the boss is likely to be reduced in such a situation. However, the state could be pressured to provide full employment. That is, the government of Ghana could provide full employment through public investment (in sectors such as schools, hospitals, and affordable housing), public subsidies through borrowing (among others, subsidising necessary goods and family allowances), and active redistribution of wealth from the rich to the poor (through, say, tax on undeveloped land) (Kalecki, 1990). By taking a leading role in providing housing and employment, the state could better address informality. As for the problem of ensuring secure tenure, security of tenure simply means the freedom from fear of forced eviction either from a slum or the streets (UN-HABITAT, 2007a). That is, the government could find something better for the public purse than using it to make life unbearable for the poor.

This conclusion is a transitional arrangement, whereby stronger state support and public expenditure are diverted from 'social control' to redress the root causes of poverty that underpin slums and informal economic sector activities. But then, of course, in advocating this different role for the state the features of the state that have been described in this chapter stand in the way of the possibility of embracing the more progressive policies. There is the need for the organisation of the informal sector to heap pressure on the state to set in motion a 'struggle in and against the state' to dismantle or weaken the capitalistic or bureaucratic aspects of the state (see, for example, Stilwell, 2012, pp. 236–238; pp. 241–250 for a general discussion of such struggles).

The economic journalist Philip Mattera (1985, pp. 124–127) pointed out about three decades ago that there are several problems with organising people in the informal economy or *l'economia sommersa*. First, they tend to be dispersed and heterogeneous. Second, some of the workers may be afraid of being detected or evicted, if seen to be involved in 'revolutionary' activities. Third, a self-delusion of being self-employed could make them disinterested in collective organisation. Nonetheless, recent efforts by the Trades Union Congress (TUC) of Ghana, for example, to empower the informal sector workers by developing 'a manual for legal and social protection for workers in the informal sector' (Awuah, 2010) bring some hope.

However, the TUC seems to be assuming that informal sector workers are exploited *only* by other 'bosses'. Because of that, the TUC is concerned with empowering workers against their employers. While this strategy may work in the formal sector and for informal workers employed by others, the majority of hawkers, market women, and dog chain sellers in the informal sector are 'self-employed'. Their exploitation is, therefore, caused by the entire system. Additionally, the TUC focuses mainly on the 'economics' of the problem without looking at the other two aspects – physical housing conditions and legal tenure – of the three-dimensional problem of informality.

It seems that the real hope for exerting pressure on the state does not lie 'outside' the ranks of the 'victims' of forced evictions, but within it. The real traces of hope lie in the reactions to the instances of forced evictions, of exploitation, of struggle. It is these tensions and contradictions that could potentially lead to a remedy for the dehumanising conditions in the informal sector.

There is much hope in this sense. 17 December 2010 has now become the international day for revolution for street vendors. It was the day on which Mohamed Bouazizi set himself ablaze. This sparked off protests that caught on in Libya, Egypt, and Algeria. There were, of course, proximate drivers, notably general repression of political freedoms and worsening economic conditions (Joffé, 2011), but it was, at least in the case of Tunisia, the informal economy where the tensions and contradictions exploded literally and figuratively.

The revolution in urban Tunisia sent tremors right through the global financial headquarters: Wall Street, where the Occupy Wall Street Movement arose. The Movement demanded a wrangling of

the state away from the clutches of capital right at the very fulcrum of world capitalism, as we saw in the rise of the ‘99%’ against the other 1 per cent in the historic Occupy Wall Street Movement (Writers for the 99%, 2012). While this uprising against the American financial and capitalist structures did not have its roots in the working class only, as Marxist expectations of a revolution will have it, it had many progressive credentials such as democratic decision making and, most importantly, a desire to transform existing capitalist structures that transform the state as an oppressive institution for the advancement of capitalist processes.

Specifically, the first official document produced by the movement, ‘Principles of solidarity’, demanded the following:

engaging in direct and transparent participatory democracy; exercising personal and collective responsibility; recognizing individuals’ inherent privilege and the influence it has on all interactions; empowering one another against all forms of oppression; redefining how labor is valued; the sanctity of individual privacy; the belief that education is a human right; and endeavouring to practice and support wide application of open source. (cited in Writers for the 99%, 2012, p. 22)

Thus, much like the demands of protesters in North African informal economies (Springborg, 2011), the underlying motive for the Movement in the US is challenging and transforming capitalism as a system.

The social movement and struggles that arose in North Africa, the Middle East, and the US are neither complete nor entirely successful (see, for a discussion, Joffé, 2011; Springborg, 2011; Writers for the 99%, 2012). Yet they strongly make the point that chipping away the hegemonic capitalist system bit-by-bit is as effective as a revolution that is expected by some radicals to blow away capitalism overnight. The real success of the Movement and others of a similar orientation is to drum home that There are A Thousand Alternatives (TATA) characterised by specific demands and presentation of concrete alternatives clustered around commoning, caring, and critique of corporate-driven economic development which currently colour the prevailing capitalist system (Wichterich, 2014). So, to turn back and ask for more marketisation is to turn back the hand of the clock.

What can be done in the march forward is to follow what the United Nations Research Institute for Social Development (UNRISD) and others now advocate: to pursue a social and solidarity economy as a possible way to move away from individual actors to cooperation first among the individual workers and second between their cooperatives and the state. Crucially, the strategy is one that leads not so much into typical capitalist outcomes or processes but to social and economic processes, procedures, and outcomes (United Nations Inter-Agency Task Force on Social and Solidarity Economy [TFSSE], 2014; UNRISD, 2014; Utting et al., 2014). This approach seeks to attenuate capitalist urban processes by forming unions and solidarity groups to transform capitalism from above, but there is another alternative that seeks to undercut capitalist urbanism from below: the Marxist alternative.

Conclusion

The size of the informal economy alone makes it essential that it is studied, but so do its unique characteristics, especially the various ways of producing surplus value (including profit) which are not considered in ‘formal’ approaches to urban economic analysis. That said, in spite of ‘definitions’ of ‘informal economy’ that portray it as ‘different’, this chapter shows that the informal–formal relationship is better seen as dialectical and fluid not only *within* national borders but also *across* borders and *over* seas. Dualist and legalist approaches and predictions falter in the face of empirical evidence, but they can be part of analysing the informal economy, among others, to unravel the ideological bias towards more capital accumulation and economic growth as a way to solve all socio-economic issues. Neo-structuralism offers firmer grounds for analysis, but it can be too nation-centric and, much like the others, pays little attention to race and gender although these social forces also condition informal economies.

In effect, a nuanced analysis of the ‘urban economy’ will go beyond existing models of the ‘urban economy’ to provide a deeper and more detailed analysis of the urban economy. From this broader, more real-world, and more political economic perspective, we can also analyse urban poverty and socio-spatial inequality.

6 | URBAN POVERTY; SOCIO-SPATIAL INEQUALITY

Introduction

Closely related to but quite distinct from precarious work in informal economies is urban poverty. For economists, the poor are those who earn below a certain income threshold (poverty line). Indeed, in the standard textbook of urban economics by O'Sullivan (2012, pp. 283–284), poverty is equated to 'low-income' workers, families, and households. For many years (1990–2009), the international poverty line was \$1 per day on the basis of which Martin Ravallion and others (2007) estimated that, between 1993 and 2002, some 50 million poor people were added to the existing number of people considered 'urban poor' around the world. This share is likely to increase – for the economists – 'because' poor people in rural areas are urbanising (Ravallion et al., 2007). The international poverty line has shifted upwards since 2010 to \$1.25 per day and is likely to alter the *number* of the urban poor, but neither the share nor the trend of poverty is likely to change. The expectation is that by 2035, cities will be home to most of the world's poor (UN-HABITAT, 2007b). This trend is not limited to the so-called 'third world' cities, but also the global cities in the 'first world'.

Indeed, Hodgetts et al. (2014) have found that urban poverty is on the rise among OECD countries such as New Zealand where the social conditions of the urban poor are demeaning too and, even worse, unacknowledged. In Australia, it is well known that much of the Indigenous population lives in grinding poverty (Lahn, 2012). Placing the emphasis on Indigenous Australia, however, can hide the prevalence of urban poverty among non-Indigenous groups in Australia (Saunders, 2011). Indeed, it is this story – the reality of poverty among white families in Australia – that *Struggle Street*, a widely popularised documentary about the struggles of urban poor families in Mt. Druitt, a suburb in Sydney, Australia's global city, recounts.¹ The pressure to hide or desist from telecasting the 'white

1 SBS, 2015, 'Struggle Street', documentary aired on SBS on 6 May 2015.

face' of urban poverty, summarised by the Mayor of the area, Stephen Bali, as 'poverty porn' (see the report in *Sydney Morning Herald* by Koziol, 2015), in a country where 'black poverty' is consistently on display, raises a different set of political economic concerns to the sorts of issues that engage the attention of economists.

Urban and development economists take the rising trend of urban poverty seriously, of course, but poverty is considered a problem only because it is a brake on the process in which the capitalist system reproduces itself. An economy with too many poor people is unlikely to flourish. On the demand side, the poor will not be able to purchase the goods and services that are produced and, on the supply side, the poor, sick, and weak are unlikely to hire themselves out for work to expand production (Bose, 2013). Mainly for these reasons, urban poverty has been on the radar of mainstream economists for some time now.

Unlike inequality which often divides the ranks of economists, there is an overwhelming consensus among mainstream economists about the importance of tackling urban poverty. Most recommend focusing on economic growth, dealing with inequality to the extent that it is a brake on growth, creating better housing, land, and municipal services markets for cities, investing in human capital development in cities, and promoting a culture of entrepreneurialism – the absence of which has been described as the causes of urban poverty (see, for example, World Bank, 2001; Klugman, 2002; Glaeser, 2011).

This chapter examines the claims about the causes and posited solutions to urban poverty in more depth. It shows that the mainstream economics perspective has been highly influential, providing the inspiration for most international policies on poverty reduction. Economists have taken into account criticisms about the 'multidimensional' nature of poverty by complementing their analyses with a 'voices of the poor' approach which is rooted in anthropology (Masika et al., 1997). However, drawing on a theoretical composite of institutionalism, Marxism, and Georgist land economics, the chapter shows that there remain five crucial issues that the mainstream has not been able to address, namely (1) jobless growth with little, neutral, or negative effects on poverty reduction, (2) confusing the *manifestations* of poverty with the *causes* of poverty, (3) emphasising a 'culture of poverty' without examining the institutions that mould and are moulded by that culture, (4) placing limited or no emphasis

on the role of colonialism, neocolonialism, and neoliberalism in producing and reproducing socio-spatial inequality and urban poverty, and (5) ignoring the institutions of capitalism that generate and sustain urban poverty.

These five neglected forces constitute the framework of an alternative perspective on urban poverty. From this perspective, poverty is an issue because it is unjust, not just because of economic reasons. Accordingly, the posited policies to address urban poverty are more holistic, ranging from promoting demand-side economic growth, offering universal basic income to everybody in the city, extending comprehensive social protection to all workers, starting with the disabled, retirees, and children, and making urban land common property, to ensuring that the process of making a budget for cities is participatory. As much research exists on radical analyses and alternatives to mainstream poverty research, from Wachtel's (1971) early breakthroughs to more recent work by Prashad (2012), the main contribution of the chapter is *linking* the general literature to the literature on *urban* poverty. It is an approach that was used about five decades ago by Charles Sackrey (1976) but hardly ever since then, although brief attempts by Obeng-Odoom (2013a) show that the approach is promising and can be further developed.

The rest of the chapter is divided into four sections, proceeding as follows: the next section discusses the mainstream views on the causes of urban poverty. This is followed by a brief description of the policies that draw on the mainstream perspective. The fourth section provides the basis for rejecting the mainstream, paving the way for a brief discussion of alternative methodology, while the fifth analyses the resulting policy choices based on the alternative.

Mainstream 'theories' about the causes of urban poverty

Most mainstream economists identify only two causes of urban poverty: low economic growth and a set of problems, including low levels of education, poor health, and poor housing, sanitation, and limited access to food and water (World Bank, 2001). Low economic growth is a cause of urban poverty because poverty is seen as an outcome of economic contraction. In turn, more growth in terms of consumption and income will lift people out of poverty. This approach is characterised by the use of money measures to identify

a threshold that separates the poor from the non-poor. The best-known work on this view is Dollar and Kraay's (2002) 'growth is good for the poor'.

Exactly how this poverty-enhancing growth should be pursued has changed over time (World Bank, 2001). In the 1950s and 1960s, the emphasis was on expanding physical capital. This focus shifted to human capital, especially concerns about health and education, in the 1970s, and then shifted further to economic management typified by downsizing the public sector, privatisation, and general marketisation in the 1980s. In the 1990s, the emphasis was on governance and how institutions could enhance the better functioning of the market to stimulate economic growth. In the 21st century, this institutional emphasis has persisted but is more narrowly centred on providing security, creating opportunities, and empowering individuals to benefit from market processes (World Bank, 2001). At the heart of the World Bank's 'neo-urban strategy' publishing as *Cities in Transition* (World Bank, 2000) is pursuing urban economic growth.

For growth to lift people out of poverty, however, mainstream economists argue that there should be some redistribution of income. This is because growth that is concentrated in a few hands is unlikely to lift the poor over the poverty line. Besides, leaving inequality unattended can cause it to worsen, which might induce large redistribution and hence curtail initiatives to invest (Birdsall and Sabot, 1994; World Bank, 2001). It is this approach, the focus on growth with some concerns for inequality, that leads to a 'decomposition analysis' (see Coudouel et al., 2002, pp. 27–74) to determine how much poverty reduction is due to growth and how much is due to redistribution of income. In effect, this is merely a statistical analysis abstracted from social realities (Gore, 2007).

The second mainstream approach has become quite popular. Best regarded as the 'voices of the poor' approach, what the poor say are the causes of their poverty is directly taken into account in economic analysis. For the World Bank, this approach is complementary. According to the Bank, 'to understand the determinants of poverty in all its dimensions, it helps to think in terms of people's assets, the returns to (or productivity of) these assets, and the volatility of returns' (World Bank, 2001, p. 34). In its flagship report on poverty, the Bank (2001, p. 34) focused on five assets, namely human (e.g.,

health and education), natural (e.g., land), physical (e.g., access to infrastructure), financial (e.g., improved access to credit), and social (e.g., networks of social capital) – stressing the importance of markets in making these assets valuable for the poor or how the state can support the market to make it work for the poor.

Originally rooted in anthropological methods (Masika et al., 1997), this ‘voices of the poor’ approach typically leads to the cataloguing of a number of features such as poor education, poor health, unemployment, and poor housing – as *causes* of urban poverty. The approach generates a wider set of issues to be addressed such as security, opportunity, and empowerment (World Bank, 2001) and seeks to correct what is known in economic sociology as the ‘culture of poverty’ (Wilson, 1991). Nevertheless, these issues based on ‘people’s voices’ are secondary. As far as the Bank’s economists are concerned, the main cause of poverty is low economic growth. In *A Sourcebook for Poverty Reduction Strategies* (vol. 1), Jeni Klugman (2002) of the World Bank notes: ‘economic growth is the engine of poverty reduction, using both income and nonincome measures of poverty’ (p. 8). This mainstream perspective has had a major influence on poverty consultants and international poverty policy.

Resulting international policies According to Jeffrey Sachs, economist and international poverty consultant, the poor countries are caught in a series of traps they cannot escape without a ‘big push’. Offering money/donor assistance is the big push required. To do so, Sachs (2006) argues that international policy must:

identify how much is required to supply basic needs of the poor minus how much national governments of the poor countries can afford to pay. Or calculate about how much is needed to ‘top up’ the incomes of the 1.1 billion poor to lift them over the poverty line. The outcome of one such calculations is \$124 billion in 2001; another approach – needs based and finding the finance gap – will result in \$70–80 billion per year up to 2015; and the amount should be contributed by the richer countries which have to contribute only 0.7 per cent of their GNP annually.

Sachs’ propositions are general, but they feed into the United Nations’ more specific emphasis on urban poverty. Since 2000, the

international community has been trying to achieve the Millennium Development Goals (MDGs) – a set of eight goals and targets. While most are general, Goal 7, related to slums, sanitation, and water, is urban specific. Its targets are as follows: integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources; reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss; reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation; and, note, ‘Achieve significant improvement in lives of at least 100 million slum dwellers, by 2015 (later extended to 2020)’.² Similar goals are now stressed in the Sustainable Development Goals (SDGs).

The emphasis on sanitation, housing, and water has become popular both literally and figuratively. Literally, slums, filth, and grime have evoked a desire, especially among young people in the West, to experience a sense of what is happening ‘out there’. A recent news item (Osman, 2014) showed young people who travelled from Australia to Kibera in Kenya to watch slums. Interviews with these ‘slum tourists’, as they are called, show that they do not know what to do about the issue except to say that they will contribute more to charity – much like the popular approach to poverty reduction among countries in the Global North and its people committed to fighting poverty (Obeng-Odoom, 2010b; Bose, 2013).

There are many other international organisations and countries that are implementing policies around urban-specific MDGs or, more recently, SDGs – the successor to the MDGs. The programme of the International Development Committee of the House of Commons in the UK (2009) constitutes one example. Elsewhere, Australia supports the Water Sanitation Initiative, giving \$300 million to support access to clean and safe water in the Asia-Pacific region and Africa between 2008 and 2011/12. In addition, there is the successor Australian Government A \$97 million Civil Society Water, Sanitation and Hygiene (WASH) Fund (2012–17) (AusAID, 2012a). There is a lively debate about whether aid works in practice, a topic about which much has been written in journals such as *Development in Practice*.

2 See the official MDGs website for this and more information: <http://www.un.org/millenniumgoals/environ.shtml> (accessed 12 May 2015).

TABLE 6.1 Comparison of different measures of poverty

Country	Year	Population Living in Multidimensional Poverty (%)	Population living on less than USD 1.25 per day 2000–2009 (%)	Population Below National Poverty Line 2000–2009 (%)
Benin	2006	71.8	47.3	39.0
Burkina Faso	2006	82.6	56.5	46.4
Cape Verde	—	—	21.0	26.6
Côte d'Ivoire	2005	61.5	23.8	42.7
Gambia	2006	60.4	34.3	58.0
Ghana	2008	31.2	30.0	28.5
Guinea	2005	82.5	43.3	53.0
Guinea-Bissau	—	—	48.8	64.7
Liberia	2007	83.9	83.7	63.8
Mali	2006	86.6	51.4	47.4
Mauritania	2007	61.7	21.2	46.3
Niger	2008	92.4	43.1	59.5
Nigeria	2008	54.1	64.4	54.7
Senegal	2005	66.9	33.5	50.8
Sierra Leone	2008	77.0	53.8	66.4
Togo	2006	54.3	38.7	61.7

Source: UN-HABITAT, 2014, p. 105

For those interested in urban poverty, however, the criticism has centred on the over-emphasis on money metrics. David Satterthwaite, probably the most ardent critic (see, for example, Satterthwaite, 2003; Mitlin and Satterthwaite, 2013), contends that income measures continue to underestimate the nature of urban poverty. Table 6.1 suggests that this is a valid criticism – to the extent that multidimensional poverty gives a more holistic picture of poverty.

The table shows that, while in a few countries (e.g. Ghana) the numbers of people who live in income poverty and those living in multidimensional poverty are similar, as is the number of people living below the nationally set poverty line, in most cases the share of people living in multidimensional poverty is much higher. The little association between income measures and broader indices of human progress or regress, in this sense, is intriguing but not surprising, as discussed in Chapters 3 and 4, focusing on the urban economy. So, this is an important criticism.

However, economists have addressed most of these criticisms. Ravallion et al. (2007), for example, have taken into account the differential costs in cities, while other economists now actively collect data on non-money metrics of poverty (see World Bank, 2001). World Bank economists such as Judy Baker recognise and account for the multidimensional nature of urban poverty (see, for example, Baker, 2008). Similarly, UN-HABITAT collects data on the many dimensions of urban poverty.

Yet there are fundamental issues that mainstream urban poverty research glosses over. These are growth processes that either worsen, or do little, or do nothing to the state of urban poverty, the inability to separate the symptoms of poverty from its causes, an over-emphasis on culture as an explanation for poverty, the neglect of historical forces, and the modern institutions of urban capitalism. The next section discusses these fundamental downsides of mainstream economies.

Growth that is neither employment-generating nor poverty-reducing

For most cities in the Global South, national economic growth has neither been employment-generating nor poverty-reducing. While the work of Young (2012) and Pinkovskiy and Sala-i-Martin (2014) claims a growth miracle and a perfect timing for Africa's growth, the micro-situation is more complex. The relationship between

an expanding economy and well-being is contingent. If growth is inclusive, ecologically sustainable, and job creating, it offers stronger grounds to be optimistic. That is evidently what is happening in Mauritius and Botswana, as can be seen in Table 6.1. In both countries, growth has been accompanied by falling unemployment and poverty levels and, at least in the case of Mauritius, declining income inequality. Decisive social interventions and programmes have been aggressively pursued in both countries. Like education, the cost of housing is low, and the environment clean. Mark Twain once called Mauritius ‘heaven’. In the last few years, it has been called ‘paradise’ (*Highlife*, 2014). The ‘secret’ behind the success of Mauritius is the foundation laid by the father of social policy: R.M. Titmuss. Social policy in Mauritius is a pale shadow of the ideal developed by Titmuss (Titmuss and Abel-Smith, 1960 [2006]). However, even the limited amount of social protection in this country is indicative of the power of social interventions. Research on Port Louis, the capital city of Mauritius, by Parry (2012) and Rahman et al. (2012), develops the point more systematically.

The same sanguine picture cannot be painted of mighty African economies such as Nigeria, South Africa, and Zambia, to give only three examples. While these countries have experienced substantial amounts of growth (see Table 6.2), the levels of poverty continue to rise or, in the case of South Africa, remain nearly the same. Inequality has worsened in all these countries. What is even more disturbing in the South African case is that inequality is substantially worse than it was

TABLE 6.2 Current trends in growth, poverty, inequality, and unemployment, ca. 2010–14

Country	Growth Trend	Poverty Trend	Inequality Trend	Unemployment Trend
Mauritius	↑	↓	↓	↓
Botswana	↑	↓	↑	↓
Nigeria	↑	↑	↑	↑
South Africa	↑	↔	↑	↑
Zambia	↑	↑	↑	↑

Sources: Distilled from Jean-Yves and Verdier-Chouchane, 2010; Enweremadu, 2013; Kent and Ikgopoleng, 2011; Chibuye, 2014

when the country was extricating itself from the shackles of apartheid in 1994. Zambia has increasing levels of poverty, although it is among the fastest-growing countries in Africa. In Nigeria, poverty levels have been rising, reaching some 61 per cent in 2012. The country has recorded positive economic growth, but this experience has not been poverty-reducing. If anything, because growth is driven by greater oil extraction, it has been complicit in the worsening oil-related ecological crisis in the country (Okechukwu et al., 2012; Bassey, 2012). Table 6.2 summarises statistical information on trends in growth, poverty, inequality, and unemployment in selected countries.

A study of Lagos (Lawanson and Oduwaye, 2014) shows how growth has consistently by-passed the urban poor. In turn, the poor have been forced to improvise, depend on one another, and make do with social networks without any support from macro institutions. Similar conditions of society have been reported in other cities in Africa (see, for example, Obeng-Odoom, 2013a; Grant, 2014) and elsewhere (e.g., Peters, 2013) where macroeconomic growth has been impressive. It can, therefore, be argued that ‘growth is not necessarily good for the poor’. The size and conditions of the urban poor are at variance with the declaration of a ‘triumph of the city’ by the Harvard urban economist, Edward Glaeser (2011). The other ‘cause’ of poverty, then, might hold the key to explaining this lack of congruence between theory and practice.

Symptoms of poverty; culture of poverty

Focusing on low education, low income, and inadequate food and water appears more convincing. It directly ‘attacks poverty’, as the World Bank put it over a decade ago (World Bank, 2001). However, this mainstream view also has major problems. It confuses the *manifestations* of poverty with causes (Wachtel, 1971). The confusion arises from *methodological individualism* and superficial treatment of context – without taking into account the institutions that generate and sustain a way of life and how those institutions have evolved. When the poor are asked the question, ‘why are you poor?’, they tend to provide a litany of ‘poverty characteristics’ pertaining to themselves as individuals, including anything from a lack of clothing and shelter to low amounts of education and food. This view dovetails into the mainstream sociological idea that people are poor because of their way of life and their culture, and hence they exhibit a ‘culture of poverty’:

laziness, alcoholism, drug addiction, absenteeism, indiscipline, and a disdain for ‘formal work’ (see, for example, Wilson and Aponte, 1985; Wilson, 1991; Quane and Wilson, 2012). Poverty among urban-based Indigenous people in Australia has consistently been analysed in these terms (Aplin, 2013). These traits, the argument goes, generate other features which lock the poor in traps.

In this sense, poverty is deserved and the wealthy are deserving of their wealth because they work harder and smarter than the rest. Although popular, if not populist, this analysis is logically incoherent and empirically unsupported (see, for example, Wilson and Aponte, 1985; Wilson, 1991; Quane and Wilson, 2012).

The argument about the ‘culture of poverty’ is problematic because while outwardly the poor may be drinking, lazy, and dishonest, to argue that these features are ‘causes of’ poverty is tautological reasoning: it merely says the poor are poor because they are poor without saying what caused the drunkenness in the first place, or how that culture was instituted, has evolved, and remained institutionalised. In short, it is not an explanation: it is merely a *description* of the poor laden with racial superiority disguised as science. It is, in the words of American political economist Charles Sackrey (1971, p. 25), a ‘small minded theory’ of urban poverty – unsupported by careful systematic studies among African Americans in the inner cities of the US (Wilson and Aponte, 1985; Wilson, 1991; Quane and Wilson, 2012) and the Indigenous people of Australia (Macdonald and Spruyt, 2014). Indeed, copying a certain ‘culture of affluence’ has had major deleterious effects, especially on socio-economic inequality. With the empirical evidence heavily against the ‘economics approach to poverty’ which has the double tragedy of being logically inconsistent, other drivers of urban poverty must be considered.

Socio-spatial inequality and land economy

Socio-spatial inequality is serious yet it receives little attention in the mainstream explanation of urban poverty. Even worse, the mainstream does not sufficiently link it to urban land economy. The urban economics textbook treatment of land is typically to analyse (a) how the location of land determines rent and market value, (b) how rent and value, in turn, (c) create equilibrium conditions in cities and (d) allocate land for competing uses (Evans, 1977; O’Sullivan, 2012). The key focus of most urban economists is analysing the rental

tug-of-war (O'Sullivan, 2012); that is, how one land use outbids another for prime location. 'Bid rent curves' are usually used to graphically represent various bidding outcomes and on the basis of such outcomes predict how land uses are arranged in urban structure.

In conducting these analyses, urban economists take as axiomatic that trends in rental and land values lead to locational equilibrium. That is, no one is really made better or worse off in the interaction between the forces of demand and supply (see, for example, Muto, 2006; O'Sullivan, 2012; Kantor et al., 2014). Instead, the rich who live in the most well-resourced neighbourhoods also pay the most for land or pay the most land rent, while poorer people who live in poorly resourced neighbourhoods also pay the least for land or the least land rent. Therefore, in the end, costs and benefits cancel out. Urban economists acknowledge that there may be segregation but this is a matter of choice: people make rational choices about where to live and the process is efficiently regulated by the price/rent mechanism. The policy implication of this viewpoint is that if the land market is left to work unhindered – that is, if the market is allowed to determine the 'highest and best use' of any land – there should be 'locational equilibrium' in the sense that the right activities will be located in the right places. This analysis is limiting, among others, because it overlooks gender and racial aspects of occupational structure (Burnell, 1997).

This idea of how the free choices of people lead to equilibrium is at the very core of urban economics. Charles Tiebout (1956), a neoclassical urban economist, argued an extreme version: that left on its own, the market addresses the free rider problem. According to Tiebout, urban citizens 'vote with their feet' or can migrate to cities or parts of cities where the provision of urban services can match their taste. In the long run, this free interplay of choices by citizens and the provision of different services in different cities or different parts of cities can put the urban economy in balance. From this perspective, land-related problems arise when there is state intervention or 'bad planning' by professional planners whose actions are meant to prevent the free exchange of land (de Soto, 1989; 2000). This process of creating a land market for prosperity will ensure that inequality and poverty will be eradicated as the urban economy tends towards equilibrium.

The mainstream view assumes that urban poverty is increasing

only because of rural–urban migration: i.e., the urbanisation of poverty. However, ‘urbanisation of poverty’ does not only mean the literal urbanisation of the poor. It also implies the inability of the poor to control and access urban resources and the challenge of city authorities to nurture inclusive cities (Obeng-Odoom, 2013a).

Henry George ([1879] 2006) and Georgists (see, for example, Rybeck, 2015) have, however, shown that land markets reinforce inequality and rather than tending towards balance, urban land markets move cities towards greater inequality both socially and spatially. This is because growing land rent chokes off wages and profit, further increasing, in turn, the share of surplus that accrues to landlords. So, not only does this perspective differ from the mainstream thesis, it contradicts and shows that the mainstream stance is, in fact, complicit in the expansion of urban inequality. This non-equilibrium *explanation* of urban land, spatial, and social inequality raises questions that confound mainstream urban economics which, as we shall see, has retreated into misrepresenting Georgism.

Similarly, institutional political economists have consistently contested the ‘equilibrium economics’ of the mainstream. Instead, institutional analysis argues that the land market creates no stable condition; it worsens any stability in cities. Gunnar Myrdal’s idea of ‘circular and cumulative causation’ (see, for example, Myrdal, 1965; 1974), or CCC, for short, is the core theoretical framework for many institutionalists who deem it the direct antithesis of this equilibrium viewpoint (e.g., Fujita, 2007). The reason is that market processes generate virtuous circles in richer areas and vicious circles in poorer areas in such a way that there can be no permanent stable equilibrium.

The trigger of much socio-spatial inequality, it is argued, is structural: colonialism, neocolonialism, and neoliberalism. Colonialism insisted on a particular urban form: segregation. One place was reserved for the white colonial edifice; the other place for the black ‘others’. Separation and segregation were hardwired into urban planning. Activities considered for the ‘blacks’ were shoved out of sight and, in terms of planning, out of mind. While the French used to reserve an area not to be inhabited called *cordons sanitaires*, the European English-speaking coloniser used a non-residential belt to separate residential areas of the ‘superior’ (read white) from the ‘inferior’ (read black) races (Mabogunje, 1990, p. 138). In Africa, strangers were dictating to natives where to live on their own soil.

The colonists justified such segregationist policies on grounds of science; that is, that integration with Africans would lead to malarial and yellow fever infections among the colonisers. Yet scientists from the colonial metropolises themselves such as Carlos Finlay, Philip Curtin, Alfonse Lavernan, and Ronald Ross demonstrated conclusively that the Africans were not the vectors of malaria: the anopheles mosquitoes were (Njoh, 2009, pp. 10–11). Indeed, if anything, there was evidence that sexually transmitted diseases such as syphilis previously unknown in Africa had arrived on African soil (Tsey and Short, 1995) with the colonisers. Yet pundits like Joseph Chamberlain, one-time British Colonial Secretary in West Africa, insisted on separation as a way to guarantee the health of the whites (Njoh, 2009; 2013). Raw racism was injected into the planning system not only in the form of separation into ‘white’ and ‘black’ quarters, but also in terms of offering lavish health support and facilities such as hospitals, subsidies for healthy foods, medical supplies, and booklets for healthy lifestyles for the whites (Tsey and Short, 1995; Njoh, 2009; 2013).

In the urban centres of Kumasi and Sekondi-Takoradi in the then Gold Coast, a massive health infrastructure was constructed, but this served the needs of only the expatriate staff and the few African elites, while the majority of Africans had no health support. Spatially, the 1919 guidelines on *Residence in the Segregation Areas of the Gold Coast* made it illegal for African children to go to the white areas. Also illegal was the sale of title of ‘European lands’ to Africans. Two years after the publication of the guidelines, the Takoradi township plan was also published. A key feature of the plan was that it created three distinct settlements: one for the colonisers; another for the elite Africans; and a third for the ‘general blacks’. Invariably, Africans were evicted and the best parts in the city were reserved for whites (Tsey and Short, 1995).

These inequalities were systematically carried out even under the French so-called ‘policy of assimilation’ (Njoh, 2009; 2013). In turn, in particular urban areas in Brazzaville, enclaves were created for Europeans to protect them from Congolese who were forced into inferior spaces such as Bacongo and Poto-Poto under contested claims that European culture and African culture were immiscible, and that the Africans were smelly and noisy and hence not conducive for integration. In essence, similar policies were adopted in the Guinean

capital, Conakry, although in this city racism was implemented through the market in the sense that housing in European areas was affordable mostly by Europeans, and even if Africans could afford to live there, they had to use European building materials and act 'European' to be acceptable (Njoh, 2009, pp. 11–12). Thus, the market was only a camouflage for racism.

Neocolonialism is rather different. Post-independence governments aimed at demonstrating to the coloniser that they could do the same things that used to be done in the colonial era. The intention was not to subjugate but rather to show that Africans had the same capacity as the colonisers to run the postcolonial nation in the same manner as the colony had been run. Massive projects of modernisation were undertaken. In Ghana, shopping malls and large monuments were constructed to display modern architecture. Accra, the capital city, in particular became a showpiece of modern architecture and built form. J.B. Hess famously noted that 'The Nkrumah administration's response to colonial regulation was a distinctive "imagining" of architectural modernism, an imagining which allied the heroicized image of Nkrumah with a culturally homogenous notion of the "nation"' (Hess, 2000, p. 53). Buoyed by consultant architects from Britain and America, the desire was to show that Africans could 'catch up'. As with Mao Zidong's 'Great Leap Forward', which was launched in 1957 to 'catch up with Britain in three years and surpass America in ten years', Nkrumah's developmental goals are particularly instructive: 'what other countries have taken three hundred years or more to achieve, a once dependent territory must try to accomplish in a generation if it is to survive' (Amoah, 2014, pp. 2–3).

In turn, a growing spatial divide became evident, particularly because of the inherited planning system. A recent paper published in *Cities* makes this point: 'Planning in Sub-Saharan Africa owes much to the colonial legacies that inform the shape and composition of African urban spaces and places. This applies to legislation, institutional systems and planning education' (Odendaal, 2012, p. 174). At the base of the planners' skills is their education and, to date, the 69 planning schools in Africa typically teach archetypes of planning desired by the coloniser and praised as the ideal – even though this ideal is not reflective of what exists. Informality, slums, the disconnect between plans and the capacity to implement them,

climate change, and the political roots of planning have all been overlooked or given scant attention in the curriculum and indeed in the deliberations of the professional planning bodies, even though these problems are crying out for urgent attention in the contemporary city in Africa.

Retaining supposedly pristine European values has been deemed more preferable. The degree of colonial education varies, but in large measure they retain the old order of segregation (Odendaal, 2012). The outcome is not only a colonial but also a colonising philosophy of education which looks down on everything ‘African’ and hence fosters a lingering sense of inadequacy and self-doubt among the African peoples and what they cherish (Nyamnjoh, 2012, p. 129). Consequently, acting, thinking, and seeing like a coloniser become ideals. From this perspective, the planners froze rules and regulations, some of which were inapplicable to an indigenous ethos but were consistent with certain European ideals (Konadu-Agyemang, 2000).

Imitation and mimicry became celebrated in more than one facet of society in the newly independent countries, so much so that social anthropologist Sasha Newell (2012, p. 1) notes that, ‘The act of imitation is a matter of national pride in Cote d’Ivoire. ... Ivoirians were the very best imitators of Europeans. ... There is no shame then, in being derivative. It is precisely in the ability to imitate with precision that many urban Ivoirians locate their sense of prestige.’

Some of the reasons have been identified, but there are others. One was that expatriate consultants were maintained, and expatriate courses introduced, to teach the new civil servants the white people’s ways. Also, professional planning bodies sprang up to reinforce the white people’s ways. This was hardwired into the Western institutions of planning. Kwadwo Konadu-Agyemang (2000) used to talk about the fascination with colonial and apartheid urban planning. More recently, Nancy Odendaal (2012) has shown that the professional planning bodies themselves are the cause of the problem, as they have become agents for upholding planning standards, a credo of which is apartheid planning. Resource constraints, not only of planning schools, as Odendaal shows, but also of planning departments deprive them of the energy to innovate (Yeboah and Obeng-Odoom, 2010).

Neoliberalism is also different but has similar outcomes on

urban form. Two aspects of neoliberalism are relevant, although their manifestation differed in two broad epochs. In the first epoch (1980s–90s), planners adopted an explicitly anti-urban sentiment in development policy (Obeng-Odoom, 2013a). Indeed, during this time, cities were seen to be benefiting at the expense of the country in what came to be widely regarded as ‘urban bias’ (Lipton, 1977). This ‘urban bias’ was seen to be part of a bigger problem of ‘over-regulation’. In turn, Western powers decreed and pushed for the removal of labour from state payrolls and a general reduction in public sector employment which was predominantly located in cities. This displaced labour, discarded for no fault of theirs, landed on the African streets without work (SAPRIN, 2002). Paradoxically, the urban population was growing around the time but with persistent lack of investment in cities, the development of large slums in Africa was quite inevitable – a process quantitatively demonstrated by Dr Sean Fox of the University of Bristol (Fox, 2014).

Then, there was the policy of promoting ‘global cities’ which entailed preferential treatment for modern, expatriate, business-friendly cities that tended to promote ‘clean up’ or ‘decongestion’ of the African streets to welcome business or to ensure the free movement of goods and services (Obeng-Odoom, 2011a). In this way, it was possible to treat ‘cities as engines of growth’ to ‘enclose the commons’ and further evict those ‘trespassing’ on the resulting private spaces. Neoliberalism, then, is the cause of the urban inequality and evictions we see in Africa today.

The current epoch (ca. 2000 to date), characterised as the era of ‘good urban governance’ often playing out as democratisation, entrepreneurialism, and decentralisation (DED), has entrenched a segregationist orientation, according to which caring for cities divides them along commodity and class axes, disguised as ‘governance for pro-poor urban development’ (Obeng-Odoom, 2013a). In turn, the role of urban planning has been subcontracted to expatriate planning consultants and estate developers who are not based in Africa and who imagine the continent from afar – a phenomenon South African planning scholar, Vanessa Watson (2014), has called ‘urban fantasies’. While some of these fantasies have fulfilled some local aspirations (Bhan, 2014), their overall effect on African cities is to segregate (Cain, 2014). They are not intended to solve the ‘real’ tensions of city life faced by the majority poor in Africa.

Even where these externally produced plans solve real problems, their emphasis is on masking the symptoms of deeper cracks. Examples of such outcomes can be found in the many Chinese projects in cities in Africa. Much of this investment draws on imported Chinese labour that, incidentally, tends to spend very little in the cities in Africa. Indeed, while China is seen to have been magnanimous in providing infrastructure in cities in Africa, it has been argued, in the case of Ghana, that such investments play the role of physically asserting China's power and influence in Africa. Indeed, the objective of such Chinese architecture as the National Theatre of Ghana is, according to the architect who designed it, is to extend Chinese culture (Amoah, 2014, p. 8). In turn, there have been limited linkages in those cities hosting such investments. Even worse, the sale of Chinese products, or counterfeit versions of African products developed by Chinese producers and sold more cheaply in urban markets in Ghana, have contributed to the decline of local industries such as textiles and hence opened another avenue of inequality (Axelsson, 2012). The Senegalese and Malagasy urban residents have had similar experiences with Chinese investment (Cissé, 2013; Tremann, 2013). Coupled with growing transnational activities, including transnational housing forms, a new Accra, or what Richard Grant has called 'a globalizing city', has emerged, with its growing gated housing communities and related ballooning rents and rent-generated segregation.

A consistent feature of all these past and present dynamics, of colonialism, neocolonialism, and neoliberalism, has been the commodification of land. Privatising the urban commons created another institution of inequality and poverty. As noted by Henry George (1879 [2006]), the private collection of 'rent' creates a certain urban form that breeds inequality and poverty. That is, for George, the source of all urban inequality is the appropriation of the commons, in this case the urban commons, as 'private'. Rent, for George, is that annual value of bare land. When rent is privatised, it becomes a drain on wages paid to labour and profit accruing to capital. At the outset this may not appear to be a problem, but as George shows, rent will tend to rise through various investments: both by the public and the private. Rent will also rise with population growth, with the presence of more skilled and educated labour whose work increases productivity. Rent will rise with the application of

more machinery, and with speculation. Here is the problem: wealth will grow with time, investment, and population expansion, but so will poverty because more and more of the wealth generated will be going to landlords and less and less to waged labour.

In the urban context – even beyond Africa (as noted in Chapter 4 for cities in other regions) – these dynamics are particularly grave because large amounts of rent are generated in cities. Cities are where investments flow, where populations concentrate, where pressure mounts on urban land, and where, in turn, rent rises the fastest. Consequently, they are also where poverty concentrates the most. Aside from income inequality, caused by having to pay high rents to landowners, cities are where access to land can be most restricted. George suggests that gentrification, the attack on ordinary people, the devastating effects of segregation, and the destruction of old places and old buildings are not the result of the planning theories or problems that Jane Jacobs wrote about (Rybeck, 2015). Rather, those are the logical consequences of allowing rent to be privatised, which makes it possible for those who currently collect rent to dictate the tempo of urbanism. I shall return to the issue of property rights in the next chapter. For now, other institutions of capitalism and how they create and sustain urban poverty must also be considered.

Institutions of capitalism

The mainstream perspective focuses on individuals, not institutions, although it is the latter not the former that generate and sustain urban poverty and inequality. Being a social – rather than an individual – condition, urban poverty is the result of the institutions of society (Wachtel, 1971; Sackrey, 1976). Such institutions include the labour market, social class, and the state (Wachtel, 1971). The labour market drives poverty because it is the fulcrum for creating the phenomenon called the ‘working poor’ where full-time workers can remain poor no matter how hard they work. As noted by Wachtel (1971), the labour market also creates the situation where casuals work, but only into their poverty; not out of it. It is also the labour market that transmits occupational disability or threatening conditions of work and those who by virtue of working in the labour market in the past have had the mark of poverty assigned to them in their retirement, as their contributions based on the low incomes

they earned during their working lives continue to haunt them even in their old age and often into their graves.

Social class is an even more serious cause of poverty. While there are many social categories in modern societies, Wachtel (1971) shows that those who sell their labour remain disproportionately poor, whereas those who control major avenues for production such as corporate real estate developers are disproportionately rich. Ethnic minority workers, in particular, experience particularly high levels of exploitation. Within any class, there are differences, the so-called class stratification, and these differences also contribute to poverty. Though the state in modern capitalist cities is difficult to classify as entirely pro-capitalist, there is a structural basis for supporting those who occupy the 'commanding heights of the economy' (Wachtel, 1971).

Other institutions such as trade unions, the church, and the media, in theory, can change some of these dynamics. There is much evidence, however, to show the structural nature of urban poverty and how it has been institutionalised. For scholars focusing on the international division of labour, it is probably urban migrants who face the wrath of most of the institutions of capital in cities, even if some 'make it' (Saunders, 2012) or become professionals albeit doing precarious work (see, especially, Miller and Feldman, 2014). However, aside from those who are directly considered poor, often adults, there is now an emergent field of child poverty in cities. The literature centres on how child poverty is growing under capitalist urbanism, and the growing but disturbing awareness of children of their own status and how that status-consciousness, in turn, constrains or shapes their experiences of poverty (see, for example, Chafel, 1997). There are many others who do not fit easily into these categories but who are poor, as we saw in Chapter 5 on informal economies. So, urban poverty is a highly complex and complicated political economic condition rather than a statistical explanation about growth and the characteristics of the poor.

The depoliticisation of urban poverty in mainstream urban economics is manifest in the failure to recognise that poverty is an inherent feature of the process of accumulation with its inherent alienation and dispossessive features. The problem manifests also in other ways, namely: the excessive focus on poor individuals – without looking at social classes, power, equality of opportunity, and equality

of outcome; neglect of historical factors such as colonialism and continuing unequal global power relations; and focusing exclusively on 'local' or 'national' factors without noting that the experiences of the Global South cannot be studied without paying attention to the South's dialectical relationship with the Global North in historical and contemporary terms and within the world system. From this perspective, capital and capitalism, and the ideology of neoclassical and other mainstream economics which shape urban poverty analysis, are not challenged (see, for example, Lawhon, 2014). Similarly, structural determinants of gender and racial inequality are overlooked (in particular the local labour market, the firm, and the family; see Browne et al., 2001). In turn, the attempt to use human capital theory to explain urban occupational segregation is hardly successful (Burnell, 1997). Any fundamental condition must be fundamentally addressed, however.

Routes less travelled

Critical social scientists have put forward alternatives to the mainstream proposals on urban poverty reduction. Inclusive growth, harmonious socio-spatial development, universal basic income, and worker cooperatives are examples. The Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), Mukhisa Kituyi, notes that: 'To combat the generalized prevalence of poverty and underemployment, the poorest countries should pursue deliberate policies for employment-rich growth to achieve two complementary objectives: expanding the number of jobs so as to absorb the growing labour force and raising the incomes generated by these jobs.' Attaining these objectives 'will involve implementing a range of mutually supportive policies aimed at building productive capacity and fostering structural transformation' (UNCTAD, 2015, p. 9). This emphasis means that there is a shift from 'welfare' to 'productive' capacity and from growth driven, say, by financialisation to growth derived from employment-generating activities.

It is also a shift from mainstream growth theories. As Charles Gore (2007, p. 30) notes,

Neoclassical and new endogenous growth theories based on an aggregate production function and general equilibrium framework are not good for the poor because their conceptual

structure does not enable a good explanation of growth-poverty relationships. Alternative growth theories, which take account of the technological capabilities of economic agents and their institutional matrix, the dynamics of production structures and the role of demand, in contrast, are good for the poor in this sense. Bridging the gulf between policies to promote technological progress and policies to promote poverty reduction is best achieved through the development of productive capacities and expansion of productive employment opportunities based on a synthesis of these alternative growth theories.

In *The Least Developed Countries Report 2006*, UNCTAD (2006, pp. 185–189) focused this analysis on urban areas but many others since then have done so too. This approach is quite different from a service- or commodities-based growth: it stresses the use of the power of the state to create urban jobs.

From a different perspective, Herbert Gans (2014) appraises the possibility of using a universal basic income as a panacea for a labour market that is currently in the intensive care unit of the global hospital. The idea of a universal basic income in America, Gans notes, is attributable to the social reformer Thomas Paine who put forward the idea in his 1795 think piece: ‘Agrarian Justice’. Gans identifies many shortcomings, including design problems and issues of how to make the income more popular. Further, he offers many qualifications to the idea such as partial basic income (that is, income to only a group of people) or a kind of income given to all but taxed progressively. While Gans does not see the idea of basic income taking form, especially in America, he argues that with increasing mechanisation and the involvement of robots in production, it is possible that a day may come when citizens will demand that robots pay taxes from which a citizen’s basic income can be paid.

If Gans’ article is the latest voice on radical alternatives, the best exposé can be found in the work of American scholar, Erik Olin Wright, in his book, *Envisioning Real Utopias*. The book has three main parts, dealing with the critique of capitalism (pp. 11–33), alternatives (pp. 89–191), and transformation (pp. 273–365). The central aim of the book is to reignite interest in seeking *the* alternative to capitalism. It rejects the popular conception of this alternative as a statist, centrally planned economy. Instead, it advocates an

alternative system where both the state and the economy are popularly controlled and guided by the vision of ‘to each according to need, from each according to ability’ (e.g., p. 21; p. 99; p. 191). The book argues that such an alternative holds the key to avoiding the ills of the present capitalist order (p. 38). Because Wright is not making a call to former statist forms of economic and social governance but to a new society, capitalism is compared not with past forms of societal regulation but to a possible world, a world promising better conditions – economically, socially, politically, and environmentally – than our present world (p. 41).

Wright shows how to achieve this end by espousing vision and ideas, while investigating, celebrating, and defending specific anti-capitalist institutions. This combination of vision (utopia) and ‘actually existing’ experience (reality) is what the author calls ‘real utopia’. Although this aim seems to be an oxymoron, Wright explains that the element of utopia provides the driver and motivation to break away from the *status quo*, while the ‘reality’ supplies the ingredient necessary to ‘ground’ and propel the vision (pp. 1, 5–9). Of the two elements, the more central to the book is vision: ‘the political conditions for progressive tinkering with social arrangements, therefore, may depend in significant ways on the presence of more radical visions of social transformations’ (p. 8).

Therefore, Wright provides a repository of ideas for empirical testing. Three of those ideas are particularly interesting. First is the notion of Universal Basic Income (UBI) which connotes giving every citizen of a nation a basic income which is above the nationally determined poverty line. Next is the idea of participatory budgeting where urban citizens are actively involved in the process of deciding what projects their city needs and how much money must be spent on them. Then, there is the idea of worker cooperatives. Each of these ideas is simultaneously interesting and controversial.

The UBI, according to Wright, may end poverty. Strictly speaking, this is plausible, but only if poverty is defined in absolute income terms. Invoking the notion of relative poverty and poverty as a multifaceted social condition characterised by multiple deprivations immediately makes the UBI idea look a bit simplistic. A similar problem arises with the participatory budgeting idea. It is truly more progressive compared with technocratic and top-down methods practised in many countries, especially those in the Third World. However, suggesting that it is a kind of model to be tried

by other countries seems to be stretching the argument. To what extent is it applicable in societies which are ethnically and tribally heterogeneous? Also, how can this model be implemented in societies where the vote of a tribal chief signals to loyal tribesmen how they should vote? Furthermore, can very poor cities incapable of funding projects locally use this model? Does the idea not risk being abused and used as a way of undermining the central state? Perhaps the answer to these latter questions lies in Wright's idea of 'recombinant decentralisation', meaning interdependence between the central and the local state (pp. 163–164).

These ideas are based on the notion of 'community' (pp. 79–81) but we know from Ben Fine's *Social Capital* (Fine, 2010) that 'communities' in the 'real world' can create many contradictions. Old school-mates and tribal groups may all lay claim to being a community, but only for the narrow gains of their members.

Wright does not leave us without insight, though. The book provides, in the words of the author, 'a general framework for systematically exploring alternatives that embody the idea of "real utopia"' (p. 8). That is the so-called 'emancipatory social science' approach embracing three elements as part of a radical epistemology, namely diagnosis and challenge, designing alternatives, and showing strategies to move from the *status quo* to the vision (p. 8). The ideas, then, can be regarded as part of a broad sweep of suggestions for an alternative vision to poverty generally, and urban poverty in particular.

Conclusion

Urban poverty and socio-spatial inequality must be carefully studied not only because they have deleterious effects on the urban economy, but also because it is unethical and socially unjust to have high levels of poverty in urban society existing alongside pockets of massive wealth and affluence.

Yet, much existing analysis of the phenomenon underestimates the magnitude of the problem, confuses characteristics for causes, and hence offers solutions that focus largely on symptoms, while others conceptualise urban poverty too narrowly.

There are two major overall effects of these measurement and conceptual failings: (1) to misrepresent the nature of urban poverty either in underestimating the magnitude of the problem or

romanticising the scale of progress; and (2) analytically, to overlook the role played by the institutions of capitalism, how production is organised, and resulting relations of power, locally and within the world system.

Based on these neglected social forces and institutions, this chapter has built on the theoretical composite of institutionalism, Marxism, and Georgist land economics to contest the mainstream account of urban land, social, and spatial inequality. It has argued that mainstream theories about causes and how to resolve urban poverty and socio-spatial inequality are poor at description and weak at explanation. In turn, policies to resolve urban poverty and socio-spatial inequality based on the mainstream frameworks yield the antithetical outcome: growing poverty and socio-spatial inequality that is not only self-reinforcing but also operates to dispossess weaker groups in urban society.

Institutions such as the state can generate inequality but not because they intervene to help those who lose out in the market process (as argued in the orthodox theory), but primarily because their material bases tend to operate in favour of those who gain from market processes. In turn, the neoliberal and postcolonial urban form patterned after the colonial logic continue to generate self-reinforcing urban poverty and inequality. The overall implication for urban theory is that, contrary to the general equilibrium of mainstream urban economists, the institutions of capitalism, including the urban land market, tend to generate recurrent contradictions and crises in the city. To further illustrate the point, the next chapter analyses the concerns about the recent housing and economic crises and the prospects of providing a different housing regime under capitalist urbanism.

PART THREE

**CREATING A SOCIO-ECOLOGICALLY
SENSITIVE FUTURE**

7 | HOUSING

Introduction

The 2008 financial crisis sounded the death knell for mainstream urban housing and real estate economics research and policy globally. Galloping housing prices propelled by years of speculation and market-based valuation methods combined with contradictions in the labour market – including underemployment and unemployment – to make the so-called housing boom burst. Landlords struggled to get enough rent to make good their mortgage payments, partly because of the phenomenal increase in the number of subprime mortgages. They, much like tenants, went to the banks to withdraw savings but the banks found it challenging to make such payments because they too were mortgagees and mortgagors were not paying them. Large-scale reactionary activities – united in fear and panic – led to further confusion: repossession was not matched with successful resale and massive real estate investments were devalued. Companies with such investments made heavy losses and, combined with dark clouds in the global economy including rising oil prices, had to sack many of their workers – creating further unemployment and more defaulting on mortgage payments (see Gaffney, 2015 and Stone, 1978, p. 192 for a classic analysis of housing and crises). The confidence in capitalist finance was badly shaken and trust in the financial system was broken. Investors, including priests, fled to Africa to look for farmlands in which to invest, leading to a coup d'état in Madagascar (Obeng-Odoom, 2015a). The implications for housing in the financial core of capitalism have been depressing.

Between 2008 when the disaster struck and mid-2010 alone, nearly 9 million homes were either repossessed or in the process of being repossessed in the US, and the displaced families had to live rough in their cars (MacDonald, 2012), on streets, in homeless shelter, and in tents, leading to the expansion of 'tent cities' (Hodkinson, 2012, p. 423), created in the first place because of neoliberal housing policies that substantially reduced the size of public housing and made the rest of it residual and tokenist (Herring and Lutz, 2015).

The crisis has been likened to the Great Depression of the 1930s (Gaffney, 2015) but unlike in the 1930s when it was reported that ‘people checking into high-rise New York hotels were being asked if they wanted a room for sleeping in or a room for jumping out of the window’ (cited in Stilwell, 2012, p. 267), no one has estimated the scale of deaths and their related social cost. What is clear is that the crisis exposed not only the flaws in the methodology of mainstream urban and real estate economics but also practices that are inherent in the capitalist property market that only serve the needs of capital: profits; not human need. Systematic research including studies published in the *SAGE Handbook of Housing Studies* (Ronald, 2014) and elsewhere (e.g., MacLennan and O’Sullivan (2011, p. 383)) now acknowledge these fundamental failings.

Alternative housing forms rooted in a housing system paradigm (see Table 7.1 for details) – a departure from the strictures of the housing market – now require more careful analysis. These alternatives to mainstream housing types range from the biological to the sociological and how they inter-mix. Economists who call for better regulations in the global housing and financial architecture have posited a ‘Lehman Sisters hypothesis’, stressing that if more women were put in charge of mortgage finance and the world financial system, the risk of a crisis would substantially be minimised or even disappear. Being neurologically more caring and biologically more nurturing, the argument goes, putting women economists in charge will address the problem. Others contend that it is greater public, private, or public–private partnerships in developing housing that will address the housing problem. Landlords should be supported to build more housing or, for anarchists, the poor should ignore the system, the government, the state – damning the consequences – and build their own housing. Others favour more support from the public such as giving more rental assistance to renters and providing more public housing. Suggestions such as making all renters owners and making everyone a housing owner – that is, creating a ‘property-owning democracy’ – require re-evaluation in these trying times.

As the existing research on the right to adequate housing has centred on legal concepts (see Hohmann, 2013) and specific countries (see Troy, 2012) as the analytical units of analysis, this chapter does not duplicate this effort. Instead, it uses a broader

institutionalist, Marxist, and Georgist framework to analyse the alternative programmes generally, beginning with the ‘housing system’ approach in which they tend to be analytically located.

While the chapter accepts that this paradigm is necessary, it argues that the ‘new’ approach to housing is not sufficient in the sense that it ignores the contradictions in the labour market, focusing on one aspect of the problem at a time; but not on all aspects *simultaneously*. In turn, the housing system approach separates the housing problem from the contradictions in capitalist cities and hence housing affordability is seen as distinct from housing quality and housing quality distinct from the contradictions in the labour market. The chapter puts the case for a new paradigm which relates housing cost (George, 1879 [2006]), housing valuation (Ely, 1926; Weiss, 1988), and labour market exploitation (Engels, 1878) to the ‘urban process under capitalism’ (Harvey, 1978). By developing a three-way institutionalist, Marxist, and Georgist analysis, this chapter can be distinguished from existing research based solely on institutionalist (Weiss, 1989), Georgist (e.g., Gaffney, 2015), or Marxist (e.g. Harvey, 2008b) genres. The approach, then, is original both in the mainstream and heterodox political economy research.

It is this paradigm that the chapter uses to evaluate all the housing alternatives to the post-crises housing forms. The chapter argues that the breadth of the alternatives is wider than is often perceived, yet more constrained than their advocates will care to admit. The existing proposals qualify previous housing market solutions which risk aggravating the housing challenge by either increasing speculation or rent or, at best, leaving the housing problems unaddressed. Crucially, the posited solutions are too heavy on the supply side or too indirect on the demand side. In turn, the policies are unlikely to directly address the social conditions of labour moulded by certain capitalist institutions which collectively precipitated the housing problem in the first place. In turn, they only scratch the surface of a deeply rooted social problem that is particularly pronounced in cities – but does not end there.

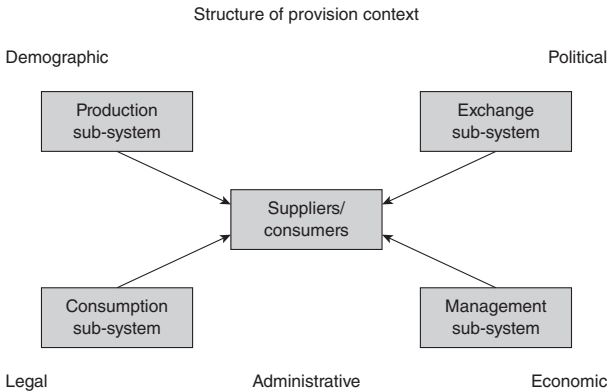
A combination of public and social housing programmes organised around non-capitalist institutions and linked to public programmes to provide quality housing offer much better alternative housing for cities of today and the future. Alternative ‘valuation methods’ grounded in cost rather than market values can also contribute to

attenuating the problem of the unstable and hyper-inflated housing prices. The rest of this chapter is divided into three sections. The next section reconceptualises the housing question. The following section looks into demand and supply policies, while the final section examines important drawbacks and offers alternatives.

(Re)conceptualising housing: housing markets and housing systems

Urban housing is a major element in the built environment. It is design. It is structure. It is aesthetics. It is about comfort. Housing is a political product too and it has often been politicised or used to achieve political ends. For instance, among the Indigenous people of Australia, housing was used to control and force them to live in areas where they would disappear from the conscience of the coloniser. It was used in an imperial sense in that housing was an avenue for the coloniser to inculcate white values, which they considered more virtuous than black ways of life (Troy, 2012). It is a little like what France did in Francophone Africa through its policy of assimilation. Housing has been central to colonial and colonising ideas and underpins much of colonial urbanism and the form that postcolonial cities typically take. Certainly, in Francophone Africa, such imperial forces remain pervasive to this day (Njoh, 2013), while in settler colonies like Australia and racially charged societies like the United States housing has been fundamental in defining the present location of the Indigenous people and African Americans (Connolly, 2014). The plurality of housing outcomes and implications have been known and recorded since 1929, as systematic research by Arku and Harris (2005) has shown.

Housing, then, is more than housing markets and its role broader than merely driving economic growth – which is what urban economists and mainstream housing scholars tend to stress (Arku and Harris, 2005, p. 895). As noted in Figure 7.1, housing has a production aspect related to how land is acquired and used, a consumption aspect related to how different people own and use land, and management aspects related to various ways to care for housing. The exchange part of housing is merely one aspect of the housing system and, like many facilities in urban society, the housing system is embedded in broader social, political, environmental, and institutional contexts. All these aspects are complementary rather than separate.



7.1 The housing system (*source: Burke, 1999, p. 107*)

Figure 7.1 shows that production of housing is made up of institutions of land ownership system, techniques, and institutions of obtaining and gathering land and house information to build. Consumption is composed of the various ways in which people use housing.

The exchange subsystem requires particular attention given that it is the primary focus for mainstream urban economists. Exchange refers primarily to housing markets – in forms such as rental and sale – the institutions supporting their existence, and functioning such as finance. Management connotes practices about how the housing stock is cared for and planned. The structure of provision context signifies the broader framework of political, demographic, social, legal, and economic factors that shape housing policy and form (Burke, 1999). Within and without this system, there are many actors such as estate agents, valuers, builders, property managers, lawyers, bankers, and other financial actors, governments, and states. The housing system varies among various geographical contexts, depending on the level of economic development. Also, the level of influence of agents in the market varies substantially from place to place.

The housing market is an important aspect of the exchange subsystem within the housing system. Housing markets are often said to be different from other markets because housing itself has peculiar characteristics. Housing is expensive to obtain and it is more durable than most things. There is no one housing market, but several. The heterogeneity is not just in terms of appearance, but also size

and scale. Housing markets can be (usually) local markets for local residential purposes. Local because people are concerned with staying close to friends and family, and close to work, or local developers tend to concentrate on developing housing in the areas where they are located (Johnson et al., 2000, pp. 2–10; O’Sullivan, 2012).

But some housing markets can be national, or even international, such as markets for investment purposes. Investment institutions tend to be open to investment properties outside of their local area of operation (usually bigger developers and investors will be operating in global housing markets that cut across several countries). Also, the relative fixity of location, relative heterogeneity in structure/age/utilities, and the nature of information generated during transactions often being complex either because it is copious (Western systems) or scanty (most systems in the Global South), all make housing markets different. Further, while for other commodities there is a faster responsiveness of demand/supply to price changes, demand for and supply of housing are usually slow in responding to changes in price (price inelasticity) (Johnson et al., 2000, pp. 2–10; O’Sullivan, 2012) – although the degree of price inelasticity differs widely across different cities in the world.

Purchasing a house can often be regarded as an investment. Purchase for investment is the obvious example, but there is also purchase for occupation (to save on rent) and purchase for office purposes – both of which can be considered investment to save on rent (Johnson et al., 2000, pp. 2–10; O’Sullivan, 2012). Not everyone considers their homes in investment terms, of course (Tipple and Speak, 2009), but economists still approach their thinking about housing as they would any other product. Housing has been promoted as an avenue for the securitisation of risk by individuals and households. Through real estate finance, the ‘fixity’ of housing is being reconfigured – as housing is traded even more than stocks. In this sense, the ‘housing market’ is not only an arena where households produce and consume but it is also an arena for the trading of liquid housing (Bryan and Rafferty, 2014). In turn, the creation, securitisation, and trading of housing debt seek to turn housing into a usual commodity and precisely for that reason, a housing investment may not earn a return, will make a loss, or will generate a debt trap.

In studying housing, therefore, urban economists emphasise supply, demand, and price – and how they interact using the usual

assumptions of perfect competition such as perfect information; easy entry and exit; homogenous products; and the existence of a large number of buyers and sellers. They do so by assuming away all the imperfections in housing when modelling house prices – in hedonic modelling. Imperfections are mentioned, but only in brief comments about policy. From this perspective, the tendency is to argue that ‘the hedonic is the best method to use’ as it is designed to analyse transactions in housing which, although they differ in features, are so numerous they can be analysed as other commodities (Owusu-Ansah, 2013, p. 115). This ‘housing market’ approach to housing research leads to particular policy practices which typically emphasise demand-side or supply-side reformist policies.

Demand-side and supply-side reformist policies

Most solutions stress demand side, supply side, or, in a few cases, both – as one major report in Australia, the Anglicare report (2012), shows. On the demand side, Anglicare advocates an increase in the Commonwealth Rental Assistance Scheme, an upward review of the Newstart Allowance, and the Rentstart Allowance. On the supply side, Anglicare recommends the construction of more housing, at least 8,000 additional housing and incentives to increase the size of the National Rental Affordability Scheme (NRAS), and the expansion of the proportion going to bigger than average families who usually require three-bedroom houses. Noting that aspects of the housing problem can arise from transaction costs and information asymmetry, Anglicare recommends that the government needs to regularly publish a list of vacancies in its housing stock. Table 7.1 provides a summary of the key demand and supply-side solutions.

On the demand side, architect John Turner popularised the idea of ‘self-build’ or self-help, arguing for minimal government intervention and calling for ‘housing by the people’ (Turner, 1976). Other demand-side approaches include consumer subsidies or rental allowance schemes, housing vouchers, and extension of mortgage services to the poor/unbankable (subprime mortgages). This recommendation goes with marketing housing institutions. So, economists often ask for the abolition or reduction of public housing institutions (in terms of staff, budgetary support, prominence in urban governance) and running public housing institutions along private sector lines (in terms of goals, targets, attitudes,

TABLE 7.1 Some housing programmes in the housing system paradigm

Programme		Description	Typical sources
<i>Demand-Side</i>			
1	Self-build housing	Individuals build their own housing: they ignore the government.	Turner, 1976
2	Capitalism for the masses	Makes it easy for all urban residents to trade their property.	de Soto, 2000
3	Rental Assistance Scheme	Gives rental allowance to the poor to rent in the open market.	McDowell and Bellamy, 2012
<i>Supply-Side</i>			
4	Landlord housing support schemes	Give some financial help to landlords to expand the housing stock.	McDowell and Bellamy, 2012
5	System changes, including Lehman Sisters programme	Tighter regulation, including putting women in charge.	Staveren, 2014
6	Public-private ownership	Publicly funded private housing programme.	Jacobs, 1961

i.e., ‘new public management’ and ‘entrepreneurial governance’) (Sassen, 2009; O’Sullivan, 2012). These are supposed to bring about effective housing for all. That is, the aggregation of individual self-interest, a ‘collective self-interest’, will work for the greater good of cities (Troy, 2012, p. 286).

The defining supply-side characteristics or policies for this conception emphasise a private sector-led housing supply, motivated primarily by profit – and only secondarily by human need – with changes in regulation, such as putting women in charge because they have a different biological make-up which makes them more risk averse and calculating (Staveren, 2014). So, in Iceland, some 40 per cent of bank bosses must be women (Popper, 2014).¹ It is further

1 http://dealbook.nytimes.com/2014/01/15/after-crisis-iceland-holds-a-tight-grip-on-its-banks/?_r=0

characterised by a reduction in the stock of public housing and an emphasis on private housing provision; the creations and support of more home finance business entities to supply credit for private housing; creation of a land market, among others, through systems that ensure faster land transactions; flexible regulations for housing finance providers (to encourage them to operate); and landlord support schemes to incentivise the development of more houses (tax holidays, state guarantee of private sector loans, removal of taxes on rent, among others). In the United States, the Low-Income Housing Tax Credit (LIHTC) programme is one important supply-side programme. While fewer and fewer public housing units are being provided, LIHTC has provided over 1.5 million rental housing units and is still producing more, averaging over 100,000 rental units yearly (Burge, 2011).

At the world scale, several other proposals have been offered to ameliorate or even eliminate the housing affordability crises on the supply side. There are those who argue that it is the provision of efficient land and financial markets, pro-market urban governance, strong urban governance, and the display of strong political will that can help to eliminate slum and squalid housing. In other words, slums and poor housing arise from market failure or incomplete modernisation processes (Fox, 2014). In his book, *The Mystery of Capital*, Hernando de Soto (2000, p. 12) described ‘missing information’ by inviting readers to ‘Imagine a country where nobody can identify who owns what, addresses cannot be verified ... descriptions of assets are not standardised and cannot be easily compared and the rules that govern property vary from neighbourhood to neighbourhood or even from street to street’.

From this perspective, the complexities and contradictions that envelop the land market have operated to mean that there is a gap in the knowledge of the city authorities as to which properties are located where. This has also sown the seeds of comfort for squatters. These squatters have no incentive to improve the conditions pertaining in these settlements partly because their tenure is insecure and also because of poverty worsened by the difficulty of obtaining housing finance. City authorities, for fear of being accused of condoning illegality, would rather withhold the extension of ‘legal status’ to these settlements via ‘development or building permits’ (see further elaboration in UN-HABITAT, 2003a, pp. 67–69). So

eliminating slums and poor housing will have to emphasise titling and registration (Gilbert, 2007).

Also, good urban governance, often entailing municipal entrepreneurship, has been said to be a sure supply-side solution for the prevalence of slums. Good urban governance, for this purpose, is understood as the provision of municipal services by the market: the use of private sector models to provide housing, waste management, and water services because of the supposed over-reliance on the public provision of municipal services, which has been blamed by the World Bank, in particular, as the key cause of a breakdown in urban services (World Bank, 2000). The public in this sense has no role in directly providing housing. The closest semblance to public provision of housing is when the private sector is coupled with the public sector to deliver housing.

The best statement of this public–private partnership approach to addressing the housing problem is Jane Jacobs’s most famous work – *The Death and Life of Great American Cities* (Jacobs, 1961) – which was an ‘attack’ on the mainstream planning of her days. The four-part book deals with how people behave in cities (part 1), the many advantages of the concentration of population and uses in cities (part 2), forces of decay and regeneration or renewal (part 3), and suggestions for the good city (part 4). Equity of access to urban resources is a common thread and the issue of housing, public space, and poverty a recurrent theme. There is a canonical discussion of these issues in chapters 8–11 as part of the broader case for fostering the conditions for diversity, while part 4 on subsidised dwellings, traffic management, and visual design concretely deals with analysis and proposals about these issues (Jacobs, 1961, pp. 326–337; pp. 393–404).

For Jacobs, a housing crisis is the result of underinvestment in different housing types. This underinvestment itself is anchored to a planning viewpoint that extols sameness of neighbourhood with like characteristics. In turn, there is segregation based on difference: people in like income groups are put together and certain ‘inappropriate’ uses separated from the rest. So, diversity is denied from all sides: slum dwellers are forced or flushed out and informality is attacked by the planners.

To correct this problem, or related problems, Jacobs offers what she called a guaranteed rent approach: a gradual construction programme carefully planned to introduce diversity. The actual

construction is done by the private, not the public, sector although the public sector offers important guarantees. Here, the state directly provides incentives to the house building process in two ways, namely: (1) guaranteeing loans for the private sector or (2) offering loans to the private sector if the first does not work out. Another support that must be given to the private building groups, according to Jacobs, is guaranteed rent. This means the builder will be assured of rent and this rent will continue even after the amount sunk into the building investment has been recouped. Renters will have to be means tested and their rent will have to rise as a proportion of their income as they become richer. The rent itself will have to be determined by including the cost of construction. In return, the private investors should build to certain specifications and uses that foster difference and diversity. The state should not be allowed to apply a different set of building codes or city codes to these buildings. Instead, they should be allowed to operate like any other buildings.

For Jacobs, the advantages of this programme are legion. First, the programme does not crowd out private funders who have the first option to invest before the state comes in to guarantee. Second, it does not discourage private developers: in fact, it encourages them. In turn, all the advantages of the private sector and of private property remain, while the public subsidises this private profit. So, this is not a public housing programme. It is a for-profit private housing regime where the public sector plays a major role. It is, in modern language, a public-private partnership with the private sector calling the shots in a process that Jacobs called ‘unslumming’ or improving the social conditions in the slums without destroying the slums. This process involves maintaining diversity while building new things. This might be deemed too diverse and hence too disorderly because it leads to the rich and the poor existing side-by-side in the same area. However, for Jacobs, diversity and difference are the highest form of order (1961, p. 222). This is not surprising because Jacobs famously noted that the main aim of planning is to help cities devise diversity or ‘unofficial plans’ (1961, p. 241). In her proposals to reform urban planning, Jacobs also emphasised *people* – an idea considered so radical in her time that its various limitations, much like the limitations of other reformist solutions, can easily be overlooked.

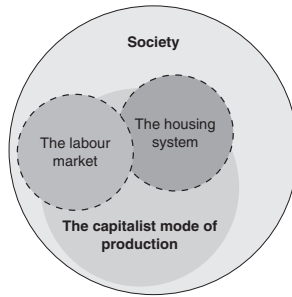
(Mis)conceptualisations and limitations of demand and supply-side housing policies

(Mis)conceptualisations The paradigm based on such proposals has a major limitation: it is disconnected from labour as an analytical category and takes ‘market value’ as the only concept of ‘value’. Although Burke (1999) and Burke and Hulse (2010) include a ‘structure of provision context’ in their framework, they do not consider labour in their analysis.

Indeed, while the literature on housing policy and economic development has often viewed housing in labourist terms, the interest has been one-directional: housing for labour to be productive to support the capital accumulation process (Arku and Harris, 2005, p. 901). In addition, there has been much emphasis on how housing generates employment, multiplier effects, and consequential social benefits (Harris and Arku, 2006, p. 1007), including providing a vehicle for labour to invest.

This combined socio-economic view of housing is relatively recent compared with the more established view that prevailed in the early post-war years that housing should be considered a social rather than an economic good. This was followed by a more economic view (housing as a counter-cyclical tool, thanks to J.M. Keynes’ work) in the later post-war years up until the 1960s/70s when a more holistic view was asserted (Harris and Arku, 2006). In more recent times, the use of housing to secure productivity and the reproduction of labour has gained much interest. Anna Tibaijuka, former director of UN-HABITAT, wrote an important book – *Building Prosperity: Housing and Economic Development* (2009) – based on this idea.

Marxist analysis of urban housing in the 21st century lags behind in research trends. A recent intervention by Koen Smet (2015) has sought to rekindle this approach, especially in demonstrating that under capitalism the generation of house rent is born out of and reinforces structures of inequality sustained by three diverse but interrelated accumulation processes of production, consumption, and business services. What has not been given as much attention is how the exploitation of labour undermines any ‘housing solution’ and in what ways this emphasis can be used to analyse housing policy or frame housing research – except in dated but respectable political economy research on housing starting with Friedrich Engels (1872).



7.2 A revised framework for housing research and policy evaluation (source: adapted from Engels (1845; 1887); George (1879 [2006]); Ely (1914))

In turn, the explanatory and evaluative power of the housing system framework is limited. Figure 7.2 proposes a solution. It links the contradictions in the labour market to the tensions in the housing system. Further, it views housing and labour as taking particular forms under the capitalist mode of production. In turn, any analysis of housing must simultaneously emphasise: the housing system, labour exploitation, and the capitalist mode of production. This framework is based on the work of Engels.

Engels was the most renowned proponent of a labour-focused approach to housing. His contribution to political economy has often been misrepresented and downplayed. For some, Engels misrepresented some of the work of Marx, including Marx's dialectics, while for others Engels was only Marx's deputy, assistant, or mere messenger. At best, he is credited as co-author of *The Communist Manifesto*; but no more. However, Engels made a distinctive contribution to political economy in his own right. Aside from being a mighty team player in constructing the Marxist vision of an alternative system to capitalism, indeed the first of the two to articulate that vision clearly, and providing a substantial part of the ingredients for that vision, Engels also offered a distinctive and innovative interpretation of historical materialism. A fuller analysis of the work of Engels has recently been offered by Samuel Hollander in *Friedrich Engels and Marxian Political Economy* (Hollander, 2011). So, it will not be repeated here.

One aspect of Engels' work, however, requires emphasis and further elaboration: his enduring contribution to urban housing. In the 1840s, when there was a housing crisis among the working class in England, related to the industrial revolution and massive urbanisation,

Engels concretely identified the nature of the crisis, demonstrating how it arose, was worsening, and could be addressed. He did so in his seminal book, *The Conditions of the Working Class* (Engels, 1845). Engels, however, realised that to make a complete contribution to the political economy of housing, he had to first engage with the prevailing understanding of the housing crisis during the time and re-affirm his preferred conceptualisation, which he did in his famous work, *The Housing Question* (Engels, 1887). The emphasis in this section, however, is on the general principles teased out from Engels' work and how they apply to urban housing in general.

To Engels (1872), the housing question relates to problems of quantity (shortage), accessibility/distribution, quality, and affordability. He argued that the conditions of housing at every time should be considered as part of, not separate from, broader economic, social, and political processes. Further, he advocated that housing should be seen as dependent on multiple forms of class contradictions such as landlord-tenant conflicts or tension. As such conflicts and tensions are usually part of a bigger scheme of cheating the worker, the deeper-seated conflict between capitalist and worker or capitalist-worker tension over the distribution of 'surplus value' should be central to analysing housing. So, for Engels (1872), any posited solution that does not address these broader forms of the housing question cannot be called a solution.

Engels' analysis can be deemed critical of orthodox economics because he noted that a solution based on 'the gradual economic adjustment of supply and demand, a solution which ever reproduces the question itself anew, is therefore no solution' (1872, n.p.). Also, he disagreed with policies that support capitalist interests, often common in the mainstream policy options. One such example is commuting rental payments into mortgage payments and the promotion of the home ownership dream under a private housing supplier, as widely encouraged by property economists and bankers of a mainstream economics orientation (see Sassen, 2008; 2009 for a review).

To Engels, these programmes help in financialisation and profit-maximisation, without actually helping workers. Abolishing rented dwellings and making everyone an owner is just another mainstream approach. To Engels, such schemes do not combat the cheating of the worker and hence leave other aspects of exploitation intact. Indeed, they do not give enough money to improve housing conditions. The

provision of more public housing by the state is often argued for by some political economists, but not by Engels. For Engels (1872), the state is not an independent class removed from social processes: it is interested in ensuring the continued domination of the capitalist class. As a 'collective capitalist', it cannot 'solve' the housing question. Similarly, the proposal that the rich should provide more housing for the poor through aid is discussed by Engels as 'moral sermons' which tend to confuse symptoms for causes and economic interests for 'mistakes' that can be corrected by benevolence. The housing question is a structural question that can only be uprooted at the base: there must be a revolution, an overthrow of the capitalist system if we are to get to the root of the problem.

Engels' conception of housing under capitalism (Figure 7.2) can be extended in two ways to address the remaining problems of 'housing cost', or the valorisation of housing and how the use of market-based 'valuation methods' have been complicit in 'increasing' housing 'value' and making housing 'unaffordable'.

One of the most well-known approaches to reducing housing cost is the Henry George Theorem based on the ideas of the social reformer, Henry George. According to him, housing costs tend to be high because of speculation and rent on bare land. It is the creation of rent and the process in which rent increases, including speculation on rent, which drives up housing prices. He argued that abolishing rent on bare land either by making land common property or by taxing it heavily is likely to reduce speculation, house prices (as land cost becomes zero or minimal), and hence the cost of accommodation. George's fundamental criticism is rooted in the social philosophy that private landlordism is unethical because it appropriates for private use land which is a gift to all humans. George argues that most rent from bare land is socially created (through public investment and population growth, for example), and that it arises from no work being done. In turn, he accepts that if landlords actually work to manage land and housing, they should be paid a small fee but not the entire social rent. In countries such as Australia, it has been argued that a Georgist housing system will bring down land prices and with them house prices (see Stilwell and Jordan, 2004). It is such prospects that keep the Georgist flames alive in Australia, where organisations such as the Association for Good Government in Sydney and Prosper in Melbourne continue to advocate Georgism.

One scholar who was not Georgist but whose work complements the ideas of Henry George is R.T. Ely. As an institutionalist, he sought changes in institutions. For instance, he raised the possibility that there could also be *unearned decrement*, where landlords may unduly suffer a reduction in value due, for example, to the location of land uses or facilities, for which landlords can be legitimately compensated. His main contribution to reducing the cost of housing, however, was his attack on speculation. Much like George, he saw how speculation unnecessarily increased housing cost (Ely, 1926), but his approach differed from George's. Together with members of his Institute for Research in Land Economics and Public Utilities, he proposed that valuation should be based on the cost of housing construction; not on market prices or the market comparison approach which is the most widely used approach in valuation today. He reasoned that the market approach counts speculative values as true value while cost valuation is based on *use value* rather than *market value* (Weiss, 1988). Contemporary experiences in the crashes in the financial sector suggest that Ely's ideas require serious attention. Besides, in the less advanced capitalist countries where the main valuation method is the cost approach, there have hardly been any cases of a financial crisis rooted in the housing system in such countries (Obeng-Odoom, 2012b). In such countries, however, the housing problem plays out rather differently in terms of adequate housing, both numerically and qualitatively.

Political economic critique of conventional housing programmes Based on the expanded conceptualisation of housing, it can be argued that conventional urban economics-inspired demand-side and supply-side housing programmes tend to be short-sighted and reductionist. They do not go far enough to correct a problem which is based on systemic inequality and contradictions in capitalist cities. The demand-side recommendations seem to absolve the state of its responsibilities, shifting these instead to private industries, or leading to a situation where the cost of housing is socialised and the benefits privatised. The policies seem to be recommending that the public – through its payment of taxes, which are channelled to rent assistance schemes – should be made to reward and finance private landlordism.

While this may be said to be a pragmatic solution, it does little to cure systemic inequalities – a major driver of the current rental

housing situation in cities such as Sydney. The specific drivers of the problem differ according to local conditions in different cities around the world. However, generally, the rental problem is not just a moral question. It is an economic problem too. As more rental assistance is given and more money is paid in rent, there is a tendency towards increased rent, as more people chase a limited number of existing houses.

It can also be argued that proponents take this paradox into account through their supply-side recommendations. However, those recommendations have a similar effect. Take, for example, the proposal to expand the housing stock through the National Rental Affordability Scheme in Australia. While the scheme compels private landlords to allocate portions of their rental housing to low-income people, it does little to take away the long-term power of this group in dictating the heartbeat of housing in Australia. In the United States, Burge (2011) has studied the 10-year tax credit given to developers who provide low-income housing under the Low-Income Housing Tax Credit (LIHTC) programme. His study sought to answer the question, ‘how do the rent savings that accrue to the tenants over the life cycle of a typical LIHTC project compare to the magnitude of tax expenditures associated with the program?’. He found that less than half of all public support of low-income housing is captured in the form of rental savings. The rest, or a significant portion of it, Burge demonstrates, is captured by developers, syndicators, and investors.

Again, proponents (e.g., McDowell and Bellamy, 2012) seem to favour building more in the central business district (CBD). While this orientation looks like a pragmatic and effective approach to overcoming the problem of commuting, the unintended effect may well be increasing housing prices. Such price hikes are likely to be appropriated by private landlords and hence consolidate their hold on the power to determine where and how we sleep and live.

Existing research on Australian cities (e.g., Troy, 2012; Stilwell, 2014b) clearly shows that the housing system is tottering, and despite its broad scope and attempt to rein in the problem, it works within a narrow framework that pays scant attention to the nature of public transport, the availability of sustainable jobs, and the effectiveness of the planning system which seems to endorse the ‘wrap-around system’. Also, finer disaggregation will shed greater light on other

aspects of the housing situation, especially inequalities in attributes other than rent. Additional analysis is needed to know whether there are inequalities in living and existing conditions by different social classes and income groups within those classes.

Similar issues apply in other local cities in the world, albeit to different degrees and in diverse forms. In cities in Africa, the housing problem is further complicated by the pervasiveness of slums in sub-Saharan Africa. While about 1 billion people or 32 per cent of the urban population of the world lives in slums, in cities in sub-Saharan Africa about 72 per cent of the region's urban population live in slums (UN-HABITAT, 2003b, pp. xxv) – in spite of years of trying to give capitalism to the masses in Africa. Indeed, that process has generated new forms of housing problems as people who are unable to pay for housing have moved further into the outskirts and margins of cities where they pay either the same rent or slightly less rent for worse accommodation conditions (Obeng-Odoom, 2013a; 2014b).

Self-help housing appears 'radical' until the housing conditions of those helping themselves are investigated. Sullivan and Olmedo (2014) have recently shown how self-help or built housing is proliferating in Texas beyond the usually discussed unregulated housing (colonias) concentrated in the US–Mexico border where most scholars presumed them to be confined. Such housing is either manufactured housing, self-built, or self-extended, sub-divided, and self-maintained. Most are too hot in the summer season or too cold in winter. These are not strictly speaking illegal, as a substantial share of the housing is purchased from formal housing manufacturing sellers in mainstream America, but their conditions are health-threatening.

Finally, unlike Jacobs who considers public–private partnership and subsidising 'rent' a solution, the private collection of 'rent' is *the* spark setting off the urban housing crisis – a thesis strongly developed by Henry George.

From a Georgist perspective, therefore, the remedy proposed by Jacobs is no remedy at all. It leaves the distribution of rent unresolved, and it is unlikely that in the long run her solutions will achieve the ends she envisions: equitable access to urban resources by diverse groups and a mixture of uses of those resources. Jacobs' solutions can only deal with symptoms, and the problems will only come back again. More fundamentally, Jacobs' solutions can only make a bad situation worse. The investments in subsidised housing through private finance and

building that Jacobs recommends will only heat up the urban real estate market and raise the price of the land on which it is erected. In turn, rent will increase and landlords will capture more of this. The consequence will be less and less access to urban space, urban housing, and urban land. The concentration of wealth in the hands of landlords is seen as a problem, while for Jacobs, it is regarded as a strength because it is an incentive for private participation. For George, such concentration breeds inequality, which, in turn, brings further inequality and discourages effort as more effort is swallowed by burdensome rents. These major challenges to existing and proposed solutions provide the basis for more comprehensive alternatives to housing under capitalist urbanism: the true right to adequate housing.

The right to adequate housing

To assert ‘the right to adequate housing’ is to contend that ‘people had a right to housing ... a fundamental right of citizenship’ much like ‘rights to an education and to good health’ (Troy, 2012, p. 2). For the United Nations, the right to adequate housing is a right of freedoms: from forced eviction, arbitrary interference, and coercion to accept any housing at any location. It insists that the right to adequate housing is a right of entitlements: to secure tenure, compensation, or restitution in the event of compulsory acquisition, and participation in housing-related decision making (Office of the United Nations High Commissioner for Human Rights, 2014). A detailed legalist analysis of the right to housing has been offered by Jessie Hohmann (2013), while Obeng-Odoom and Stilwell (2013) have considered ‘security of tenure’ as one element of the right to housing. Both studies show conceptual problems with this right and demonstrate that a right to adequate housing is more than mere public housing.

Public housing is the most widely known alternative to capitalist housing forms. Depending on how it is designed and run, public housing can be quite mainstream: becoming an instrument for social control of the workforce that becomes dependent on this housing form and hence is periodically threatened with evictions (Stone, 1978). It can also be very badly maintained as in public housing in Mount Druitt in Sydney. And, in Hong Kong, public housing is often characterised by poor sanitation (Yau, 2011).

Yet, when public housing is designed in the true spirit of a ‘right to housing’ in which housing is considered as a human right (Troy,

2012), it can enhance the quality of life of the majority of the public in a number of ways. It can be a path to a higher life expectancy from living a stress-free life; to quality education for children – when parents have to spend less on housing, less time stressing about where to live, and more time nurturing their children and helping with school work; and to a reduction in ‘homeless deaths’ and humiliation. Unfortunately, recent research shows that there is no such commitment to public housing even in countries such as Australia which has historically had the appearance of egalitarianism (Troy, 2012). The ascent of neoliberalism, the support it receives from neoclassical economics, and the force of capitalism as a system have all combined – the financial crisis notwithstanding – to provide and sustain this *status quo*.

Informal housing occupants can team up to establish social housing groups or cooperatives. Providing housing mainly for its exchange value drags people with low incomes into further poverty, damages the spatial configuration of cities, and polarises society. These tensions have been empirically documented even in the richer world as we see in Glynn (2009): from the UK (pp. 99–124); France (pp. 152–172); Sweden (pp. 173–194); New Zealand (pp. 195–216); Australia (pp. 217–231); the US (pp. 232–256); and Canada (pp. 257–280). In some cases, Sweden for example, there has been little resistance to this destructiveness of neoliberal housing policy initiatives, mainly because of the complexity of the issues and the time-lag between policy change and effect (p. 188).

However, in other countries such as New Zealand and the US, Glynn (2008, pp. 203–205; 246–250) shows that there have been public outcry, demonstrations and litigation in response to the shift from relatively public-sector-led housing policies to neoliberal housing policies. In Canada, the resistance has even been militant: the Ontario Coalition Against Poverty (OCAP) has consistently protested and demonstrated against the brutality of neoliberal housing policies (Glynn, 2008, p. 272). There have been counter-reactions from the state. In New Zealand, the state responded by passing retrospective legislation – a highly repugnant practice in law – to legitimise its actions (Glynn, 2008, p. 204). In Dundee, Scotland (one of the two UK case studies, the other being Leeds), evidence is presented to show how the state could manipulate ‘legitimate’ measures like

participation and consultation with tenants to legitimise its actions (see, for example, Glynn, 2008, pp. 130–131).

Despite attempts by the state to frustrate progressive housing policy, the struggle for public housing has recorded some successes in some East Asian cities and countries such as Hong Kong with its extensive public rental schemes. In Singapore, in particular, public housing accommodates nearly 90 per cent of the population. Importantly, public housing is on the rise. Housing in this city-state serves social purposes and does not follow commodity logics, although there is increasing population pressure and growing concerns about housing and how its non-extension to migrants creates a tiered society (Forrest, 2014). In the People's Republic of China too, there is a large and growing public housing sector, although such housing is becoming increasingly expensive to ordinary people, many of whom are being evicted from where they currently live (UN-HABITAT, 2015). The Chinese example is a clear reflection of the contradictions in its 'market socialism' (Zhang, 2006). This housing challenge in both Singapore and China needs urgent ironing out and immediate attention along non-capitalist lines. Similarly, private housing in the cities in these countries can be managed outside capitalist logics (e.g., the assessment of housing values can be done on a cost basis, following Ely's early thought).

In addition to public housing, other non-capitalist housing forms have been developing. For example, there is the STUCCO cooperative housing in Sydney, run by University of Sydney students based on communal, non-hierarchical living. Committees are elected by students to run the housing facility and they do so not on a for-profit basis but on a communal basis. The Habitat for Humanity Housing Scheme is another example of alternative housing that is non-capitalist. It is based on a charity offering a no-interest loan to people with land but living in the greatest need. The building is done communally, as is the management. Families have benefited from this housing form in rich countries such as Australia and in poorer countries such as Ghana. In one study (Obeng-Odoom, 2009b), it was found that the scheme has been very beneficial to residents and while not addressing issues of social inequality, or poor quality housing – and so for Engels it cannot be a solution – it has stimulated local economic development (Obeng-Odoom, 2013b).

Also, in many cities around the world, housing is valued according to cost – not market value per se. As I show elsewhere (Obeng-Odoom, 2012b) in the case of Ghana, cultural practices, special relationships, and administrative bottlenecks constitute structural impediments to the use of more ‘progressive’ valuation methods, so surveyors rely on the Cost Approach (with some modifications) as the method of choice. While this is under pressure to change, the experience of that country shows that relative to other ‘developed’ real estate markets, the valuation approach has constituted a dampener on euphoric speculation. These alternatives chip away at mainstream housing policies by *commoning* in the margins.

Conclusion

The urban housing challenge calls for careful analysis. What this chapter has done is to develop housing analysis based on institutionalism, Marxist urban political economy, and Georgist land economics. The chapter has shown that a housing market is only one part of the housing system made up of production, consumption, management, and exchange. Engels’ ideas may offer a radical counterpoint to the mainstream economics approach to housing discussion and study, but they will need to be complemented by considering other alternatives such as George’s and Ely’s, all of which can further be amended to become relevant in contemporary times. Housing theory and policy on affordability will need to simultaneously consider labour conditions because by definition affordability entails ideas about work, wages, and the work relation. Public housing is the typically posited alternative but, as this chapter has shown, traditional public housing also falls short of the true right to housing. As a tool for social control, it can marginalise and co-opt, while constraining freedom. If housing is to be seen as a human right, then public and social housing will have to be fundamentally redesigned and re-envisioned.

The evidence shows that this right to adequate housing is not only desirable (because it has huge social, economic, and health benefits, among others) but also possible (e.g., STUCCO in Sydney, Habitat for Humanity housing scheme in Ghana, public housing in Singapore and Hong Kong), although the condition of the housing and the conditions of labour housed therein ought to be substantially improved. It should be public, social, non-commodity, secure in

tenure, supportive of labour, and supported by appropriate public management and relevant assessment techniques and practices. These can be rental – mass public (as in Hong Kong) – or social rental housing. If private housing, their capitalist wings can be clipped through socially sensitive valuation and management approaches (in terms of management and valuation). Thus, social housing beyond the state–private sector debate is possible, as is public housing, especially where the state is democratically controlled and ‘a right to adequate housing’ is a policy focus.

8 | HOMO AUTOMOBILUS

Introduction

In 1962, there were only 10.5 million vehicles in the world and this was predicted then to increase to 18 million by 1970 and a further 27 million by 1980 (Mishan, 1967, p. 89). The total global (45 countries containing 75 per cent of the world population) vehicle stock in 2002 was at least 800 million, but that is projected to increase to over 2 billion by 2030. By that time, however, it is estimated that non-OECD countries will have a higher share (56 per cent) of the stock of cars than they held in 2002 (24 per cent) (Dargay et al., 2007). It seems these estimates are quite conservative. In separate calculations, the WHO (2013) finds that there has been a 15 per cent increase in the number of registered vehicles since 2007. In 2011 alone, 75 million cars were sold around the world (UNECE, 2012, p. 5), but that is small compared to what happened in 2013/14 during which time the global population of motorised vehicles was more than 1.6 billion, 47 per cent of which could be found in high-income countries; 52 per cent in middle-income countries, and 1 per cent in low-income countries. It is the middle-income countries that are motorising the fastest: their share of motor vehicle population was 39 per cent only 4 years ago (WHO, 2013). Included in the population of cars is the growing number of green or environmentally friendly cars. Among these, electric cars have become particularly popular. Between 2011 and 2012, there was a 143 per cent increase in the share of electric cars bought in Norway. For many Norwegian cities, the electric car led the conventional cars on many a sales list in 2012 (Klöckner et al., 2013). The electric car has efficiency levels which are more than twice what the ordinary car can offer (Nyvold, 2014). In turn, they have been particularly highlighted as a major link in the march towards a green urban society.

Alongside the growth in the fleet of cars is the increase in the number and size of roads – as the World Bank (Rubaba et al., 2015) has recently shown. The road network in Sub-Saharan Africa is significantly smaller than that of any other region with only 204

kilometers of road per 1,000 square kilometers of land area, nearly one-fifth the world average, and less than 30 per cent of the next worst region, South Asia. Only 25 per cent of Sub-Saharan Africa's roads are paved, compared with about 50 per cent in South Asia (Rubaba et al., p. 7), but much work is ongoing in terms of planning and actual construction to extend and develop the road networks of many cities in Africa. Indeed, in Ghana, most of the revenues from oil are spent on developing rural and urban road networks (Obeng-Odoom, 2015). This homo automobilus – the rise of the automobile as the emperor of urban transportation and its desirability – is defended in mainstream urban economics.

For the orthodox urban economist, both individual freedom and trade will flourish, the theory goes, if transport costs are lowered and transport is efficient; that is, run by the market and the private sector. As homo automobilus is considered as good, intrinsically, a key focus for urban economists is studying how to increase mobility to enable the exchange of goods and services within cities, between cities and rural areas, and among cities at different scales; and to enhance economic growth in the urban economy which will eventually propel urban economic development (Bryceson and Mbarara, 2001; Rubaba et al., 2015).

More generally, pro-automobile groups argue that the spectacular rise in automobility is natural and desirable: automobility promotes greater choice, freedom, and opportunity. There may be some downsides to this transport form, but they pale, according to advocates, in the face of the liberty and autonomy the automobile offers. Besides, the continuing growth of automobility is proof that the automobile is the voice of the people. It must be, if, in spite of its so-called social, economic, and environmental problems, people continue to drive. Changing this transport form, then, can only be totalitarianism, a totem of a centrally planned, control and command urban society.

This chapter systematically considers the theory of homo automobilus and the economics of urban transport together with its politics as exemplified in the activities of the pro-automobile lobby. Drawing on historical and contemporary evidence – both theoretical and empirical – interpreted from institutionalist, Marxist, and Georgist perspectives, the chapter demonstrates that there are inherent contradictions in both the theory of homo automobilus and the politics of the automobile lobby. Not only does the private transport fail in its

assumptions and fall short of its posited ideals of freedom, it makes society worse off in every sense: socially, economically, and environmentally. A revised theory of urban transport will have to take into account mobility and its wider social, economic, and environmental context. Just as the four-wheeled automobile was a revolution in human society, we can transform our cities beyond the automobile dependence through a two-wheeled, non-motorised revolution, complemented by walking, rail networks, and a figurative Tariq Square where the urban form has mixed land uses with work, play, and other essentials, and home harmonised in one location.

The rest of the chapter is in three parts. The next examines the case for automobility. It is followed by an analysis of what factors have led to the rise of automobility in practice and the ramifications of the rise and risk of automobiles for society, economy, and environment. Then, the final section examines the possibility of a world with little automobility.

The case for automobility

The premise for the case of automobility can be found in the narrative of how it became dominant. According to this narrative, the automobile has arisen because of the individual agency of humans – the free choices of individuals – and those who support the car industry merely act to favour this natural desire. It claims, on this basis, that automobility embodies human autonomy – it is a wheel of fortune: free choice; freedom; mobility; achievement; prosperity. On this basis, it concludes that opposition to the car is misguided. Opponents are elites, detractors, or communists. Opponents do not want individual well-being. Opponents are fighting a losing battle: the car culture is natural; it will not change. A free society must always have the automobile on the rise – naturally (Lomasky, 1997; cf., for a thorough analysis, Patterson, 2007).

The ontological basis of this orientation is individualism. The proof is the economics of demand, supply, and price: the car is a good because it is demanded; it is demanded because it is desired as a good. Individual choices reflect individual liberty and that individualism, aggregated, works for the collective good of society. That is, collective selfishness produces a better society. This approach, called ‘methodological individualism’ in economics, explains economic reality in terms of individual actions and whole phenomena as a result

of individual actions. The structuring, history, and social context of individual action are ignored or explained as the result of individual action (Charusheela, 2005; Paterson, 2007). Favours a Samuelson 'revealed preference' approach to understanding consumer demand, this view takes as a given that if cars are purchased, they must reflect consumers' natural preference. However, this 'homo automobilus' (Barry, 2008, p. 493) requires careful and broader analysis.

Extensive studies show that economic, political, public, and private factors combine to explain the rise and dominance of automobility. In terms of economic factors, the increase in per capita incomes of countries beyond a certain limit helps to explain the intentions in driving cars, although when incomes go substantially beyond that limit there may be a decline (saturation point), as faster modes of transport are adopted. Globalisation, liberalisation, and free trade that aid car import and export of cars are yet more economic reasons for the dependence on cars (Obeng-Odoom, 2013a), especially by the higher-income groups for whom driving a branded car is not merely for safety but also social status (Sedzro et al., 2014). Political and public factors that drive and sustain car dependence include urban land use planning; limited investment in public transport; and investment in road building.

Transport policies driven by the theory of homo automobilus have found expression in the principles of neoliberalism, which emphasise the rapid transportation of goods to expedite the wheels of accumulation, expand economic growth, and guarantee individual freedom. It is centred around trade and how roads – especially quality, all-season roads – can lead to greater exchange of resources and economic integration or help to reduce the travel and trade costs, which, in turn, will trigger and sustain high levels of economic growth (Rubaba et al., 2015). One of the earliest full-blown transport policy in this genre was Margaret Thatcher's *Roads for Prosperity Programme* introduced in the UK in 1989 (Walton, 1996).

Outside the UK, then Prime Minister of Australia Tony Abbott boldly declared that 'Better roads means better communities ... they're good for our society. They're good for our physical and mental health. They're even good for the environment because cars that are moving spew out far less pollution than cars that are standing still' (cited in Ludlam, 2013, p. 261). That is not all. Mr Abbot also claimed, 'Almost nothing signifies progress more than new roads'

(cited in Ludlam, 2013, p. 262). This is not just the thinking of one influential politician. It is an institutionalised view, as can be seen in this parliamentary exchange between one senator and the chair of a parliamentary session in Australia.

Senator LUDLAM: Maybe you have missed my line of questioning: why are we not putting that (\$1 billion federal allocation) into an investment in freight rail? Why are we not doubling stacking on the freight network in Perth?’

CHAIR: Senator Ludlam, do you suggest that we tie our butter and our toilet rolls on balloons and float them to the suburbs?’

CHAIR: It is off in gaga land. (Parliamentary exchange, cited in Ludlam, 2013, pp. 261–262)

These comments are significant, especially when viewed in the context of Australia, where light private vehicles (LPVs) are the most dominant transport in all Australian major cities. In the decade to 2011, there was a slight shift from the use of LPVs for work to the use of mass transit, walking, and cycling to work (except in the Sydney outer suburbs where there was an increase). Also, there was a decline in the proportion of passengers travelling to work on LPVs between 2006 and 2011, but an increase in the proportion of people driving alone to work (except in Melbourne and Perth) (Department of Infrastructure and Transport, 2013, pp. 101–113). A recent paper (Kent, 2014) using detailed qualitative interviews of drivers in Australia has confirmed how deep-seated is the interest in driving in that country.

The World Bank’s (1994) *World Development Report: Infrastructure for Development* exported this viewpoint to the Third World for which it presented statistical evidence of strong linkages between surface transportation, telecommunications, and GDP. More recently, the World Bank’s report *Highways of Success* (Rubaba et al., 2015) re-confirms and updates such arguments:

Roads are a vital driver of economic development. They connect people to jobs, schools, markets, and hospitals. ... Lack of rural road connectivity constrains agricultural production and marketing, making it difficult and costly to get inputs in and products out. (Rubaba et al., 2015, p. 50)

The role of public construction of roads and how they induce the desire to drive is well established in what has come to be known as the Parkinson Law for Traffic: ‘private motoring expands so as to fill the road space made available’ (Mishan, 1967, p. 89, fn). But it is not all about the market and public incentives.

John Mikler’s work offers a penetrating institutional explanation for the rise in green cars. In *Greening the Car Industry* (2009), Mikler shows that profit-making aside, it is because of domestic regulations that transnational car manufacturers have tended to ‘green the car industry’ through high-tech ‘green’ fixes. Japanese and German companies lead the industry, mainly because of more advanced and tighter environmental regulations in these countries, with US car manufacturers performing badly in terms of greening the car industry mainly because of weaker environmentalism in the country. So, while there are intra-country differences in the behaviour of car manufacturers towards whether they are more or less green, generally, across the world, the greening of the car transnational companies is contingent on institutional differences in environmentalism across countries.

Mikler’s institutionalist analysis of green cars is interesting but, as Biedenkopf (2011), who reviewed the book for *Global Environmental Politics*, has noted, geographical and historical conditions that shape the transport industry ought to be probed in addition to reactions to state and other institutional influences. Indeed, it is also important to examine how institutions such as the ‘car lobby’ influence environmental regulations.

Private factors, particularly the activities of the *Roads Lobby and the Automobile Industry*, have served to entrench automobility as the main form of transport. An extreme example is the famous 1961 case in which a holding company formed by Firestone Tyres, General Motors, and Standard Oil of California bought and destroyed an extensive network of rail because it surmised that replacing rail with road would enhance its profit (Stilwell, 1993).

While the company was fined – note the amount – \$5,000 for conspiracy against the public (cited in Stilwell, 1993, p. 60), the momentum of the road has never turned back. Today, the industry lobbies for the construction of more roads, opposes the development of alternative transport, influences lifestyles, for example constructing a narrative about driving and portraying the car as a symbol

of achievement/progress, and finances research that promotes automobile dependence (Stilwell, 1993; Dargay et al., 2007; Barry, 2008, p. 493; Patel, 2008; Duranton and Turner, 2011). More recently, the movement has become radical, sometimes destroying public restraints on driving. Such is evidently the case of MAD UK – that is, Motorists Against Detection in the UK – which sometimes smashes speed cameras that, MAD claims, seek to constrain vehicular freedom (Patterson, 2007).

A recent article in *Progress*, a ‘voice’ for Georgists, set out what can be called a ‘Georgist analysis of the rise of the car’. On cab licenses, Georgist Phillip Anderson (2015) argued that license fees paid for government-issued licenses act like economic rents. This is because licensees sublet their licenses to cab operators. As the value of the licenses increase without any work by the state, the state then becomes a ‘speculator’. With a strong incentive to issue licenses, the state provided breeding grounds for the expansion of the fleet of urban vehicles. Other Georgists (e.g., Subere-Albawry, 2015) have implied that speculation on land itself increases the distance between where we want to go and where we live and hence the development of a tendency to drive. When speculators hoard land which can be used for the provision of social services, such amenities will have to be located farther and farther away from where people live which, in turn, raises the likelihood that driving becomes an imperative. Indeed, increasing rent forces people to move much farther away from essential services and again raises the likelihood that people will have to drive to get to work and to access basic amenities.

But there are other reasons for the importance given to the car. Postcolonial and social factors have played an important role. For instance, there was a culture of not only driving but driving certain cars to suit certain ranks at the University of Ghana in the 1960s and the 1970s. Then, an academic was expected to drive. Deans, full professors, and chairs of departments went for Mercedes Benz cars, associate professors went for Volvos, senior lecturers went for new Datsuns and Toyotas, and lecturers went for second-hand cars of no particular status in society (Chalfin, 2008). This link between cars and status goes even further: colonial and postcolonial practices created and entrenched this ‘culture’ as the novelist Ayi Kwei Armah dramatically caricatures in his novel *The Beautiful Ones are Not Yet*

Born (1968). The neoliberal turn entrenching the expectation to drive as one becomes prosperous has remained persistent in that country to this day. Therefore, the rise of automobility around the world is more than a simple expression of individual interests: it is a reflection of systemic and structural forces working together with naturalised individual desires to drive and use the automobile.

Questioning automobility

Road transport is a major part of the urban transport network aimed at speeding up the process of production, distribution, and consumption. The automobile is aimed at reducing the cost and time of how commodities and labour, information and money are circulated through the capitalist system. It is this function of urban transport that Marx called ‘annihilation of space through time’. It entails major contradictions in the form of increasing the cost of maintenance, congestion, and increases in the cost and time of movement, and hence decreases in the speed of accumulation and profit-making (Harvey, 2008b).

The theory that cars and roads are cheap forms of transport and enhance mobility discounts the importance of fuel and how institutions mediate the market to ensure that cars are driven. Rising oil prices may be good for oil producers, but for the majority of cities where oil is neither produced nor processed, the personal cost of driving is quite high (Bryceson and Mbara, 2001). Many countries and cities follow the American model of heavily subsidising the price of fuel to keep the cost of fuel low and ensure continuing mobility. However, for countries and cities that do not have the financial power to continuously subsidise fuel, periods of oil crises (high oil prices) have seen a tremendous decrease in mobility. This was evidently the case in urban centres in Zimbabwe during the oil crises of the 1970s (1973–4; 1979). During that time, the livelihood strategy of straddling rural–urban economies collapsed in urban Zimbabwe, as people could no longer afford to bear the cost of travel. In turn, relationships became strained and quality of life diminished as the support derived from rural–urban linkages could no long be sustained. State intervention through the promotion of public transport and cycling helped for a while, but the rise in oil prices led, once again, to the return of subsidising fuel (Bryceson and Mbara, 2001). Thus, even in cases where there are cars and

roads, institutions have had to step in to ensure continued mobility. Whether a strategy of promoting dependence on international oil whose prices are not usually the subject of domestic, urban, and national policies is a helpful strategy is questionable.

Also, the proposition that automobility brings freedom and jobs is worth considering against the empirical evidence. In her mammoth study *Car Crime*, British criminologist Claire Corbett notes that the use of automobiles for crime around the world and the fear that strikes automobile owners while they drive on the world's urban streets show that the 'freedom' argument must be problematised. Car crime in the form of road traffic offences that impair other users' rights to freedom, the use of vehicles for burglary, armed robbery, kidnapping, and murder, and the rise of the phenomenon of the 'getaway car' all go to question the automobile's perceived unblemished record of 'freedom' and safety. More fundamentally, she shows that 'motivations for vehicle theft are unlikely to disappear amid society's immersion in car culture' (Corbett, 2003, p. 12; see also Chapter 3 of this volume). Car-induced freedom, then, is neither unfettered nor one-way in the current car-dominated world. Clearly, one's freedom is another person's 'unfreedom'.

In any case, the growing congestion on the world's urban roads serves to curtail 'freedom' or any related notions of efficiency. The Bureau of Infrastructure, Transport and Regional Economics has estimated that the cost of congestion in Australian capital cities was \$9.4 billion in 2005 and that is projected to double by 2020. While the precise figures are disputed, the scale of the cost of congestion is not in question (Harrison, 2012). In American cities, there is research on time wasted due to congestion: 93 hours in Los Angeles, 72 hours in San Francisco, 69 hours in Washington DC, 67 hours in Atlanta, and 63 hours in Houston per person in 2003. Further, \$5 billion was squandered on the burning of fuel in congestion. Together, lost time and wasted fuel lead to a loss of \$63 billion per year – a five-fold increase since 1986 (O'Sullivan, 2012, pp. 260–262). So, as Mishan (1967, p. 85) famously observed several decades ago, 'as the carpet of "increased choice" is being unrolled before us by the foot, it is simultaneously being rolled up behind us by the yard'.

Recent research, using instrumental variables and panel data from 1993 to 2008 in 88 US metropolitan statistical areas, has established that 'congestion slows job growth above thresholds of approximately

4.5 minutes of delay per one-way auto commute and 11,000 average daily traffic (ADT) per lane on average across the regional freeway network, while higher ADT per freeway lane appears to slow productivity growth' (Sweet, 2013, p. 2088). So, automobility is not the ipso facto job creator: it is also a job killer.

The environmental costs related to automobility are similarly devastating, if not worse. Deaths related to air pollution to which the road makes a mighty contribution have risen by 11 per cent in the last 20 years. Annually, pollution from vehicles is responsible for the deaths of 184,000 people globally. Again, this is likely to have been underestimated because of a lack of data or under-reporting (Global Road Safety Facility, The World Bank, and Institute of Health Metrics and Evaluation, 2014). Noise pollution from roads is similarly destructive and has been said to be a major nuisance to the public, leading to a reduction in demand for property and hence a decline in property values (Anderson et al., 2010).

Also, the rise of the 'green car' has not been energy-reducing; indeed it has been pushing up the consumption of energy. In Norway, about 90 per cent of all those who bought an electric car in one study had other cars, suggesting that the electric car was bought *in addition* to a fleet of conventional cars. The owners drove the electric car more often and for significantly longer times than they did the conventional cars (Klößner et al., 2013). So, overall, those who purchase green cars consume more energy than they did before buying the conventional cars. It seems having the electric car influences the drivers to drive more, thinking that they will pollute less when, in fact, all taken into account, they consume more (Klößner et al., 2013). That is why Nyvold (2014) has called for the electrocution of the electric car to pave the way for fresh alternatives to be considered.

Socially, road injuries are the eighth leading cause of death globally and the road will move three places up the ranks of killers in 2030, if nothing is done to change the trend. In addition, road crashes disable, creating massive social stigma for the disabled. The road is the leading cause of death for people in the 15–29 age group and at least 1.24 million people die each year in road accidents (WHO, 2013). Between 2007 and 2010, 88 countries managed to decrease the number of deaths on the road, but 87 countries experienced massive increases (WHO, 2013). These figures are grossly conservative because in poorer countries where the automobile kills

more, much of the information on death is unreported (Salifu and Ackaah, 2012).

There are many other disturbing social problems related to automobility. Every year, aside from deaths, up to 50 million people are injured in road accidents (UNECE, 2012, p. 6). So, many healthy years of people's lives are lost due to such accidents. Road crashes cause the state to expend some 1–5 per cent of GDP in poorer countries and hence undermine poverty reduction efforts towards which such revenues could be expended. Emotional aspects of deaths and the ramifications of the death of a mother, father, or siblings on other aspects of family life are evident, but unquantifiable (Global Road Safety Facility, The World Bank, and Institute of Health Metrics and Evaluation, 2014).

Road construction itself has been the source of much dispossession and displacement. From the lack of participation in the decision to build roads, where, how, when, and for what, roads have been used as a tool to marginalise, dispossess, and wipe out the property rights of vulnerable groups, while marking and consolidating the property rights of stronger classes. Indeed, the construction and maintenance of roads have triggered evictions and related loss of property, culture, sense of home, and hope. A notable example of such experiences can be found in urban Israel where the construction of Road 31 of the Northern Negev semi-arid area of Israel explicitly recognised the Jewish settler population living on different sides of the road, but ignored the Arab-Bedouin Indigenous group whose settlement had to be destroyed to make room for the road (Meir et al., 2016). The Indigenous Bedouins were not consulted in the inception or conception of the road project. While this marginalisation is a reflection of the wider systemic non-recognition of Indigenous people's prior claim to property rights by the Israeli state, it takes a distinctive form by seeking to elevate the mobility of majority classes at the expense of the weaker classes. In this process, many Bedouins have been displaced with little or inadequate compensation (Meir et al., 2016). Through fierce protests and struggles against the state, the road contractors, and builders, the Bedouins have forced the state to engage them more recently, but questions of the appropriateness and adequacy of compensation remain (Meir et al., 2016).

The experience of the Arab-Bedouins with Road 31 is not merely a case of application of theory gone wrong. It is a direct result of the

mainstream theory that privileges the ‘creative class’ (Florida, 2003) assumed to be the sole agent of growth and puts total emphasis on the economic case for roads (roads as a means to reduce transport cost and facilitate trade and economic exchange, while promoting globalisation) – without looking at the socio-cultural and political economic aspects of social processes (see Chapter 3 on the urban economy). This growth theory privileges the ‘creative class’; it is speculative, disruptive, and dispossessive (see Chapter 4). As with much mainstream social science research (Klaeger, 2013; Meir et al., 2016) in the mainstream urban economics literature, ‘roads’ are merely seen as economic mechanisms that reduce transportation costs. Questions about the cultural, social, environmental, and religious ramifications of roads tend to be downplayed, even when recognised. The city in mainstream, urban economics then is merely ‘a growth machine’ (Molotch, 1976). The case for an urban society that is devoid of the contradictions in homo automobilus must, thus, be rooted in alternative urban economics theories of post automobility.

On the road to change: post automobility?

Confronted with the evidence of growing congestion in Sydney, Duncan Gay, NSW Roads Minister, noted that he is ‘determined to get on with the job of building roads and infrastructure as quickly as possible’ (cited in Wood, 2012). The 2014 Budget of the Commonwealth of Australia notes ‘The Australian Government is investing \$2.9 billion over 10 years in major road upgrades. The region is finally receiving the infrastructure it needs, unlocking economic capacity by easing congestion and creating thousands of local jobs’ (Commonwealth of Australia, 2014, p. 17). Driverless cars – cars that drive by themselves – are even touted as a solution (Smith, 2015). Indeed, with the continuing development of the technology, it will appear to be a panacea: people do not have to be stressed and tired and hence make mistakes to cause accidents, they allow people to work while being driven, they enhance ‘freedom’ in the sense that owners can choose to live wherever, do whatever, and think any thoughts while being driven (Smith, 2015). Yet, driverless cars can only make a bad situation worse (Smith, 2015). Legal and ethical debates aside, they are a license for urban sprawl and hence urban penalty for nature in and around cities; they will contribute more

congestion and pollution. Besides, they can promote dependence on international oil, the determination of whose prices is not within the scope of domestic urban policy.

For the United Nations Economic Commission for Europe Transport Committee (UNECE ITC), the solution lies in promoting road safety through road safety regulations. UNECE ITC has been pushing for the acceptance of 57 transport-related international legal instruments which bind governments around the world when they subscribe to them. These laws relate to ‘traffic rules, road signs and signals, construction and technical inspection of vehicles, road infrastructure; border crossing facilitation; driving times and rest periods for professional drivers; and safe transport of dangerous goods and hazardous materials’ (UNECE ITC, 2012, p. 7). The organisation will support the more roads solution, provided safety measures are promoted: ‘We all love motoring. UNECE Transport Division has always worked hard to ensure that you and those you care about are kept safe on the road’ (UNECE ITC, 2012, p. 16). While UNECE data show that countries in the UNECE area that subscribe to the UNECE regulations and safety standards have witnessed a drop in the number of lives lost on the roads (UNECE ITC, 2012, pp. 9–10), other challenges remain.

Indeed, in recent modelling by urban economists of a neoclassical orientation, Duranton and Turner (2011) have argued that providing more roads is no solution. They argue that this approach actually worsens congestion because it encourages more driving (Duranton and Turner, 2011). The only solution, according to neoclassical economists, is to let the market decide. That is, introduce a congestion charge (Glaeser, 2011; Duranton and Turner, 2011). This charge works by discouraging traffic in peak hours and in highly congested areas. It may also be designed in such a way that it can be accompanied by a reduction in income taxes such that the congestion charge will be income neutral. It is advantageous, economists argue, because it leads to a shift in transport mode, change in time for travelling, route change, and change in land use location (O’Sullivan, 2012).

The London Congestion Charge, introduced in 2003, is the most widely cited success story. Yet, Moshe Givoni’s (2012) recent comprehensive re-study of the so-called success shows that the claim of success does not take into account broader factors, including spatial and temporal matters, and the operation of other variables.

Accounting for these, Givoni (2012) finds that congestion levels in London reduced in the early years (30 per cent in year 1), but have returned to pre-charging levels; and air pollution did not reduce overall. In contrast, in Birmingham, where no congestion charge was introduced, congestion and car use have fallen dramatically – as a result of the introduction of reliable public transport as an alternative (Givoni, 2012). In the words of Mishan (1967, p. 93) the institution of public transport has the advantages to:

(1) provide a comfortable, frequent and highly efficient public transport service, bus, train, or tube, in all the major population areas (and, in the interest of quiet and clean air, preferably electrically-powered transport), (2) through government control of public transport, to restrain and gradually reverse the spread of population that has followed in the wake of post-war speculative building and is in the process of transforming the south-east into an uninterrupted suburban region, and (3) to restore quiet and dignity to our cities, and to enable people to wonder unobstructed by traffic and enjoy once more the charm of historic towns and villages.

Mishan may have had a point but he neither systematically considered how to make a transition from the *status quo* to the radical solution nor provided careful evidence of the record of the radical alternative. He thought about these pertinent issues, but decided to leave them for others to consider:

A number of difficult decisions must inevitably crop up in arranging the transition from the present unrelieved traffic nightmare to any one of a variety of solutions. Since I am pointing out the main features of a solution and not presenting a blueprint to the Government I shall not discuss them here – though it need never be doubted that those who feel their interests threatened will make the most of them to prevent a change of direction from the present policy of drift into traffic chaos. (Mishan, 1967, p. 99)

So, it is necessary to more carefully consider the opposition to a radical alternative and the nature of that alternative. To be sure, no

radical programme can succeed without first denouncing the status of private transport as a compulsive emperor and imperative. To Barry (2008), the automobile must be delegitimised and considered as smoking, a poison which eventually kills. In urban Ghana, frustrated local residents typically perform rituals to cleanse demonic roads, while the youth show their frustration by burning tyres and blocking roads as they look on helplessly as the roads claim their loved ones, one after another (Klaeger, 2013). Assuming this can be scaled up, it can serve as a backdrop for the introduction of common transport (community-run and operated transport, self-managed at the community level) with public support and public transport.

Public transport – such as trains, buses, bikes – has a solid social, economic, and environmental record which is much better than private automobiles (see Table 8.1). While the number of people killed in rail accidents increased in most regions between 1970 and 2009, it is significantly lower than car deaths, a mere 19,242 over a period of 39 years or 493/year (cf. 1.24 million/year for cars) (Forsberg and Björnstig, 2011). Road travel generates over 40 per cent more carbon in emissions than rail travel on a per passenger km basis. The amount of reduction in carbon emissions for one freight train that replaces a truck travelling between Melbourne and Brisbane is the same as how much carbon reduction a household of three, going without electricity for 46 years, will attain (Australasian Railways Association, 2013).

This public transport system can be greatly enhanced by mixed land use urban development where work, home, and play are closely integrated with reliable, safe, and affordable public transport, and footpaths for walking. In one urban area (near Hong Kong Island) where these conditions are met, the evidence shows that there are

TABLE 8.1 Comparison of vehicle-energy use for various vehicles

Type of vehicle	Capacity (passengers)	Energy use/100km	Energy use/litre/100 passengers place (km)
A	14	15	1.07
B	22	19	0.86
C	100	40	0.4

Source: Adapted from Global Environmental Facility, 2006, p. 9

five advantages, namely: effective and efficient land utilisation; the use of fewer roads; an excellent public transport system; few private cars; and high accessibility to essential community uses (Tong and Wong, 1997). Georgist analysis has much to offer here: when land is communally owned with rent taxed and collected by the community or even the state, the resulting revenues can then be used for quality and free or affordable public transport. Also, such a land tax or even better communally run commons will avoid the excesses of speculation, and profit-getting but socially inefficient land uses.

Further evidence of the effect of public investment on low car use is available in the notion of ‘Peak car’ (i.e., a peaking and subsequent reduction of car mode share). Major investment in public buses and public transport in Birmingham, Bristol, Sheffield, Leicester, Manchester and Liverpool has led to a decline in the use of cars in these cities. Other complementary reasons for the decline are the development and acquisition/rental of housing in already urbanised (brownfield) areas. Finally, other factors such as technology (e-communication) use by the urban youth instead of face-to-face meetings requiring some driving are probably also contributing to the decline, but more studies are needed to confirm this latter factor (Metz, 2013).

Research shows that bicycles can be promoted both in richer cities (e.g., Newman, 2015) and cities elsewhere (e.g., Obeng-Odoom, 2015b). The use of non-motorised bicycles is especially beneficial. The support for pedal bicycles through supporting urban-based bicycle-making using local materials and supported by a healthy dose of cycle imports can help. In addition, the culture of cycling can be enhanced if cycle lanes are made safe. Finally, much like how cars have been promoted, bikes too can be actively encouraged.

Conclusion

Drawing on institutionalist, Marxist, and Georgist analysis, this chapter has shown that the rise and dominance of automobility is not natural, but naturalised. The automobile owes its rise and dominance to a combination of institutional, structural, and postcolonial political economic forces and individual reasons that arise both from nature and nurture.

The predictions of freedom, choice, and opportunity arising from automobility are undermined by the contradictions in what

Marxists call the ‘annihilation of space through time’. The cost of congestion, lack of freedom, pollution, and deaths for the economy, environment, and society are severe and empirically verifiable and hence challenge conceptual and ontological bias, arising from certain assumptions about individualism and methodological individualism as the only way to address urban problems. To express this drive in the words of the famous British critical economist, Ezra Mishan, the current obsession with roads would lead to a phenomenon where the best city is ‘a city buried under roads and freeways’ which not only ‘would cost the earth but would also detach humans from the earth’ (Mishan, 1967, p. 6).

The chapter has argued that as the rise of the car has been political, reshaping the new urban transport agenda must also be politicised. An active and activist campaign is necessary to delegitimise automobility as one route out of the current state of contradictions. Public and broader solutions, in the form of mass transit and bicycles, walking, and planning for people (not for profit) in the sense of building fewer roads, promoting collective and mixed use urban development (together with other public and social programmes) and safe walking paths, have a record of (a) reducing automobility and (b) bringing not just change but a just change that ensures harmonious environmental–economic–societal relationships in cities.

9 | SUSTAINABLE URBAN DEVELOPMENT

Introduction

The notion of sustainable urban development is in vogue, but how to conceptualise and attain this vision is hotly debated. Approaches vary widely: shall we look at cities in nature or nature in cities, strive for compact cities, or ask for green technology and recycling (Kos, 2008)? Like the parent literature on sustainability generally (for a review, see Paton, 2008), concepts, meanings, and approaches differ in what we may call ‘urban ecologies’. Some borrow from ‘ecological footprints’ to stress the amount of land that is used up or degraded in the process of ‘conspicuous consumption’, to borrow from Thorstein Veblen, whereas others use ideas of ‘urban sprawl’, urban expansion, or ‘urban ecosystem’ to stress the relationships between the city and nature as an interlocking whole (Rademacher and Sivaramakrishnam, 2013, pp. 1–3).

In these conceptions of sustainable urban development, however, the environment is typically decoupled from the environment-society-economy milieu. In the World Bank’s official position on how to understand and transform cities, *Reshaping Economic Geography* (World Bank, 2009), for example, the Bank makes a strong case for economic growth and the need to prioritise it over and above the environment, although it notes that the environment is important (World Bank, 2009, p. 34). The UN does much better in approaching sustainable urban development more holistically, but it does not carefully theorise the structural connection between capitalism, nature, society, and economy, polity, and institutions (Obeng-Odoom, 2013).

Such is the nature of the current policies on sustainable urban development too. These tend to ignore the structural links between planning and markets, concentrating on form and overlooking structure. This emphasis is systemic. In one of the seminal texts on which neoliberalism is based, *The Road to Serfdom* (Hayek, 1945), Austrian economist Friedrich Hayek argues that it is only planning for competition and profit that works under capitalism. The work

of Campbell and her colleagues (2014) recently published in the *Journal of Planning Education and Research* shows that such is evidently the state of planning today, prompting the researchers to make a passionate plea for new ways of planning.

In responding to this call and the more specific concern of this book, this chapter reviews the existing mainstream approaches to sustainable urban development, highlights the common political economic challenge, and then introduces and outlines the benefits of a Georgist approach to sustainable urban development, previously overlooked in the literature. The approach emphasises how social investment affects land rent, how surplus is generated, and how the *produit net* is distributed and impacts on sustainable urban development.

Although highly relevant in the current global political economy, the Georgist approach is rarely used in neoclassical resource economics and these days is scarcely used in heterodox urban political economy too (Stilwell and Jordan, 2004; Stilwell, 2011a). Including it in this chapter strengthens the case for the reconstruction of urban economics.

The chapter shows that George's approach to sustainable urban development throws up complex distributional issues hardly acknowledged in the dominant discourses on sustainable development. It also argues that the primary emphasis on rent helps to show how the wrongful appropriation of nature tends to lead to speculation and profiteering which, in turn, lead to misuse and abuse of nature. Thus, under capitalist urban development, attaining 'sustainable development' is an oxymoron. Since emphasising one segment of society neglects the other, and grafting 'everything' onto a grand approach buttered with markets generates further contradictions, the entire basis of the capitalist system ought to be challenged.

Henry George, however, did not provide a road map for moving from 'here' to 'there'; neither did he consider other contradictions in the capitalist economy arising from the incessant pursuit of profit and to what extent other institutions can be avenues for change. Therefore, Georgism ought to be linked up with other green movements for which an institutionalist and Marxist analyses are better suited. Indeed, such broader analyses should set the broad stage within which the Georgist alternative can be placed.

The rest of the chapter is divided into three parts, dealing with (1) a review of the dominant perspective of sustainability, (2) an institutionalist and Marxist political economic analysis of urban sustainable development, and (3) a Georgist analysis and its appraisal.

Sustainable development: a review of the dominant views

While various conceptions of sustainable development characterise the literature, it is the meaning of sustainability stated in the *Our Common Future* (World Commission on Environment and Development [WCED], 1987) report that is the most widely used.

This view is often styled as the economic approach to sustainability and is the dominant paradigm in the sustainability literature. It is characterised by the primary emphasis of the economic over the environment and leads to conclusions such as the eco-technological transformation of society where cleaner and greener technology is encouraged to continue on a business-as-usual pro-growth path. It opposes state intervention, preferring instead to use market-based mechanisms such as emissions trading schemes for a clean environment (Paton, 2010; Rosewarne et al., 2014). This approach is presented as being apolitical, pro-technocratic, and predominantly based on using modern technologies to ‘save the planet’ (Salleh, 2011).

The history of modern technology generally has been documented elsewhere (Hård and Jamison, 1998), so it is not repeated here. However, I briefly highlight the relevant aspect of that scholarship to provide context for the subsequent discussion. Green technology first gained roots with the publication of the book, *Whole Earth Catalog*. It made a strong case for individuals to change their lifestyles to save the planet. Accompanying such change was the need for quality technological change, leading to the founding of a new movement of ‘appropriate technology’ in the 1970s (Steinberg, 2010). A highly influential figure in the movement, the economist E.F. Schumacher, took a different view. He argued for structural change, as he saw the current system to be incapable of major changes to save the planet. Technology was important for him, but more important was the entire socio-ecological system. With time, the movement slipped away from these ideals and instead became fixated on the notion of clean technology alone – without taking

into account the political and systemic issues. The drift was part of a bigger issue of the loss of faith in the Keynesian state and the successful march of the neoclassical economics establishment and its general, Milton Friedman, to establish that type of economics as the dominant paradigm (Steinberg, 2010).

In those countries in the periphery of the world system, the World Bank report, *Environment and Development* (World Bank, 1992), was the carrier-in-chief of the neoliberal case for sustainability. It announced its full support for the WCED report and declared that ‘continued, and even accelerated, economic and human development is sustainable and can be consistent with *improving* environmental conditions’ based on two conditions (p. iii, emphases in original). First is the aggressive pursuit of the links between more growth and effective environmental management. To achieve this outcome, the Bank advocates the removal of all subsidies on natural resources such as water because subsidising their use leads to overuse. Further, the Bank promotes the adoption of new technology to manage the environment.

Second is a call for efficient management of institutions. A major step in that direction is to create property in land, as excluding others from the use of land is the only way to ensure that the land is put to its highest and best use. Further, the case is made for farmers to create property in land, as it is only private property that will encourage them to better invest in land (World Bank, 1992, p. 1). In this approach, population growth is also blamed for causing poverty, and women, in particular, are blamed for being too fertile and hence in need of family planning (World Bank, 1992, pp. 23, 29, 173). Indeed, the World Bank report argued the case for prioritising economic growth and advocating a voluntary change of behaviour. For Dercon (2012), for instance, has noted that green growth is likely to be coupled with growing poverty. Growth everlasting is, therefore, a key rallying point. The growth fetishism has led to calls for limitless green growth (Squires, 2013), anchored on an urban form that is green or typified among others by green gadgetry and green buildings (see, for example, Emmanuel and Baker, 2012).

In this literature, the notion of sustainable urban development is embraced, but in a reductionist way. The environment is typically decoupled from the environment-society-economy milieu. The

World Bank's report on cities, *Reshaping Economic Geography* (World Bank, 2009), makes clear the interest in economic growth and the need to prioritise it over and above the environment, although noting the importance of the environment (World Bank, 2009, p. 34). It is a classic case of the environmental Kuznets curve that the environment and its sustainability can wait until such a time that income per capita has reached a certain level and the market, the sum total of disjointed individual actions, will ensure that the environment saves itself (for a review, see Acemoglu and Robinson, 2002; Stern, 2004). The United Nations has tried to be more comprehensive, but it is yet to recognise the structural determinants of the challenge. In the United States, Barack Obama's \$160-million 'Smart Cities Initiative' is cast in this light: 'the President's Council of Advisers on Science and Technology is examining how a variety of technologies can enhance the future of cities and the quality of life for urban residents', and the many supporters of the initiative named by the White House include 'Envision America, a new nationwide nonprofit, [which] is issuing a challenge to America's cities to become smarter by accelerating deployment of innovative technologies that tackle energy, water, waste, and air challenges' (The White House, 2015).

For cities in Africa, the guidance can be found in the *State of African Cities Reports* (UN-HABITAT, 2008c; 2010). The predominant focus is local development, emphasising green technology, without a fundamental shift. Rather, 'reducing energy use wherever possible; adding as much renewable energy as possible and offsetting and CO₂ emitted through purchasing carbon credits' (UN-HABITAT, 2009, p. 41) are emphasised. The thrust 'is to find ways that cities can integrate these two agendas – to respect the natural environment and to improve the human environment, at the same time' (UN-HABITAT, 2009, p. 40). Like other capitalist cities, therefore, the city in Africa is framed mainly as 'an engine of growth', with saving the environment understood as related to greener or cleaner energy (UN-HABITAT, 2008c, p. 89). In turn, the vision for the Nairobi 2030 plan is to obtain 'sustainable wealth' (UN-HABITAT, 2008c, p. 129).

This view of sustainability is part of a broader framing of it as attaining a 'green economy': continuing capital accumulation albeit with an ecological modernisation twist. More explicitly, Africa is at

the receiving end of polluting and degrading activities dispatched from the North to the South (Salleh, 2012, p. 142). This is the green economy in Africa (Tandon, 2011), anchored on the concept of ‘green growth’ or continuous growth at reduced environmental costs – greatly propagated by the OECD countries, especially during the *Third Annual Meeting of the OECD Urban Roundtable* (Hammer et al., 2011).

Urban green growth, defined as urban activities and processes that expand the urban economy by reducing emissions and saving energy and hence supporting the environment (OECD, 2013), entails the substitution of inefficient production and building methods with more efficient approaches *and* the use of energy-saving instruments to reduce emissions and save on the use of resources. Urban green growth has been embraced by property developers and industrialists who champion the development of green buildings, green roofs, energy-saving lights, and the use of eco-taxes to discourage environmentally damaging practices. At the building level, the famous ‘green equation’ is quoted with a ringing endorsement (Wilkinson et al., 2013): (1) Green buildings + (2) ability of occupants to use green technology + (3) green behaviour of occupants + (4) green education = saving the planet.

Urban green growth is significantly different from traditional economic growth. For traditional economic growth, there is a primacy on economic growth rooted in the environmental Kuznets thesis: in the process of economic development, greater economic growth leads to a fall in levels of pollution, arising from the ability to afford greener technology and the shift in demand for commodities whose production requires less pollution (Grossman and Krueger, 1991; Stein, 2004). For urban green growth, there is important emphasis on green activities right throughout the process, so greening is not secondary but rather fundamental in the story. Advocates note that the only way this free market environmentalist foetus can fail is when either of the variables in the green equation is missed. In this sense, it is more, not less, technology-driven free market environmentalism that is needed (see, for example, Beuschel and Rudel, 2009; Wilkinson, 2013; Wilkinson et al., 2013). This view is widely regarded as the current best thinking on the environment, drawing support among others, e.g. from the United Nations Environmental Programme and other UN agencies such as the United Nations Economic Commission for Europe.

Political economic perspectives

The orthodox view of sustainable development has been widely contested by heterodox economists and political economists, particularly institutional and Marxist political economists (Rosewarne et al., 2014). These critics suggest that urban green growth is worsening or will worsen emission and consumption levels and totally destroy the lungs and environmental cells of cities. Indeed, if the green washing of cities is supposed to create a Garden of Eden, then urban green growth is the snake that misleads humans and ultimately leads them away from this idyllic experience. This alternative argument gives an urban face to the famous ‘Jevons paradox’.

Originally developed by William Stanley Jevons (1865), this thesis showed that technology that reduced coal consumption actually led to an increase in the overall consumption of coal. The new technologies in Britain used less coal on average to produce more iron. However, as Jevons showed, the increase in the quantity of iron produced together with the cheapening of the production process led to a fall in the price of iron which, in turn, led to an increase in how much iron was demanded. More iron needed to be produced to meet this increased demand, which therefore meant that more and more coal was needed. Indeed, the savings from the new technology tended to be invested in new iron-making furnaces which meant that new amounts of coal were needed. Taking these into account, Jevons argued that the gains in technology can only lead to an increase in total consumption of a resource; not a decrease.

While it is now well known (Lawson, 2013) that Jevons became a pillar in founding mainstream economics, his idea was radical at the time he presented it. Indeed, in Keynes’ authoritative review of the work of Jevons presented to the Royal Statistical Society, he showed that the work was meant to be an *‘épatant’* (Keynes, 1936, p. 520). Jevons himself was a radical, in Keynes’ expression, a ‘nonconformist’ challenging the ‘orthodoxy’ of J.S. Mill (Keynes, 1936, p. 538). However, as Keynes (1936) also showed in an assessment of his work, Jevons became increasingly more mainstream and less and less critical to the point that Keynes implied his early death was good for economics (Keynes, 1936, p. 551, pp. 554–555).

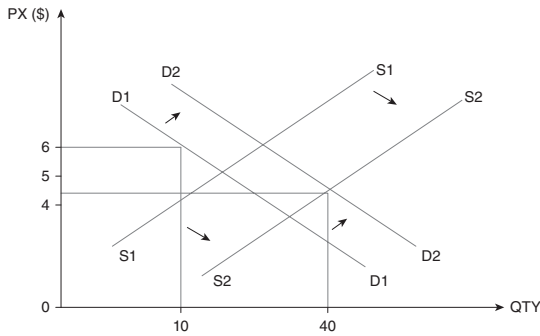
The Jevons paradox has enduring relevance for political economic analysis of urban sustainable development. It is the idea that efficiency gains in production through (a) technological advances

and/or (b) substitution of more efficient resources increase rather than decrease the consumption of the scarce resource. It is a paradox because it is typically assumed that when efficiency in the utilisation of a resource is enhanced, less of the resource will be consumed. Political economists have argued that another explanation is that when capitalists find that they can produce more with less, they substantially increase production to enhance their profits. In turn, what was meant to be a reduction in consumption actually leads to an increase in consumption. A third explanation is that the savings from the efficiency gains tend to be used to produce and acquire more and more, such that consumption of the resource actually increases with time. The implication of the Jevons paradox is that the environment cannot be solved with efficiency or substitutability approaches alone. In the words of Jevons (1866):

It is wholly a confusion of ideas to suppose that the economical use of fuel is equivalent to a diminished consumption. The very contrary is the truth The number of tons of coal used in any branch of industry is the product of the number of separate works, and the average number of tons consumed in each. Now, if the quantity of coal used in a blast-furnace, for instance, be diminished in comparison with the yield, the profits of the trade will increase, new capital will be attracted, the price of pig-iron will fall, but the demand for it increase; and eventually the greater number of furnaces will more than make up for the diminished consumption of each. And if such is not always the result within a single branch, it must be remembered that the progress of any branch of manufacture excites a new activity in most other branches, and leads indirectly, if not directly, to increased inroads upon our seams of coal. (Jevons, 1886, p. 76)

Figure 9.1 shows the flow-on changes in quantity demanded (DD) and quantity supplied (SS) arising from a modest change in price (PX) from around \$6 to \$4.50.

The fall in price increases demand from D_1D_1 to D_2D_2 , with suppliers accordingly expanding their production and supply from S_1S_1 to S_2S_2 . If this process continues, according to the work of Jevons at least, more input *overall* will have to be used to meet the growing demand *and* satisfy the tendency of capitalists to make and



9.1 A diagrammatic representation of the Jevons paradox

accumulate profit arising from a technologically driven downward spiral in prices which makes it possible for more and more goods to be sold. What results is a ‘backfire’ or the Jevons paradox.

Is there a Jevons paradox in the modern metropolis? One way to ascertain the claims of Jevons is by analysing the greening of the building sector. It is particularly important because the building sector contributes up to 30 per cent of global annual greenhouse gas emissions, and consumes 40 per cent of energy annually, among other things from the manufacturing of building materials (embodied energy) to the transportation of building materials to and from site (grey energy), construction of buildings per se (induced energy); operation of the building (operational energy); and the demolition of the building and recycling of their parts (UNEP, 2009). The building sector is also important for analysis because it has been the focus of many urban sustainable development experiments.

Green buildings have become a major backbone in this approach to the mitigation of climate change. Leland et al. (2015) have noted that in the United States, such buildings are distinguished either as LEED-certified (that is, confirmed to be good in LEED: Leadership in Energy and Environmental Design), Energy Star-certified, or both. LEED certification is given by the US Green Building Council. The award is based on a six-point criteria system, ranging from (1) efficient use of energy; (2) conservation of water; (3) site design; (4) waste reduction; and (5) the use of materials in an environmentally conscious way; to (6) quality indoor environment. Energy star

ratings, on the other hand, are awarded by the US Environmental Protection Agency and the Department of Energy for which the sole criterion of a certified building is energy efficiency. As of the first day of May in 2009, there were 657 LEED-certified office buildings and 2,393 Energy Star-rated commercial buildings in one database (CoStar) alone (Fuerst and McAllister, 2011), with the number of green buildings in the US doubling nearly every two years (Fuerst and McAllister, 2011). Much like the US, there are many green-rated buildings elsewhere too (e.g., in the UK and Australia).

The posited advantages of green buildings are numerous, ranging from benefits to developers, owners, and renters, to the environment. Developers get subsidies from governments, owners and renters save on energy consumption, and the environment is protected from anthropogenic pressures (Fuerst and McAllister, 2011), or so the argument goes. Indeed, these features have the effect of increasing rental and sales prices, as more consumers seek to acquire green buildings. One study by Fuerst and McAllister (2011) showed that green buildings have a 4–5 per cent rental premium over similar conventional buildings in the same location and around a 26 per cent premium on sale prices. Essentially, the greener the building, the higher the rental or sale price the green building commands. Generally, as Leland et al. (2015) show, such buildings have low vacancy rates, higher rental occupancy rates, and better sale prices given that businesses prefer such buildings to give the public the impression they are green conscious, because they perceive worker productivity to increase in green buildings, or because such green buildings are modern and have a low risk of becoming functionally obsolete.

Two strategies are common in ‘greening buildings’. The first is to make energy-efficient housing and the second is to build green buildings in a green way. In *Good Practices For Energy-Efficient Housing in the UNECE Region*, the United Nations Economic Commission for Europe (UNECE, 2015, p. x) notes that the use of existing technology can reduce energy consumption of buildings by 30 to 50 per cent. Additional advantages include a reduction of energy bills, reducing energy poverty, mitigating greenhouse gas emissions, and creating ‘green jobs’. A combination of the price mechanism (e.g. reducing subsidies for energy use), state regulation (e.g. giving planning permits only to new buildings that use the latest energy-efficient technologies), market competition (e.g., triggering

competition among neighbours by making them aware of how much money each of them is saving by using green technologies), and bankability (e.g., making it easy for commercial banks to give credit to buy green technology) is advocated by the United Nations Economic Commission for Europe. Making buildings green through corporatised development of plants is the second strategy.

Recent studies show important gains from green buildings. Evapotranspiration rates – that is, the rate at which roof surfaces can help in creating rainfall through evaporation and transpiration by plants – are very high. Green roofs can transfer as much as 58 per cent of solar radiation into evapotranspiration which brings rain and can help to mitigate excessive heat (Schmidt, 2010). There is also research on energy conservation in Athens, Greece where green roofs have been shown to be able to conserve some 37–48 per cent of energy in buildings, and hence can reduce greenhouse gas emissions. Such green roofs can lead to cooler room temperatures, often 10 degrees Celsius difference between green and non-green-roofed buildings (Niachou et al., 2001). In Australia, scholars, including many in the schools of built environment, have called for further studies to measure the precise contribution of greening to emissions reductions and cooling and hence to climate change reduction (Wilkinson, 2013). Research by Janis Birkeland and her team (Renger et al., 2015, p. 11) shows that ‘although the built environment is a major contributor to carbon emission, ... it could become a net carbon sink ... a building can sequester more carbon over its life cycle than it emits by incorporating current renewable energy technology and extensive building-integrated vegetation’. This analysis goes beyond green roofs and green walls to green scaffolding which is like a complex multi-functional space frame.

At the city-wide level, too, there are major developments in urban green growth. Masdar City in Abu Dhabi is the quintessential green city: it is being constructed from scratch at a cost of US\$22 billion to be a ‘zero-carbon’ city by being the home of 1,500 green technology and renewable energy businesses producing power for the city’s 50,000 residents who are expected to use *ergos*, a new currency denominated in energy units, to pay for the power obtained (Günel, 2014). The brain behind these ideas is the Masdar Institute, located in the middle of the city, which specialises in new energy technology and renewable energy. With much support from the Massachusetts

Institute of Technology (MIT) in the US, Masdar Institute has had its ego boosted in championing the development of ergos. The currency works as an energy-bank account operating on e-banking lines. With energy credits deposited in the account, and the currency itself acting like a purchase card, every energy purchase is rigorously metered and recorded in the accounts' transaction history. But, in addition, how the prices of the energy credits are trending can also be monitored and energy credits can be purchased and traded in real time (Sgouridis, 2012).

It is not possible, however, to hoard credits with the intention of selling later at a future higher price. Similarly, the overproduction and underconsumption problems that plague the market are expected to be avoided. Ergos have an expiration date and hence unused credits can expire. And, as credits for an entire city (e.g., 2000 W) are carefully planned in advanced and allocated through a planning process that intends to match demand and supply with a political vision of a limit on consumption, it appears here is a case where equilibrium is supposed to be engineered. Indeed, it appears the power companies are allowed to produce so much power for a particular year/planning period that increasing demand will not be matched by supply. Strictly metered and monitored by hi-tech technology, this e-energy banking system makes the residents in the city realise exactly how much energy they are consuming per energy-related activity (Sgouridis, 2012; Günel, 2014).

Built into ergos is an incentive/disincentive structure to minimise energy (mis) use. When residents draw down their credits to zero before the expiration date, they are 'punished' by the market in the sense that they have to top-up by paying a spot price usually higher than the allocation or subscribed price. Here, the logic of the system is much like how mobile phones on a plan work: you can use your credits while they last but one more credit after the limit is excruciatingly expensive.

Less ambitious but similar energy-efficient cities have also been created in Zug, Switzerland, where the city is contemplating imposing a 2000-W limit per annum which would amount to a 70 per cent reduction in current energy consumption levels in Switzerland (Sgouridis, 2012; Günel, 2014). Such green-based technological innovations seek to fundamentally change the nature of markets in cities. Cities are particularly suitable for the use of this currency

because they have a higher population density and better supporting infrastructure (smartphones, apps, and ICT technology, among others to track energy use) to make the technology work, but also because by targeting cities, it is hoped that the success will be on a bigger scale (Sgouridis, 2012; Günel, 2014).

The intention of all these programmes is to reduce energy consumption, to make markets work better by connecting the physical world to the economy, and to create energy-efficient cities through behavioural changes inspired by a rigorous metering of energy utilisation or an energy accounting system. In practice, however, there is much evidence of possible and actual ‘backfire’. In a 2010 survey of 378 senior corporate executives, 44 per cent considered sustainability as an incentive for innovation, while 39 per cent saw it as an opportunity for business; 48 per cent expected major improvement in net earnings, up from 31 per cent in 2008. The boost in business is in terms of cost cutting, extra profit, and extra markets. Post ‘sustainable practices’ profits can be 50–100 per cent more than pre adoption of sustainable practices (KPMG, 2011). So, it is not surprising that the World Business Council for Sustainable Development (WBCSD), whose members (200) are growing and helping to ‘*influence the global sustainability agenda rather than be shaped by it*’¹ (emphasis in original), is at the forefront of the sustainability campaign.

As this version of sustainability is seen as a way to profit, more and more green buildings, green construction, and green manufacturing will be undertaken, so much so that the net gains in emissions reduction risk being cancelled out, leading to a Jevons paradox: ‘reliance on economic production and market instruments in order to trickle down environmental benefits can only increase the material turnover of nature, fuel inputs, and carbon outputs’ (Salleh, 2011, p. 130). Such is evidently the case with the Urban Infrastructure Initiative of the World Business Council for Sustainable Development which is seeking to fill a \$5.7 trillion infrastructure gap, mostly in cities (World Business Council for Sustainable Development, 2014). Some cities require infrastructural development, of course, but the scale of the effort and its ever-expanding nature especially on a world level raise the possibility that the same environment it is trying to save

1 <http://www.wbcsd.org/about/members.aspx>

might be compromised. The growing building size is yet one more signal of possible backfire. The average size of new housing in the US increased by 135 per cent between 1950 and 2004. Homes with nine-foot ceilings constituted 43 per cent of housing in the US in 2004 compared to 15 per cent in the 1980s (Rees, 2009). Similarly, in Germany, the installation of more efficient insulation and boilers led to a reduction of energy use by 9 per cent at the household level. Yet overall, through increased demand, there was a 2.8 per cent increase in energy use between 1995 and 2005 (Santarius, 2012). Overall, annual CO₂ emissions levels in 2014 were 2.5 per cent higher than previous years' levels (Wilkinson and Sayce, 2015).

Water, wind, lightning, and solar energy have all been suggested as alternatives. They were even on the table in the days of Jevons. However, as Jevons noted, these were historically superseded by coal on many grounds: lightning is irregular; solar is not possible in many areas; rivers and lakes and wind all work fine, but many have the inconvenience that they should be located close to gadgets or they depend on fossil fuels to function (Jevons, 1866). Also relevant is the story of biomass. Although substitutes to biomass in the form of fossil fuel have been developed, it is only the proportion of biomass consumption that has decreased. Total consumption of biomass has actually increased since the 19th century (York, 2006).

Beyond the Jevons paradox: the crises of decimating green urban commons Increasing consumption also risks creating gentrification and speculation. This is because green growth privileges the activities of capital over and above labour, landowners over and above the rest of society. Even when 'people' are the emphasis, it is the so-called 'creative class' that is protected (see Chapter 4). In turn, the pursuit of urban green growth has led to much dispossession and displacement. The development of international real estate under the label of providing green buildings has also displaced many people as these luxury buildings are not planted on empty lands. The clearing of the place for construction, the fencing put up after construction, and the new feel about the place are exclusive, and dispossessive. In turn, urban farmers and others doing green activities tend to be disadvantaged. Street sellers who hawk food also tend to be disadvantaged. Such is evidently the case for those cities and nations in the world where growth is now rising: Addis Ababa,

Luanda, Johannesburg, and Accra (Obeng-Odoom, 2013c). While these cities are growing, their pursuit of urban green growth has led to much displacement, inequality, and shrinkage of the urban green commons such as urban gardens and farms.

It is from this perspective, then, that existing solutions can be measured. When the problem is seen this broadly, as the shrinking of the green commons, eco-taxes can help as can cap and trade schemes – but their effectiveness should be carefully evaluated as Santarius (2012) and Stilwell (2011b) have done respectively in Germany and Australia. Both instruments intend to reduce emissions based on the price mechanism. The effectiveness of these instruments depends on how well they are calculated and set and the elasticities of supply and demand. As elasticities differ across different goods and services, it is extremely challenging to identify a rate of tax which is good enough to discourage environmentally damaging production or purchases. Besides, being typically set at individual country levels, they do not address cross-border emissions or contributory emissions that arise when one rich country locates its polluting industry in poor countries or the polluting aspects of its industries in poorer countries. Neither do they address the problem of incentivising the production of polluting commodities produced overseas. More fundamentally, for cities, setting these taxes or caps at city-to-city level is no easy task. The question of moral opprobrium about giving the rich the ability to pollute once they can buy more rights to do so is also left ajar (Santarius, 2012; Stilwell, 2011b).

It is possible to design the instruments in such a way that they are rigid and cannot be traded. In this sense, a cap can neither be traded nor varied, but how to identify the right cap to fit all economic agents for all countries at all times is not easy. Even more crucially, having identified that right cap, how to police it across the world, especially in cities, is practically impossible.

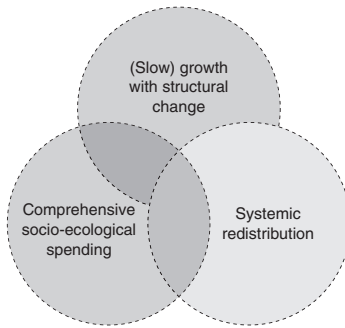
The Ergos experiment in Masdar in the United Arab Emirates (UAE) is an interesting case of ‘market planning’. However, Günel (2014) has shown that it has a ‘Big Brother’ side to it: all residents in the city, wherever they are, will have to be observed. Taking the public lift, one has to key in their ergo code; using the electronic facilities in the library too has to be monitored; in fact, even using the toilet hand dryer will require the keying in of the Ergos code. All that sounds fine when efficiency is equated with sustainability.

The one problem is that the tracking companies can leverage on this experience for profit: by selling the information profile of consumers to appliance companies to design appliances that best serve the needs of specific consumers.

In the UAE and in other regimes, how this tracking service can be used and misused for economic and social uses and political ends can only be imagined at this stage. In fact for the religious, the tracking system can be a powerful weapon too. Günel's (2014) ethnographic study of the project, including tracking the context for the development of Madar City and the intellectual home of the idea, part of which was a conference called 'Energy currency: Energy as the fundamental measure of price, cost and value', showed that the idea is more about solving market failures than about the environment in much the same way as green buildings are mostly about how to make more money from the environment (Wilkinson, 2013). Ergos could be thought of as a radical alternative; that is, an energy theory of value, where all cost is framed in value terms, presumably a superior standard to the labour theory of value which does not take into account the environment (Günel, 2014).

Yet, at the same time, the total dependence of this energy solution on technology, and how that technology can be used as a surveillance device, hence undermining the so-called freedom of choice, raise serious questions about this alternative. More fundamentally, institutional and physical structures that can make a positive contribution to increasing, rather than merely preserving, the Earth's carrying capacity – as Birkeland (2008) proposes – are major downsides. Similarly, although Ergos is predicated on an energy theory of value which is different from the neoclassical economics theory of market value expressed in utility and price, the equation of energetics to monetary value in this alternative leaves in place the very system that it attempts to topple (Mirowski, 1988; 1989).

Greater and more holistic urban commoning is a more effective approach to urban sustainable development. This alternative programme centres on three themes: (slow) growth with structural change, systemic redistribution, and comprehensive socio-ecological spending (see Figure 8.2). In 1885, Jevons chose long-lasting meaningful life with 'mediocrity' over brief 'greatness' and a lamentable fall from grace to grass (Jevons, 1885, p. 213). About a century later, another famous economist, E.F. Schumacher, independently arrived



9.2 Towards greater and more holistic urban commoning

at the same conclusion: we need a dramatic reduction in economic growth and for some places growth is no longer needed. What we all need, Schumacher argued, is Buddhist living; that is, being neither excessive nor deprived. Redistribute income and assets, offer social protection to labour and enhanced and comprehensive support to the poor, consider housing as a right, give meaning to social enterprise, and live in harmony with the environment. The title of Schumacher's book sums it up: *Small is Beautiful: Economics as if People Mattered* (Schumacher, 1973).

Contrary to apocalyptic claims about the end of the world if the growth machine were turned off, stepped down, or unplugged, there are alternatives beyond growth. Among them are redistribution of income and wealth, population management, and natural resource productivity (Daly, 2007, p. 26). These three must go hand-in-hand with a qualitative urban development policy. That is, creating an urban economy where the well-being of the population is consistently high for the residents without the ever-increasing tendency to expand physically in terms of numbers (and consumption) and materially. The boundary-less neoclassical economic theory of utility which is never satisfying and needs which are taught to be insatiable are, in fact, social constructs, not natural. It is established historically that tastes and preferences can be made to adapt to the steady state in the same way that a consumerist culture has been induced in the contemporary capitalist world (Daly 2007, pp. 117–123). So, 'more is better' ought to be replaced by 'enough is best' (Daly, 1990, p. 2). More recently, this alternative has been called a 'no growth imperative' (Zovanyi, 2013).

But regardless of its various forms and names, ‘beyond growth’ implies reversing the emphasis on growth in economic policy by de-stressing accumulation and realising its physical as well as ecological limits. (Slow) growth with structural change can be pursued in a number of ways – but they all entail workplace democracy, which is quite distinct from mainstream demands for worker participation which has become quite mainstream. In *Radical Democracy*, Douglas Lummis (1996, p. 142) clarifies that ‘the democratization of work entails more than just some formal arrangement – the nationalization of industry, the owning of stock by workers, or the like. It entails all of the changes in management, scale, machinery, speed’. Table 8.2, based on the analysis of Christopher Gunn (2011), provides a detailed comparison between the mainstream idea of participation and the democratic control of work being advocated in this chapter.

These arguments have typically been made by Marxist political economists. However, they are not restricted to Marxists alone. Indeed, Georgists make the same argument that the product of labour must belong to labour. As we shall see, from the Georgist perspective, taxing rent has been established to be one way to address not just inequality but also *systemic* inequality. Accordingly, it is a useful approach to institutionalise *systemic* redistribution if the state will invest the resulting revenues in social protection, in compensation, and in socio-economic and ecological processes. This can include investing in growth-enhancing processes that will guarantee structural change of the urban economy. Reindustrialisation in diversified industries in cities will serve the purpose of increasing the employment base of the city with implications for the rest of the country. Even beyond reducing and conserving, cities should, as Janis Birkeland (Birkeland, 2008) has consistently shown, make a *positive* development in the carrying capacity of the Earth by *expanding* the commons and the public good, while reducing the increasing private enclosure of wealth. Birkeland (2008) argues for increasing the ecological base or life-support system, including ecological carrying capacity and ecosystems – in whole-system terms rather than just increasing the resilience of what is left (see also Renger et al., 2015). While crucially important, Birkeland’s analysis seeks to address land and nature in sustainability without analysing the role of land in the capitalist economic system and what implications returning land to the commons will have for the economy and society.

TABLE 9.1 Workplace democracy and slow growth with structural change

Participation (Weak) ←		→ Democratic Control (Strong)	
(a) Purpose of participation	Inform workforce	Consult with workforce	Share decision with workforce
(b) Voting power	Minority of workers	Equal number of workers and managers	Majority of workers
(c) Topics for action by workers	Administrative	Administrative and technical	Admin, technical, financial
(d) Economic and financial role	Negotiating compensation	Negotiating compensation and work conditions	Determining compensation and work conditions
(e) Allocation of surplus	Voice in defining surplus	Representative vote in allocation of surplus	Determining reinvestment of surplus
			Determination of surplus allocation

Source: Adapted from Gunn, 2011, p. 319

It is this gap that a Georgist ecological perspective offers but about which little has been said in current research on sustainable urban development (e.g., Stilwell, 2011a; Pullen, 2013). Therefore, the rest of the chapter is devoted to an explication and critical appraisal of this paradigm.

Georgism: systemic redistribution and comprehensive socio-ecological spending

A distinctive approach to the challenge of the orthodoxy is that which Henry George developed in the 19th century. George's primary emphasis on the commodification of land as the source of all social and environmental crisis is unique. Unlike other heterodox approaches that emphasise corporate production in their critique of orthodoxy, George saw sustainable development first of all as returning land to common property.

George's ideas also stand in sharp contrast to orthodox theory which first regards land as capital, posits conservation or the management of land use as a way to make society sustainable, and advocates the use of private property in land as the only way to attain its best use (Hofmeister, 2010, pp. 143–158). To quote George (2006, p. 219, emphasis in original):

It is a delusion that land *must* be private property to be used effectively. It is a further delusion that making land common property – as it once was in the past – would destroy civilization and reduce us to barbarism. Lawmakers have done their best to expand this delusion, while economists have generally consented to it.

So, contrary to the view that private property in land is necessary for sustainable land use, Georgists argue that it is private property in land that causes unsustainable land use and urban development. Besides, for George, land and water, oil and coal are all land, as is air – unlike the orthodox view that sees land as only the physical part of the Earth (Hofmeister, 2010, p. 158); nothing special and indeed substitutable (Gaffney, 2008).

Although highly relevant and interesting, the ideas of George are as yet not very developed in the heterodox challenge of orthodox approaches to sustainability. George occupies a rather strange space

in heterodox political economy. It is hard to place him, as his approach does not fit neatly into the left–right divide in the literature. In a 1992 address, the dissident philosopher R.V. Andelson (1992) described George as a heterodox who is willing to incorporate aspects of the capitalist logic into his fundamentally more socialist-leaning oeuvre, spanning 1879 when he wrote his first book to 1897 when he died. Twice George made an attempt at becoming a mayor, and therein lies the strength of his ideas for urban sustainable development.

Theory George laid down his theory of natural resources and economic development (hereafter sustainable development) in his stimulating book, *Progress and Poverty* (1879). He restated and re-enforced the theory in *The Land Question* (1881), *Social Problems* (1883), *The Perplexed Philosopher* (1892), and *The Science of Political Economy* (1898), among other places. As with the Physiocrats and classical economists, George put land, labour, and capital as the factors of production. He defined land as all the free gifts of nature, labour as human exertion, and capital as stock of wealth used for further production. To George, the factors of production are all important, but not equally. Labour initiates production, but cannot do so without land. Capital is important and enhances production, but without it, production is still possible. George argued that the source of growth is not capital, but labour. This implied that, contrary to claims typically made by neoclassical economists that developing countries ought to make conditions flexible to allow capital to ooze in, it is rather labour, acting on land, that should be the crucial driver of production.

He argued that all the factors of production worked well together and it was not their workings that caused ‘poverty amid progress’. George argued that on its own, capital was nothing. Nevertheless, it greatly expands and enhances the exertions of labour, so capital is necessary and deserving of its reward but that reward should not be profit. To George, profit is contributed to by the other factors of production, so it is unjust for capital alone to appropriate it as reward. The nature of land, George argued, is rather different. Like labour and capital, it is crucial in production, but unlike labour and capital, it is not the creation of anyone. It is a free gift of nature. In turn, the creation of exclusive ownership in land and hence the generation and subsequent appropriation of rent – which he defined

as the returns arising from the monopolisation of natural resources – by a landowning group is highly problematic and indeed so is the source of the notion of ‘progress amid poverty’ (George, 2006).

Arguably, George’s conception of sustainability is rooted in the notion of ‘equal rights in land’. Land, to George, encompasses the obvious – the physical part of the Earth. However, it goes beyond that to embrace all natural resources. The notion of equal rights, George argued, is not the same as joint or collective rights. For George, these matters are merely secondary and they arise only when other people with equal rights want to use the same lot of land. But that is different from suggesting that it is the collective or the society that confers equal rights. To George, it is nature itself, the existence of humankind, that leads to the principle of equal rights.

So, even when equal rights become transmogrified into joint rights, their change is only one of limitation, not of abrogation, and the right they have is not bestowed by others but by nature and the existence of humans. The joint right is still an equal right because the limitation on it is a similar right. There are two key implications of the limitation, according to George (1892, p. 31): ‘(1) an absolute right to use any part of the earth as to which his use does not conflict with the equal rights of others (i.e., which no one else wants to use at the same time), and (2) a coequal right to the use of any part of the earth which he and others may want to use at the same time.’ It follows that the right springs not from society or others, but the limitation – equality – does spring from societal considerations because there are others with like rights. To uphold these principles, to George, will be sustainable development. Holding the right to property in land, on the other hand, is unsustainable.

In the Georgist conception of sustainability, as private property is created in land, rent begins to accrue. Public investments, technological advancement, and population growth, among others, contribute to the increase in rent. Speculation enters the equation, as hoarding land from the public becomes highly lucrative, and the margin of production – the point beyond which production will not take place – gradually extends (George, 2006). The process intensifies with rent skyrocketing, and land is channelled into uses that do not satisfy human need, but are intended to generate rent for landlords. Gentrifiers move into the city, as do investors, developers, and

residents intending to even further expedite the process, for example through gating (Obeng-Odoom, 2014). The poor are forced out to marginal lands on the periphery, the outskirts, the sprawling areas. There is no longer a compact city; sustainable urbanism becomes an oxymoron as land uses are dictated not by human need but by the desire to extract more and more economic rent. Prime land is held out of the market for speculative reasons, while the poor hopelessly till poor lands. But private property is a contrivance. As it causes rent to increase, and the cost of living generally to go up and the system becomes inflationary as a rise in rent tends to affect all production, it forces down wages and interest, not necessarily as an amount, but as a quantity, according to George.

Labour cannot forever surrender its wages to landlords as rent. It will tend to become discouraged at a point and hence will reduce production. And that is when the system can be thrown into a tail spin: a fall in production leads to a fall in wealth, and can lead to the suspension of the production process and hence of the engagement of labour which, in turn, can lead to further falls in purchases. A system of crises ensues locally, nationally, and globally. So, creating private property in land cannot be sustainable.

Critique of existing approaches From this perspective, Georgists question the neoclassical approach to sustainability. To Georgists, the neoclassical approach to sustainability emphasising eco-technology and gadgetry and low population is highly problematic because more technology means more demand and more demand means more production, which in turn further exerts pressure on nature (Stilwell and Jordan, 2004; Mason, 2006). George's theory, then, is a direct challenge to the existing orthodox theory.

An extension in the demand for land means more rent, and its concomitant issues. Orthodox policies for attaining sustainable urban development have similar effects. The Clean Development Mechanism is a case in point. It entails the purchase of private land for the development of lots. Sequestration is the same. They both intensify the demand for land, they both endorse and extend private property in land, and hence they both intensify rent-speculation-social problems dynamics. Others such as cap and trade and emissions trading schemes are praised by orthodox economists for their efficiency but, for George, with greater efficiency there is more

likelihood for increased rent and hence the setting in motion of a vicious cycle of unsustainable urban development.

Of the left, too, George was critical. He spoke, for instance, against nationalisation, contending that government property infringed the equal rights to land and the extent that it does not abolish rent is ineffective. Further, he contended that nationalisation risked collusion, corruption, bureaucracy, and hence inefficiency. Thus rather than create another public outlet, he saw the taxation of rent as a way back to the land (George, 2006, p. 224). Redistribution was also not favoured by George. According to him, land redistribution could work but only for a while. As the population grows, land will either become concentrated in the hands of the original population that benefited from redistribution and that population will become a new class of landlords extracting rent and causing pressure on the labour, capital, and the environment generally – or, if land continues to be redistributed, being a fixed quantity, the amount to anyone would become so small that it will be practically useless. In turn, there would be pressures for richer people to buy out smallholders to combine their lots. Finally, George was against the public purchase of all private land for the reason that it is inefficient and ineffective.

Thus, in his analysis of sustainable urban development, it is hard to place George either as a ‘right’ or ‘left’-wing social reformer. He was critical of both. However, to the extent that he claimed he believed in socialism, was against the privatisation of the commons, and against the treatment of ‘land’ as an ordinary factor of production, George was a radical or heterodox thinker. Aside from his heterodox diagnosis of sustainable development, his preferred solution was heterodox too.

Solution George preferred that all land be made common land to which all citizens had equal right and access. That is different from government land which is bureaucratically managed by government functionaries. George offered a two-point process to reaching this goal. First, he recommended that all non-land-based taxes be abolished because they penalised human exertion, discouraged industry, and extinguished initiatives. Second, he recommended the taxation of rent arising from the use of land. To him, this capture of the rent from land is a way to reconcile the individual and the collective as a possible return to the common land for the common person.

Some readers of George often make the mistake of thinking that George's cardinal solution to the crises in sustainability was to use taxation, also a market-based approach (O'Sullivan, 2012), but in fact, George's preferred solution was to return land to common property. Land tax, to George, was an intermediate solution, a way to try to save land from its status as private property. In his words, 'Nothing short of making land common property can permanently relieve poverty' (George, 2006, p. xvii). He recommended the taxation of all nature, including the taxation of monopolies. 'The profit of monopoly', according to George, 'is in itself a tax on production. Taxing it would simply divert into public coffers what producers must pay anyway' (George, 2006, p. 228). Also, the idea of a profit tax on rent extracted by the mining and oil complexes is consistent with George's theory of sustainable urban development.

Appraisal George's ideas have been widely criticised. O'Sullivan (2012), for example, has offered three criticisms. First, confiscating rent is a disincentive for landlords to effectively manage land. Second, it is unjust to dispossess landowners of their land. Finally, it is extremely difficult to accurately determine land rent. Neither George's recommendation for a purely land tax regime nor the abolishment of all other taxes has had much global acceptance. Indeed, even Georgists have suggested that this view is an exaggeration (Stilwell and Jordan, 2004). Therefore, the land tax idea is best considered as one of many tools to be considered. First is the capacity of the state and its institutions such as land use and urban planning authorities. What makes George so sure that the state that can be corrupt in carrying out land redistribution will be above board while extracting taxation? Besides, there are questions about the capacity to design and collect rent, issues about whether the electorate is ready to pay, and questions about the adequacy of existing infrastructure such as address systems to do a land valuation and taxation exercise.

Georgists have tried to respond to some of these issues. The Henry George Schools around the world, for instance, argue that reserving 5–10 per cent of rent to compensate landlords for their estate management services will simultaneously provide the needed incentive for management and offer society the rent it collectively creates. George himself dealt with the issue of the seeming injustice in dispossessing landlords of 'their' land. He argued that as the land

is not the private property of landlords, there can be no injustice in restoring land to the status of common good. But George insisted that any improvements by landlords should not be confiscated (George, 2006). While in poorer countries, especially, logistical and institutional capacity can be a barrier to the estimation of rental value, and hence critics of George do have a case, modern land economists have developed sophisticated and practical approaches that can be used to overcome this concern with taxation capacity (Obeng-Odoom, 2014). So, while there are important challenges in applying the ideas of George, most of them are surmountable.

Henry George's ideas have an enduring relevance to contemporary society. They have been applied to the analysis of urban development in Australia (Stilwell and Jordan, 2004; Stilwell, 2011a) and China (Cui, 2011). Efforts to apply Georgism to cities in Africa have been limited, but recent work (Obeng-Odoom, 2012a; 2014) has tried to do so, although it casts some doubts on aspects of the work of George such as the claim that 'once the assessment [of tax] is made, nothing but a receiver is required for collection' (George, 2006, p. 230). Of course George had in mind the state in the advanced countries, whereas the work on Africa deals with the state in a relatively ill-resourced country so this appraisal ought to be understood within historical and geographical contexts. There are those who argue that George did not take into account global forces and a few who worry about the ambiguity in George's taxation design laws, but these matters can be overcome given efforts to show how the Georgist approach anticipated the recent global crises (Gaffney, 2009).

The lack of concrete analysis of how to depart from the present frame of thinking to the Georgist ideal is clearly a weakness in the Georgist paradigm of sustainable urban development, but it is simultaneously an opportunity to provide a bridge between Georgism and other progressive perspectives that better theorise movements not just for any policy, but for a just and green urban policy.

Conclusion

One of the striking features of the 21st century is the extraordinary interest in saving the urban commons, especially nature and access to it by not harming it and, instead, increasing access to it. What is controversial is how this is being done: through green factories,

real estate development, privatisation, and green technology. In this process, there is hardly any emphasis on class, race, or the institutions that underpin them.

Urban green growth is wedded to the age-old growth logic. It may pan out in certain urban design practices, but the fundamental driver of urban green growth is 'growthmania'. Whether it strives for alternative energy, energy efficiency, or both, it is patterned after the imperative to keep growing, producing, and consuming. It uses market incentives to bring about a change in individual behaviour and technology to address a problem that is systemic and institutional. In this sense, urban green growth is not only market creating, adjusting, regulating, and augmenting but also technology creating, adjusting, regulating, and augmenting. The city, under the banner of urban green growth, is a 'growth machine'.

Existing criticisms of urban green growth cohere around the idea that it is ineffective precisely because there is not enough urban green growth and hence more rather than less urban green growth is needed.

Yet, as this chapter has shown, there is formidable evidence that current forms of production and consumption are unsustainable. The pressures on the Earth have intensified as expressed among others in the rapidly expanding ecological footprint, population expansion, and massive accumulation on a world scale. Climate change is the most popular consequence but the loss in diversity of living organisms, predicted to reduce by half in less than five decades to come, is yet another consequence (Zoyanyi, 2013, pp. 13–32). Together, they threaten the very basis of the human race.

This chapter has (1) demonstrated the limitations of urban green growth, (2) shown the failings of existing criticisms of urban green growth, and (3) offered more comprehensive institutional, Marxist, and Georgist alternatives that not only recognise the limits to growth but also stress the need for directly supporting the Earth's carrying capacity. These alternatives also look at redistributing the fruits of growth, for example through using resources to support labour, public and social housing, and social enterprises, seriously considering ways of redistributing wealth, and embarking on fundamental reforms to how capitalist institutions work such as de-growing and growing slowly, and pursuing alternatives to growth such as happiness in an ecological society.

CONCLUSION: TOWARDS A POLITICAL ECONOMY OF THE BUILT ENVIRONMENT

Analysing cities is an important and engaging process. Nonetheless, the conventional and mainstream economics effort to do so has been highly limiting, typically estranged from broader social, political, economic, and environmental considerations *and* their structural interconnections. This book has provided the need for a dissent and a reconstruction (Introduction), established principles for progress in urban research and, on the basis of these principles (Part One), analysed both the material conditions in cities (Part Two) and in what ways socio-ecologically sensitive urban futures can be created (Part Three).

This final analysis summarises what has been done, reflects on what can be done, and contemplates what future lies ahead of cities around the world. Capitalist cities have exhibited dynamism and growth, as have – perhaps even more spectacularly – the cities in emerging nations and regions, particularly China. However, the ills of capitalism and the suffering of the majority squeezed by that system have fallen on the deaf ears of economists. Thus, even in the wake of a major global economic crisis, mainstream economics assumptions, methodology, and policy recommendations (which tend to extol neoliberalism) have remained intact at the fundamental level. Students around the world studying this subject have petitioned their teachers for other forms of economics to be taught – but the teachers have remained adamant, as if to say ‘good times are coming; tighten your belts more’. The dissonance is worse for students of urban economics in particular, who are taught one thing in the classroom only to experience much more complex and jarring processes when they step out of the ‘ivory tower’ into the cities outside. The post-autistic economics movement says this proves that neoclassical economics is autistic. What this book indicates is that this disconnect means neoclassical economics is ideological in its assumptions and vision and that its dominance is a consequence of its status as the ideology of the ruling interests. Not surprisingly, the rich and mighty across the world have tightened

their grip on wealth, leading some to label neoclassical economics the ‘economics of the 1%’ (Weeks, 2014).

It is this baptism of fire that is the source from which built environment economics lights its torch, to which the professors in the built environment report, and in which built environment students are schooled. Education in built environment economics is often hostile to critical enquiry and the teachers justify their conservative approaches on grounds that the students want hands-on skills for the industry or that the industry wants students with certain hands-on skills. They claim that critical enquiry belongs to the social sciences, to sociology, to history, to philosophy, to everywhere apart from the built environment where only what is good (that is, what is good for capital), not what actually is (how cities work under capitalism, including their tensions and contradictions) or what ought to be done to make the system work for people, places, and planet, not just for profit, should be taught. For many built environment professors and professionals, this effort to dig deeper into the roots of capitalism can only be abstract, the preference being with ‘practical’ matters. Yet this pragmatism itself is an ideology of the right.

As this book has shown, this version of built environment economics is a stranger, if not an intruder. The founders of built environment economics were hardly this biased and insular. In America, R.T. Ely was the economist who developed the field. He did so around land and urban economics. He produced stimulating papers on how built environment economics should be taught and studied. To emphasise, he insisted on the importance of a multiplicity of theories presented as a contest in economic enquiry, criticism, and opposition to the worship of mainstream. He taught that the study of urban, land, housing, or natural resources must be done alongside studying other subjects such as geography. He was keenly interested in the generation of economic rent and its ramification for the distribution of wealth. And while he was regarded as an institutional economist – that is, an economist interested in how institutions are central to the workings of the economy, how they evolve, corporate capital, capitalism, their changing forms, and their implications for distribution – he could also be called a ‘socialist economist’. For Ely, however, socialism was not a political programme per se; it meant a philosophy opposed to individualism.

This book has drawn on multiple and varied political economic

approaches based on a triad: institutionalism, Marxist urban political economy, and Georgist political economy. Ely's contribution served as a point of departure for an institutional political economy of the built environment. The appeal of institutionalism, however, is much broader: much urban research today recognises the importance of an institutional political economic approach to the study of cities. This is not just one more approach. Rather, it is an approach that directly rivals mainstream urban economics. Its advocates also recognise its weaknesses and incompleteness. As earlier chapters have shown, while its important ideas of path dependencies and circular and cumulative causation have been helpful in the dissent, reconstruction, and riposte in this book, the locomotive for the analysis of land rent and inequality or capitalist accumulation and related dispossession is much more effectively done from Marxist urban political economy, and Georgist land economics generally.

Indeed, it can be argued that Marxist urban political economy has developed a much more sophisticated and sustained analysis of cities over the years and hence has been successful in contributing more concepts and lines of analysis for our understanding of cities, urban systems, and regions. Concepts of accumulation, of class, of social justice and how they play out in space over time are mightily important. What leading Marxist urban political economist David Harvey calls the 'spatio-temporal fix' – that is, the tensions and contradictions in the urban process under capitalism – significantly enlarges our frame of analysis on cities. That said, Marxist thinking has its own failings too; indeed, sometimes grave. The suggestion that the evolution of time somewhat stops with communism or that there is only one solution to the urban challenge – communist cities as a triumph over evil – is rather 'un-Marxist' in the sense that it raises a big question-mark over the Marxist analysis of time and space. While its emphasis on the struggle between capital and labour is crucial and illuminating, its relatively narrow emphasis on non-Marxist possibilities for analysis and change can make this theoretical pillar limiting.

While the stereotypical view that Marxists do not consider the important role of land in analysis, and in seeking structural changes is fundamentally mistaken, as I show elsewhere (Obeng-Odoom, 2015a), Georgist land economics performs much better here, especially in relation to cities, their function, and growth,

and, importantly, their meaning for inclusion. Georgist ideas are important, at least in helping to expand the focus of description, analysis, and explanation from capital and workers to land, nature, and sustainability: socially, ecologically, and economically. The idea of 'progress and poverty' draws attention to the inherent inequalities in urban development under capitalism, inequalities that arise not from capital and workers but from landlords in their appropriation of rent to the exclusion of the rest. Defending Georgism this way is not to argue that it has all the answers, even to inequality; indeed its insights are also partial. It can claim too much about how land rent is the primary source of social inequality, even though that source of inequality is crucially important as the chapter on inequality shows.

It is for these reasons that the book is based not only on institutionalism, Marxist urban political economy, or Georgist land economics. Rather, it is constructed on a theoretical composite of institutionalism, Marxism, and Georgism. But even this synthesis remains weak for it is often the case that the components have been Eurocentric in practice, even if it is to be accepted that there is nothing inherently Eurocentric in the theoretical formulations. Such an alternative theory and praxis cannot be superior in principle but also in practice: more than half of the world's cities are outside of Europe. If a reconstruction can help us to understand these non-Western cities, non-Western experiences will have to be taken seriously and *related* to the world system in which such cities operate. The point of doing so is not so much to show that such cities are 'different' but to demonstrate how they are connected to the world system and how they contribute to that system – and that system, in turn, shapes their experiences. This, in short, is why the book also borrowed from a postcolonial thrust.

Together, this reconstruction has made it possible to draw on interdisciplinary lines of analysis and synthesis to provide a bulwark for reconstructing mainstream urban economics and moving towards a political economy of the built environment. This alternative overcomes the fundamental problems of mainstream urban economics: 'spatial separatism' and 'methodological individualism', as demonstrated throughout the book, from analysing the urban challenge, the urban economy, globalisation and trade, informal economies, and urban poverty; to examining housing, urban sustainable development, and urban transport. The analysis has drawn attention to

issues relatively neglected or poorly analysed by mainstream urban economics. These include inherent inequality in markets, failings in the market society to bring about desired life circumstances for the masses, congestion problems, deaths, disability, skyrocketing rents, exploitation, grinding poverty, environmental pillage, expropriation of land, and massive numbers of deaths.

Managing the city economy: towards the good city

In his 1930 work on ‘land planning and education’, R.T. Ely presented his well-known concept of ‘planned progress’. For Ely, global problems could be addressed through careful planning at different scales, including at the international level. But this ‘planned progress’ must be studied. Ely argued that ‘planned utilization requires education’ (p. 11) of a critical nature; one of ‘planned progress’ (p. 11) in which there are ‘better homes, less waste with more economical utilization of land, more abundant and widely diffused prosperity’ (Ely, 1930, p. 13). Exactly how to achieve this vision of managing the city economy towards the good city differs. Le-Yin Zhang’s latest book *Managing the City Economy* (2015) offers more detailed analysis for cities in the Global South, while Michael Storper and his colleagues draw lessons for cities in the advanced capitalist countries from their book, *The Rise and Fall of Urban Economies: Lessons from San Francisco and Los Angeles* (2015).

Some say that all alternative views can be bundled together into a vision of ‘good urban governance’. Sometimes this vision has been defined as decentralisation, entrepreneurialism, and democratisation – either as individual ends or collective end points. It is a vision about which much has been said in terms of how to conceptualise it, how that vision evolved, and why, in practice, the vision is co-opted (Obeng-Odoom, 2013a). In principle, however, having a city where there is congruence between what people want and what the city does looks like a good thing. Such an environment enables solidarity to flourish. To Cambridge geographer Ash Amin (2006), this environment is characterised by the interconnected ends of *repair*, that is the continuing provision and maintenance of urban services, *rights* (that is the ability to have access to and control of urban services and decisions), *relatedness* (that is social justice in urban life), and *re-enchantment* (that is, the freedom to associate and the freedom to

a sociality of radical associations and groups, ideas, and philosophies such as liberation theology).

A minipublic of sorts, such a good city can face obstacles if there are issues of a national nature, beyond the city level, that have to be solved or another of an international nature. Also, this minipublic faces the danger of making people think of only the local without linking up to the international. So, such urban governance can also have the federal and state government partaking in the running of cities and showing solidarity to international progressive causes. From this angle, the failings of localism are not of the local per se, but the interaction between that ideal, the design of institutions to carry the ideal, and the present institutions within which such ideals are lived (Parkinson, 2007). It is often the case that what is called an all-inclusive governance for all beyond just the government becomes dominated by business interests. In other words, the entrepreneurial impulse beats faster and harder than the democratic and decentralisation emphases, or business interests shut out any other concerns. In that case, more structural obstacles are evident and overcoming such challenges of localism are Herculean, if not impossible (Obeng-Odoom, 2013). In both cases, however, the desirability of the idea of a *radical* democracy – of people's power at all levels (Lummis, 1996), including the street, neighbourhood, and urban levels (Friedmann, 2000) – is not one that is easily refuted.

A posited solution to the failings of radical urban governance has been offered by the urban sociologist Manuel Castells in the form of social movements. According to Castells (1978, p. 93), 'by social movements, we mean a certain type of organisation of social practices, the logic of whose development contradicts the institutionally dominant social logic'. They are movements around which protests concerning the urban and ecology organise and mobilise populations to transform the relations of force between classes. They innovate cultural models to become one of the necessities for effecting social change. Urban social movements are, therefore, central to the urban question and the means of collective consumption.

As shown in *The Castells Reader on Cities and Social Theory* (Susser, 2002) and later by Castells (2007; 2008; 2010) himself, such democratic and pressure groups cut across sectors, they are bigger than working-class movements, and they exist to constantly pressure and press forward democratic changes in every facet of urban life: in

housing, transport, environment, economy, or land rights. Social and public housing, public transport, the slowing down of conspicuous consumption and continuing accumulation, and collectivisation of land are all matters that can be demanded by vibrant and radical social movements within a framework where the governors can only exist because they execute the desires of the governed. Production too can be socialised – that is, social movements can demand that workers control the means and mode of production, not just a situation where workers hold Mickey Mouse shares in the companies in which they work but that workers control the commanding heights of the economy. So, in both procedural and outcome terms, social movements should radically keep thumping the frontiers of change towards the good city.

In a relatively recent contribution to a special issue of *Urban Studies* on ‘Urban Networks and Network Theory’, which was edited by Géraldine Pflieger and Céline Rozenblat (2010), Castells (2010) highlights the new dangers but also possibilities that the information age brings to social movements. ‘In the absence of active social demands and social movements’, Castells (2010, p. 2743) notes, ‘the mega node imposes the logic of the global over the local’, generating what he calls ‘the co-existence of metropolitan dynamism with metropolitan marginality’. Framed in Georgist terms, this would be a dynamic of ‘progress and poverty’. Research (Pflieger and Rozenblat, 2010) shows that such tensions have also provided the energy for social movements to blast away marginality. The use of technology, the internet, Facebook, and other social media has made it possible to link otherwise disparate social movements.

The story of Mohamed Bouazizi (recounted in Chapter 5) and how that story, via social media, fuelled protests in Libya, Egypt, and Algeria – and elsewhere, including Wall Street, where the ‘Occupy Wall Street Movement’ (see, for example, Writers for the 99%, 2012) went on the offensive – appears to offer a glimpse of the socio-spatial justice processes that social movements aided by technology can trigger. In *Rebel Cities* (2012), David Harvey offers further analysis and gives more examples of what urban social movements in alliance with wider social movements can do to reclaim spatial and social justice, to reclaim the ‘right to the city’.

In his book *Revolution at the Gates*, Eastern European scholar and philosopher Slavoj Žižek notes that:

the fundamental lesson of revolutionary *materialism* is that revolution must strike twice, and for essential reasons. The gap is not simply the gap between form and content: what the ‘first revolution’ misses is not the content, but *the form itself* – it remains stuck in the old form, thinking that freedom and justice can be accomplished if we simply put the existing state apparatus and its democratic mechanisms to use. What if the ‘good’ party wins the free elections and ‘legally’ implements socialist transformation? (The clearest expression of this illusion, bordering on the ridiculous, is Karl Kautsky’s thesis, formulated in the 1920s, that the logical political form of the first stage of socialism, of the passage from capitalism to socialism, is the parliamentary coalition of bourgeois and proletarian parties.) Here there is a perfect parallel with the era of early modernity, in which opposition to another religious ideology, *as a heresy*: along the same lines, the partisans of the ‘first revolution’ want to subvert capitalist domination in the very political form of capitalist democracy. ... Those who oscillate, those who are afraid to take the second step of overcoming this form itself, are those who ... want a ‘revolution without revolution’. (Žižek, 2002, pp. 7–8, emphases in original)

A social movement, then, should not only be content with denouncing present capitalist forms but should also form non-capitalist alternatives. Some of these demands may sound *utopian*, but they are better regarded as *real utopian* visions because, as we have seen, some have taken place, albeit on a small scale. So, they sit between realism – which is the here and now, concrete steps that we can take and utopianism – which is a vision of our desires (Wright, 2010). The key point, however, is that such a vision keeps hope alive rather than elevating hopelessness to the level of disillusion. Capitalism was not always the dominant mode of production and has been reformed and transformed in many ways, so a new form of arranging society is, on the basis of the ills of the present system, desirable and possible. Rather than wait for markets to accidentally collapse, social movements – including teachers and students, imams, pastors, popes, and other religious leaders – can all thump and push against the frontiers of radical democracy.

From this perspective, the city is first of all a space for human–nature interactions, not a market. Yes, there are those urban economists who

argue the opposite, but that is precisely why we should have alternative tools for thinking, alternative ideas for organising society.

The revolution needed in built environment economics requires at least three interrelated processes: first, a direct critique of mainstream economics; second, a direct confrontation with capitalism, and third, the articulation of non-mainstream, non-capitalist alternatives. Institutional, Marxist, and Georgist political economic analyses can help in all three processes.

So too can some of the work of neoclassical economists (the Jevons paradox, for example), and feminist and postcolonial analysts. What this book has sought to present is a combination of these eclectic frameworks as a modern political economy approach to understand cities and regions. Doing so shows that, while the original thinkers of institutional economics are long dead, this economics lives on as a vibrant current on which built environment economists can draw for analysis. For economic geographers seeking ways of applying evolutionary economic geography to the understanding of modern cities, this book has offered one way, indeed a major path to progress and fruitful inquiry.

Reconstructing Urban Economics has demonstrated four important arguments. First, the current understanding of built environment economics is too narrow, a mimicry of orthodox economics. Second, it has demonstrated the need to go beyond this way of doing economics because it neither sufficiently captures the complexities of the built environment nor comprehends how capital works its way through cities and the built environment. Consequently, it produces misleading foundations for urban policy which hurt urban society, economy, and environment. Third, it has shown how to synthesise institutional economics, Marxist urban political economy, and Georgist political economy for the study of contemporary cities. Fourth, it has concretely applied this framework to pressing social problems and urban economic questions in the 21st century. Together these arguments provide alternatives *Towards a Political Economy of the Built Environment*. The challenges faced by cities today need to be met by rethinking (challenging) mainstream urban analysis. This book has sought to show students, and concerned citizens more generally, how this reconstruction can be done to understand and transform the future of our cities.

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